

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

and Performance Information  
Fiscal Year 2012

## **OFFICE OF INSULAR AFFAIRS**

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## **I. Bureau-Level Presentation**

### **A. General Statement**

#### **1. 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 (USVI), and the Commonwealth of the Northern Mariana Islands (CNMI), as well as the three Freely Associated States (FAS): the Federated States of Micronesia (FSM), the Republic of the Marshall Islands (RMI), and the Republic of Palau.

The 2012 budget request is focused primarily on the upcoming fiscal year, but it is framed by long-term security interests of the United States in the western Pacific and Caribbean and serious economic and fiscal problems impacting the insular areas. Using General Technical Assistance funding, the Bureau of Economic Analysis (BEA) has successfully developed formal methodologies for measuring the gross domestic product (GDP) of the U.S. territories for the first time. The resulting GDP estimates, released on May 5, 2010, have shed light on challenges faced in the territories and brought in to focus the vulnerability of their small undiversified economies.

The GDP data collected by BEA spanned a five year timeframe from 2002 to 2007. While American Samoa's real GDP increased at an average annual rate of 0.4 percent over this period, the annual growth rate ranged from -2.9 percent to +2.1 percent exhibiting volatility linked to changes in the exports of canned tuna. Although not evidenced in this first calculation of GDP, the departure of the Chicken of the Sea cannery from the Territory in September 2009 will surely have a profound negative impact on economic activity in American Samoa. This will further depress already low per capita real GDP in the Territory which was \$7,874 in 2007. For comparison, per capita real GDP in the United States was \$48,300 in that same year.

The continuing downward economic spiral in the Commonwealth of the Northern Mariana Islands has been given increased definition by the new GDP data. Real GDP in the CNMI decreased at an average annual rate of 4.2 percent from 2002 to 2007. According to BEA, "The decrease in real GDP was primarily accounted for by a decrease in the exports of garments and a decline in tourism. In 2005, the garment industry was impacted by reduced quotas on the imports of foreign textiles and garments. Since 2002, a number of economic shocks have contributed to a decline in tourism, including the SARS epidemic and the suspension of flights from Tokyo by Japan Airlines." During this period per capita real GDP did show a small average annual increase of 0.5%, however, the gain was the result of the population of the CNMI decreasing rapidly, at an average annual rate of 4.6 percent, as its foreign workers and citizens left the islands seeking economic opportunity elsewhere.

Although challenging economic conditions are likely to persist in American Samoa and the CNMI, the outlook for Guam is comparatively much brighter. The imminent relocation of thousands of U.S. military personnel and their dependents from Okinawa, Japan to Guam is a huge challenge on many fronts, including the creation of a Federal-wide funding strategy for

needed civilian infrastructure upgrades, but also presents a strong economic opportunity for the island. Guam's real GDP grew at an average annual rate of 1.8 percent from 2002 to 2007 driven by construction activity and tourism. With Guam's population expected to grow by 20 percent by 2014 due to the military relocation, economic activity related to construction and the military is set for a robust expansion.

The U.S. Virgin Islands and its relatively diversified insular economy experienced stable growth with real GDP growing at an average annual rate of 2.9 percent from 2002 to 2007 and had by far the highest real GDP per capita amongst the territories at \$40,124 in 2007. According to BEA, "the major factors underlying the strong economic growth were the oil refining industry, tourism, and territorial government spending." The U.S. Virgin Islands will likely continue to experience sustained economic growth in future years as a result of the Government's successful bid to lure Diageo's rum production operations and its associated excise tax revenue away from Puerto Rico. However, the U.S. Virgin Islands has its own significant challenges including addressing consent decrees and EPA administrative orders to improve water, wastewater and solid waste facilities.

Like American Samoa and the CNMI, the freely associated states of the FSM and the RMI are also suffering from a lack of economic growth. The FSM has seen decreases in Gross National Product (GNP) averaging 0.1 percent a year in 2000 to 2007, and decreased another 1 percent in 2008. GNP in the FSM was expected to grow 0.5 percent in 2009 due to falling energy prices, but the overall trend is not encouraging.

The RMI's economy has performed more favorably in the last decade than that of the FSM's. According to data provided by the RMI government, real GNP increased every year in 1999 to 2007. In 2008, real GNP was down 2.0 percent, mainly as a result of high energy prices which raised the cost of transport, utilities and a whole range of other goods and services. In 1999 to 2007, real GNP growth rate averaged 1.8 percent a year.

Both the FSM and the RMI remain generally stable due to funding through the Compact of Free Association. However, the amount of funds available for government spending within the local economies is reduced annually as funds are shifted to deposits into the Compact trust funds. Without greater growth in their economies, neither government will be able to maintain the level of services to their populations in the medium term.

With the anticipated enactment of the new financial assistance agreement between Palau and the U.S. in 2011, 2012 will see the Republic of Palau fully implementing the new arrangements. The goals of the continued funding are to maintain the viability of Palau's trust fund and to keep government spending stable while Palau enacts policy reforms to strengthen its economy. Palau should see a spike in economic activity as it begins using capital improvement funding provided by the U.S.

Although each island's situation is unique, there are challenges they face in common. Each has very limited land and resources. Each has a small population and a limited pool of expertise to address the community's critical needs. Each is located in an area that is highly prone to

destructive typhoons, cyclones, or hurricanes. Each faces constraints that mainland communities generally do not have, and they face those constraints in geographically isolated areas.

The Office of Insular Affairs strives to empower insular communities so they can overcome these challenges and seize upon opportunities as they arise. The Office will pursue strategies that foster economic development, lead to the adoption of sustainable energy solutions, promote sound financial management in the insular governments, and improve the quality of life for islanders while respecting and preserving their native cultures.

In response to the requirements issued through OMB Memorandum M-10-19 regarding Government-wide initiatives, OIA is participating with Departmental offices and the other bureaus of the Department in a coordinated, agency-wide approach to the planning and implementation for each initiative. The Department is coordinating the initiative efforts through organized steering committees or implementation groups that engage each bureau and office. This enables a consistent and structured response across the Department. Descriptions of the Department's strategies and accomplishments for each initiative are provided in the General Statement of the Department-Wide Programs budget justification.

In support of the President's commitment on fiscal discipline and spending restraint, OIA is participating in an aggressive Department-wide effort to curb non-essential administrative spending. In accordance with this initiative, OIA's justification assumes \$86,000 in savings in 2012 against actual 2010 expenditures. A specific implementation plan will be completed in the near future; however, the activities where savings will be realized include: advisory contracts; travel and transportation of people and things, including employee relocation; printing; and supplies. There will be no programmatic impact of implementing these savings initiatives, as functions will be performed in a more efficient and more effective manner. These cost savings build upon management efficiencies that the bureau began implementing in FY 2011. These management efficiencies are in the areas of IT infrastructure consolidation, travel and relocation, and strategic sourcing. OIA plans to achieve 2012 administrative cost savings by reducing official travel.

In accordance with the Government Performance and Results Act of 1993 and with OMB policy and direction, the DOI Strategic Plan has been reviewed and updated in compliance with the three-year update requirement. The Department, in consultation with bureaus, reviewed the organization and construct of the Strategic Plan in light of the Administration's priorities, goals, and objectives; recent innovations and efficiencies in delivering mission objectives; and the goal to provide a more integrated and focused approach to track performance across a wide range of DOI programs. Although many of the outcome goals and performance measures remain consistent from the previous Strategic Plan, the organizing principles for those goals and measures reflect the new approach to meeting the Department's mission responsibilities. The DOI Strategic Plan for FY 2011-FY 2016 is the foundational structure for the description of program performance measurement and planning for the FY 2012 President's Budget. Budget and program plans for FY 2012 are fully consistent with the goals, outcomes, and measures described in the new version of the DOI Strategic Plan.

## 2. Budget Highlights

The proposed 2012 OIA budget is \$464.3 million, an increase of \$13.4 million and 2 FTE from the 2010 Enacted/ 2011 Continuing Resolution level<sup>1</sup>. The Department of Defense budget includes a proposal to transfer \$10.1 million to OIA in anticipation of the military build-up on Guam.

### Total 2012 Budget Request (Dollars in Thousands)

Budget Authority	2010 Actual	2010 Enacted / 2011 CR	2012 Request	2012 Request Change from 2011 CR
Current	102,513	102,513	87,171	-15,342
Permanent	387,742	348,361	377,133	+28,772
<b>Total OIA</b>	<b>490,255</b>	<b>450,874</b>	<b>464,304</b>	<b>+13,430</b>
DoD Transfer			10,070	+10,070
Total	490,255	450,874	474,374	+23,500
<i>FTEs</i>	38	41	43	+2

OIA's budget is divided into two major categories of funding – current and permanent appropriations. Most of OIA's budget reflects mandatory commitments to U.S.-affiliated insular areas and is permanently appropriated. In 2012, these commitments include an estimated \$145.0 million for fiscal payments to Guam and the U.S. Virgin Islands and \$232.1 million for payments under the Compacts of Free Association. Current appropriations of \$87.2 million are requested in 2012, a decrease of \$15.3 million from the 2010 Enacted/ 2011 Continuing Resolution level. The current appropriations request includes \$59.5 million in discretionary funding and \$27.7 million in mandatory funding. A \$10.1 million transfer from the Department of Defense (DoD) is proposed for vehicles and supplies for the transportation of civilian students on Guam.

### Guam Military Relocation

In addition to the \$10.1 million transfer from DoD for the transportation of civilian students on Guam, the 2012 OIA request also includes \$2.8 million for activities to lessen socio-economic burdens created by the military's relocation from Okinawa, Japan to Guam. Proposed activities include the acquisition of public safety equipment and technical assistance projects that help the local government operate more efficiently. The request also includes \$330,000 and 2 FTE to establish a Guam field office to monitor and assist Guam with the military relocation.

### Palau Compact of Free Association

On September 3, 2010, the United States and the Government of Palau successfully concluded the review of the Compact of Free Association and signed a 15-year agreement that includes a \$250 million package of assistance through 2024. Under the agreement, Palau committed to undertake economic, legislative, financial, and management reforms. The conclusion of the agreement reaffirms the close partnership between the United States and the Republic of Palau.

<sup>1</sup> The 2011 base for the 2012 President's budget is the annualized 2011 Continuing Resolution amount.



A legislative proposal was transmitted to Congress on January 14, 2011 for its consideration; therefore, OIA is not requesting current appropriations for Palau Compact assistance in 2012.

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## B. Bureau-Level Tables

## 1.

FY 2012 Budget at a Glance						
Office of Insular Affairs						
(Dollars in Thousands)						
	2010	Fixed Costs				
	Enacted /	& Related	Administrative	Program		2012
	2010 Actual	2011 CR	Changes	Cost Savings	Changes	Request
<u>Assistance to Territories</u>						
American Samoa Operations	22,752	22,752	0	0	0	22,752
Covenant Grants	27,720	27,720	0	0	0	27,720
Office of Insular Affairs	9,280	9,280	+129	-132	+203	9,480
2011			[+48]	[-46]	0	
2012			[+81]	[-86]	0	
General Technical Assistance	15,302	15,302	0	0	-1,498	13,804
Maintenance Assistance	2,241	2,241	0	0	0	2,241
Brown Treesnake Control	3,000	3,000	0	0	0	3,000
Coral Reef Initiative	1,000	1,000	0	0	0	1,000
Water and Wastewater	1,900	1,900	0	-207	-1,693	0
2011			0	[-207]	0	
Guam Infrastructure	2,000	2,000	0	0	-2,000	0
Empowering Insular Communities	0	0	0	0	+4,120	4,120
<b>Sub-total, Assistance to Territories</b>	<b>85,195</b>	<b>85,195</b>	<b>+129</b>	<b>-339</b>	<b>-868</b>	<b>84,117</b>
Transfer from DoD (Guam Buses)*	0	0	0	0	+10,070	10,070
<b>Total, Assistance to Territories</b>	<b>85,195</b>	<b>85,195</b>	<b>+129</b>	<b>-339</b>	<b>+9,202</b>	<b>94,187</b>
<u>Compact of Free Association - Current</u>						
Federal Services	2,818	2,818	0	0	0	2,818
Palau Program Grant Assistance	2,000	2,000	0	0	-2,000	0
Enewetak	500	500	0	0	-264	236
Palau Compact Extension**	12,000	12,000	0	0	-12,000	0
<b>Total, Compact of Free Association - Current</b>	<b>17,318</b>	<b>17,318</b>	<b>0</b>	<b>0</b>	<b>-14,264</b>	<b>3,054</b>
<b>Total Current Discretionary/Mandatory</b>	<b>102,513</b>	<b>102,513</b>	<b>+129</b>	<b>-339</b>	<b>-5,062</b>	<b>97,241</b>
<u>Compact of Free Association</u>						
Marshall Islands Compact	65,624	65,969	0	0	+1,122	67,091
Federated States of Micronesia Compact	104,760	107,056	0	0	-1,605	105,451
Palau Compact	0	0	0	0	+29,250	29,250
Compact Impact	30,000	30,000	0	0	0	30,000
Judicial Training	334	336	0	0	+5	341
<b>Total Compact (Permanent)</b>	<b>200,718</b>	<b>203,361</b>	<b>0</b>	<b>0</b>	<b>+28,772</b>	<b>232,133</b>
<u>Fiscal Payments</u>						
Guam Section 30 Income Taxes	46,357	45,000	0	0	0	45,000
VI Rum Excise Taxes	140,667	100,000	0	0	0	100,000
<b>Total, Fiscal Payments (Permanent)</b>	<b>187,024</b>	<b>145,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>145,000</b>
<b>Grand Total - Office of Insular Affairs</b>	<b>490,255</b>	<b>450,874</b>	<b>+129</b>	<b>-339</b>	<b>+23,710</b>	<b>474,374</b>

\* Transfer from DoD of \$10.07 million for vehicles and supplies for transportation of civilian students.

\*\*Numbers for Palau Compact Extension are shown as mandatory in MAX

2.

Office of Insular Affairs  
2010 Funding by Activity and Insular Area  
\$(000)

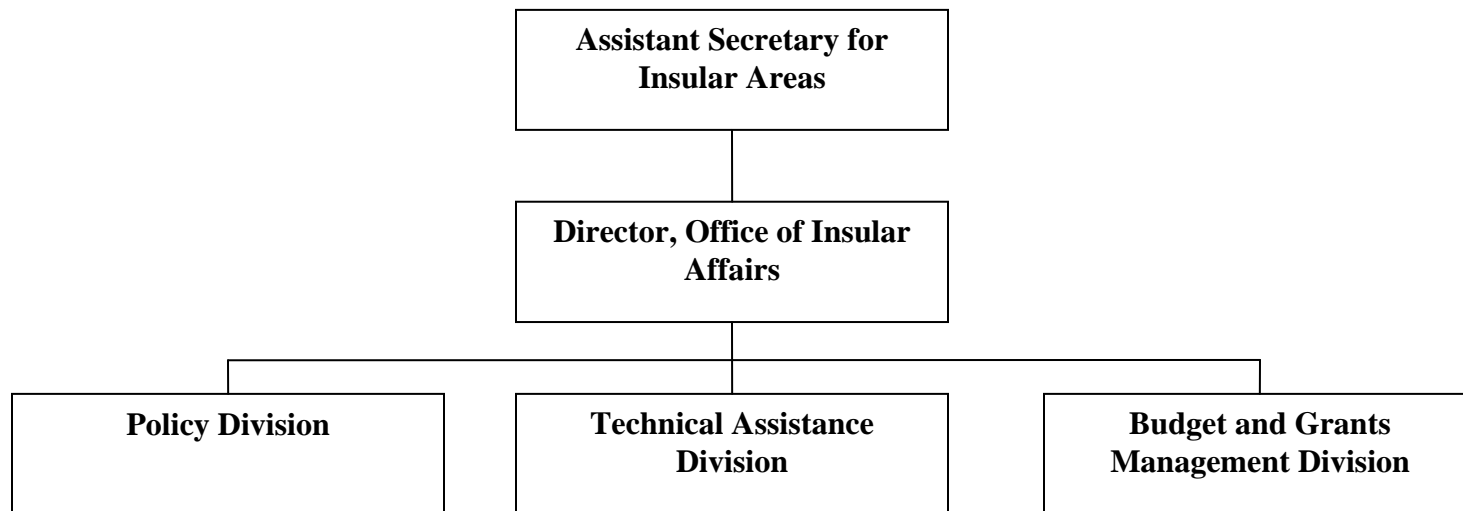
Activity	Am Samoa	CNMI	Guam	USVI	FSM	RMI	Palau	Hawaii	DC	Other	Total
<u>Assistance to Territories</u>											
American Samoa Operations	22,752										22,752
Covenant Grants	9,383	10,995	5,360	1,982							27,720
Office of Insular Affairs	146	346		120		95		875	7,698		9,280
General Technical Assistance	2,094	1,673	1,548	1,505	10	1,228	895	422	3,006	2,921	15,302
Maintenance Assistance	200	141	320		788	340		208		244	2,241
Brown Treesnake Control		355	230					300		2,115	3,000
Guam Infrastructure			2,000								2,000
Coral Reef Initiative	50	30	50	625	195	49				1	1,000
Water and Wastewater		750	250	900							1,900
<i>Total, Assistance to Territories</i>	<i>34,625</i>	<i>14,290</i>	<i>9,758</i>	<i>5,132</i>	<i>993</i>	<i>1,712</i>	<i>895</i>	<i>1,805</i>	<i>10,704</i>	<i>5,281</i>	<i>85,195</i>
<u>Compact of Free Association - Current</u>											
Federal Services										2,818	2,818
Palau Program Grant Assistance							2,000				2,000
Enewetak						500					500
Palau Compact Extension							12,000				12,000
<i>Total, Compact of Free Association - Current</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>500</i>	<i>14,000</i>	<i>0</i>	<i>0</i>	<i>2,818</i>	<i>17,318</i>
<b>Total Current Discretionary/Mandatory</b>	<b>34,625</b>	<b>14,290</b>	<b>9,758</b>	<b>5,132</b>	<b>993</b>	<b>2,212</b>	<b>14,895</b>	<b>1,805</b>	<b>10,704</b>	<b>8,099</b>	<b>102,513</b>
<u>Compact of Free Association</u>											
Marshall Islands Compact						65,624					65,624
Federated States of Micronesia Compact					104,760						104,760
Palau Compact											0
Compact Impact	14	1,930	16,827					11,229			30,000
Judicial Training										334	334
<i>Total, Compact (Permanent)</i>	<i>14</i>	<i>1,930</i>	<i>16,827</i>	<i>0</i>	<i>104,760</i>	<i>65,624</i>	<i>0</i>	<i>11,229</i>	<i>0</i>	<i>334</i>	<i>200,718</i>
<u>Fiscal Payments</u>											
Guam Section 30 Income Taxes			46,357								46,357
VI Rum Excise Taxes				140,667							140,667
<i>Total, Fiscal Payments (Permanent)</i>	<i>0</i>	<i>0</i>	<i>46,357</i>	<i>140,667</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>187,024</i>
<b>Total Permanent Mandatory</b>	<b>14</b>	<b>1,930</b>	<b>63,184</b>	<b>140,667</b>	<b>104,760</b>	<b>65,624</b>	<b>0</b>	<b>11,229</b>	<b>0</b>	<b>334</b>	<b>387,742</b>
<b>Grand Total - Office of Insular Affairs</b>	<b>34,639</b>	<b>16,220</b>	<b>72,942</b>	<b>145,799</b>	<b>105,753</b>	<b>67,836</b>	<b>14,895</b>	<b>13,034</b>	<b>10,704</b>	<b>8,433</b>	<b>490,255</b>

## 3.

Goal Performance Table										
<b>Target Codes:</b>		SP = Strategic Plan measures UNK = Prior year data unavailable TBD = Targets have not yet been developed				NA = Long-term targets are inappropriate to determine at this time BUR = Bureau specific measure				
<b>Type Codes:</b>		C = Cumulative Measure			A = Annual Measure		F = Future Measure			
End Outcome Goal: Empower Insular Communities										
Supporting Performance Measures	Type	2007 Actual	2008 Actual	2009 Actual	2010 Plan	2010 Actual	2011 Plan	2012 President's Budget	Change from 2011 Plan to 2012	Long-Term Target 2016
<b>Strategy #1: Improve Quality of Life</b>										
<u>2075 Percent of Community Water Systems (CWS) that receive health-based violation notices from the U.S. Environmental Protection Agency. (SP)</u>	A	7.1% (11 of 156)	15.5% (23 of 148)	11.4% (17 of 149)	-	UNK	10.9%	10.4%	-0.5%	9%
<u>2076 Change in the amount of petroleum used by utilities to deliver a megawatt of power. (SP)</u>	A	-	-	-	-	UNK	TBD	TBD	-	Developing Baseline
<u>2077 Percent of schools in acceptable condition based on specified safety and functionality standards. (SP)</u>	A	-	-	-	-	UNK	TBD	TBD	-	Developing Baseline
<u>2078 Number of patients requiring off-island referrals. (SP)</u>	A	-	-	2676	-	UNK	2641	2606	-35	2500
<b>Strategy #2: Create Economic Opportunity</b>										
<u>2079 Percent change in mean real GDP per capita. (SP)</u>	A	0.2%	UNK	UNK	-	UNK	0.5%	0.75%	+0.25%	+1.5%
<b>Strategy #3: Promote Efficient and Effective Governance</b>										
<u>2080 Number of insular governments with on-time and unqualified single audits. (SP)</u>	A	1	3	3	-	2	3	4	1	5
Comments:	2078 - American Samoa Government did not fund off-island referrals in 2009. OIA has contracted with NREL to develop measure 2076 and with the Army Corps of Engineers to develop measure 2077. 2079 - BEA is expected to produce 2008 and 2009 GDP estimates by July 2011 and 2010 estimates by July 2012.									

4.

**Organization Chart  
Office of Insular Affairs**



## II. Account- Level Presentation

## A. Summary of Requirements

## 1.

OFFICE OF INSULAR AFFAIRS  
ASSISTANCE TO TERRITORIES  
FY 2012 Summary of Requirements

Activity/Subactivity	2010 Actual		2010 Enacted / 2011 CR		Fixed Costs & Related Changes (+/-)		Administrative Cost Savings (+/-)		Program Changes (+/-)		2012 Request		Inc. (+)/Dec. (-) from 2011	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
ASSISTANCE TO TERRITORIES														
(1) American Samoa Operations	2	22,752	2	22,752	0	0	0	0	0	0	2	22,752	0	0
(2) Covenant Grants - Mandatory														
Northern Mariana Islands Construction		10,995		10,000		0		0		-477		9,523		-477
American Samoa Construction		9,383		10,500		0		0		-411		10,089		-411
Guam Construction		5,360		5,026		0		0		+1,060		6,086		+1,060
Virgin Islands Construction		<u>1,982</u>		<u>2,194</u>		<u>0</u>		<u>0</u>		<u>-172</u>		<u>2,022</u>		<u>-172</u>
Sub-Total, Covenant Grants	0	27,720	0	27,720	0	0	0	0	0	0	0	27,720	0	0
(3) Territorial Assistance														
Office of Insular Affairs	35	9,280	38	9,280	0	+129		-132	+2	+203	40	9,480	+2	+200
2011						[+48]		[-46]						
2012						[+81]		[-86]						
General Technical Assistance	1	15,302	1	15,302	0	0		0	0	-1,498	1	13,804	0	-1,498
Maintenance Assistance Fund		2,241		2,241		0		0		0		2,241		0
Brown Treesnake Control		3,000		3,000		0		0		0		3,000		0
Coral Reef Initiative		1,000		1,000		0		0		0		1,000		0
Water and Wastewater Projects		1,900		1,900		0		-207		-1,693		0		-1,900
2011								[-207]						
Guam Infrastructure		2,000		2,000		0		0		-2,000		0		-2,000
Empowering Insular Communities		<u>0</u>		<u>0</u>		<u>0</u>		<u>0</u>		<u>+4,120</u>		<u>4,120</u>		<u>+4,120</u>
Sub-Total, Territorial Assistance	36	34,723	39	34,723	0	+129	0	-339	+2	-868	41	33,645	+2	-1,078
<b>SUBTOTAL ASSISTANCE TO TERRITORIES</b>	<b>38</b>	<b>85,195</b>	<b>41</b>	<b>85,195</b>	<b>0</b>	<b>+129</b>	<b>0</b>	<b>-339</b>	<b>+2</b>	<b>-868</b>	<b>43</b>	<b>84,117</b>	<b>+2</b>	<b>-1,078</b>
Transfer from DoD (Guam Buses)		0		0		0		0		+10,070		10,070		+10,070
<b>TOTAL REQUIREMENTS*</b>	<b>38</b>	<b>85,195</b>	<b>41</b>	<b>85,195</b>	<b>0</b>	<b>+129</b>		<b>-339</b>	<b>+2</b>	<b>+9,202</b>	<b>43</b>	<b>94,187</b>	<b>+2</b>	<b>+8,992</b>

\* Includes transfer from DoD of \$10.07 million for vehicles and supplies for transportation of civilian students

2.

OFFICE OF INSULAR AFFAIRS  
COMPACT OF FREE ASSOCIATION - CURRENT APPROPRIATION

FY 2012 Summary of Requirements

Activity/Subactivity	2010 Actual		2010 Enacted / 2011 CR		Fixed Costs & Related Changes (+/-)		Administrative Cost Savings (+/-)		Program Changes (+/-)		2012 Request		Inc. (+)/Dec. (-) from 2011	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
<b>COMPACTS OF FREE ASSOCIATION - CURRENT</b>														
(1) Federal Services		2,818		2,818		0		0		0		2,818		0
(2) Palau Program Grant Assistance		2,000		2,000		0		0		-2,000		0		-2,000
(3) Enewetak		500		500		0		0		-264		236		-264
(4) Palau Compact Extension		12,000		12,000		0		0		-12,000		0		-12,000
<b>TOTAL REQUIREMENTS</b>	<b>0</b>	<b>17,318</b>	<b>0</b>	<b>17,318</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>-14,264</b>	<b>0</b>	<b>3,054</b>	<b>0</b>	<b>-14,264</b>



## 3.

## COMPACT OF FREE ASSOCIATION - PERMANENT APPROPRIATION

## FY 2012 Summary of Requirements

Activity/Subactivity	2010 Actual		2010 Enacted / 2011 CR		Fixed Costs and Related Changes		Administrative Cost Savings (+/-)		Program Changes		2012 Request		Inc. (+)/Dec. (-) from 2011	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
<b>COMPACT OF FREE ASSOCIATION - PERMANENT</b>														
<u>Assistance to the Marshall Islands:</u>														
Sector Grants		35,847		35,844		0		0		-329		35,515		-329
Audit		500		0		0		0		500		500		500
Trust Fund		11,132		11,798		0		0		723		12,521		723
Rongelap Resettlement		0		0		0		0		0		0		0
Kwajalein Lease Payment		16,699		16,871		0		0		204		17,075		204
Enewetak		<u>1,446</u>		<u>1,456</u>		<u>0</u>		<u>0</u>		<u>24</u>		<u>1,480</u>		<u>24</u>
Subtotal, Marshall Islands Assistance	0	65,624	0	65,969	0	0	0	0	0	1,122	0	67,091	0	1,122
<u>Assistance to the Federated States of Micronesia (FSM)</u>														
Sector Grants		82,887		84,162		0		0		-2,887		81,275		-2,887
Trust Fund		21,373		22,394		0		0		1,282		23,676		1,282
Audit		<u>500</u>		<u>500</u>		<u>0</u>		<u>0</u>		<u>0</u>		<u>500</u>		<u>0</u>
Subtotal, FSM Assistance	0	104,760	0	107,056	0	0	0	0	0	-1,605	0	105,451	0	-1,605
<u>Compact Impact</u>		30,000		30,000		0		0		0		30,000		0
<u>Judicial Training</u>		334		336		0		0		5		341		5
<u>Total, FSM/Marshalls Compact (Permanent)</u>	<u>0</u>	<u>200,718</u>	<u>0</u>	<u>203,361</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-478</u>	<u>0</u>	<u>202,883</u>	<u>0</u>	<u>-478</u>
<u>Assistance to the Republic of Palau</u>														
Section 211 (Government Operations)		0		0		0		0		0		0		0
Section 215 (Inflation Adjustment)		0		0		0		0		0		0		0
Palau Legislative Proposal		<u>0</u>		<u>0</u>		<u>0</u>		<u>0</u>		<u>29,250</u>		<u>29,250</u>		<u>29,250</u>
Subtotal, Assistance to the Republic of Palau	0	0	0	0	0	0	0	0	0	29,250	0	29,250	0	29,250
<b>TOTAL REQUIREMENTS, COMPACT, Permanent</b>	<b>0</b>	<b>200,718</b>	<b>0</b>	<b>203,361</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>28,772</b>	<b>0</b>	<b>232,133</b>	<b>0</b>	<b>28,772</b>
<b>GRAND TOTAL, COMPACT, Permanent &amp; Current</b>	<b>0</b>	<b><u>218,036</u></b>	<b>0</b>	<b><u>220,679</u></b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b><u>14,508</u></b>	<b>0</b>	<b><u>235,187</u></b>	<b>0</b>	<b><u>14,508</u></b>



## B. Fixed Costs and Related Changes

	2010 Budget	2010 Enacted / 2011 CR	2012 Fixed Costs Change
<b>Additional Operational Costs from 2011 and 2012 January Pay Raises</b>			
<b>1. 2010 Pay Raise, 3 Quarters in 2010 Budget (2.0%)</b> <i>Amount of pay raise absorbed</i>	+\$68 [\$0]	N/A	N/A
<b>2. 2009 Pay Raise, 1 Quarter (3.9%)</b> <i>Amount of pay raise absorbed</i>	+\$44 [\$0]	N/A	N/A
<b>3. 2010 Pay Raise, 1 Quarter (2.0%)</b> <i>Amount of pay raise absorbed</i>	N/A	N/A [+\$23]	+\$23 [\$0]
<b>4. 2011 Pay Raise, 3 Quarters in 2011 Budget (0%)</b>	N/A	\$0	N/A
<b>5. 2011 Pay Raise, 1 Quarter (0%)</b>	N/A	N/A	\$0
<b>6. 2012 Pay Raise (0%)</b>	N/A	N/A	\$0
<b>7. Non-Foreign Area COLA Adjustment to Locality Pay</b> <i>Amount of pay raise absorbed</i>	N/A	\$0 [+\$33]	+\$26
These adjustments are for an additional amount needed to fund estimated pay raises for Federal employees. Lines 1 and 2, 2010 pay raise estimates provided as a point of reference.			
Line 3 is the amount needed in 2012 to fund the enacted 2.0% January 2010 pay raise from October through December 2010.			
Lines 4 and 5, 2011 pay raise is shown as "0" to reflect the first year of the Administration-directed 2-year pay freeze at the 2010 level.			
Line 6 is shown as "0" to reflect the second year of the Administration-directed 2-year pay freeze at the 2010 level.			

	2010 Budget	2010 Enacted / 2011 CR	2012 Fixed Costs Change
<b>Other Fixed Cost Changes</b>			
<b>One Less Pay Day</b>	N/A	N/A	-\$18
This adjustment reflects the decreased costs resulting from the fact that there is one less pay day in 2012 than in 2011.			
<b>Employer Share of Federal Health Benefit Plans</b> <i>Amount of health benefits absorbed</i>	+\$15 [\$0]	NA [+\$16]	+\$32 [\$0]
The adjustment is for changes in the Federal government's share of the cost of health insurance coverage for Federal employees. For 2012, the increase is 6.8%.			
<b>Worker's Compensation Payments</b> <i>Amount of workers compensation absorbed</i>	\$0 [\$0]	\$0 [\$0]	\$0 [\$0]
The adjustment is for actual charges through June 2010 in the costs of compensating injured employees and dependents of employees who suffer accidental deaths while on duty. Costs for 2012 will reimburse the Department of Labor, Federal Employees Compensation Fund, pursuant to 5 U.S.C. 8147(b) as amended by Public Law 94-273.			
<b>Unemployment Compensation Payments</b> <i>Amount of unemployment compensation absorbed</i>	\$0 [\$0]	NA [-\$1]	-\$1 [\$0]

	2010 Budget	2010 Enacted / 2011 CR	2012 Fixed Costs Change
The adjustment is for estimated changes in the costs of unemployment compensation claims to be paid to the Department of Labor, Federal Employees Compensation Account, in the Unemployment Trust Fund, pursuant to Public Law 96-499.			
<b>Rental Payments</b>	+\$60	NA	+\$204
<i>Amount of rental payments absorbed</i>	<i>[\$0]</i>	<i>[\$+12]</i>	<i>[\$0]</i>
The adjustment is for changes in the costs payable to General Services Administration and others resulting from changes in rates for office and non-office space as estimated by GSA, as well as the rental costs of other currently occupied space. These costs include building security; in the case of GSA space, these are paid to DHS. Costs of mandatory office relocations, i.e., relocations in cases where due to external events there is no alternative but to vacate the currently occupied space, are also included.			
<b>Increased Staff in 2010</b>	\$0	N/A	N/A
<i>Amount of health benefits absorbed</i>	<i>[\$0]</i>	<i>[\$0]</i>	<i>[\$0]</i>
<b>Departmental Working Capital Fund</b>	+\$43	NA	-\$137
<i>Amount of WCF payments absorbed</i>	<i>[\$0]</i>	<i>[\$-2]</i>	<i>[\$0]</i>
The change reflects expected changes in the charges for centrally billed Department services and other services through the Working Capital Fund. These charges are displayed in the Budget Justification for Department Management.			
<b>TOTAL, FY 2012 FIXED COST CHANGE, OIA</b>			<b>+\$129</b>

## C. Language Citations

### 1. Appropriation Changes

#### **ASSISTANCE TO TERRITORIES**

*For expenses necessary for assistance to territories under the jurisdiction of the Department of the Interior, \$84,117,000, of which: (1) \$74,637,000 shall remain available until expended for territorial assistance, including general technical assistance, 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. 1661(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) \$9,480,000 shall be available until September 30, 2013 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 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). Note.--A full-year 2011 appropriation for this account was not enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 111-242, as amended). The amounts included for 2011 reflect the annualized level provided by the continuing resolution.*

#### **COMPACT OF FREE ASSOCIATION**

*For grants and necessary expenses, \$3,054,000, to remain available until expended, as provided for in sections 221(a)(2) of the Compact of Free Association for the Republic of Palau; and section 221(a)(2) of the Compacts of Free Association for the Government of the Republic of the Marshall Islands and the Federated States of Micronesia, as authorized by Public Law 99-658 and Public Law 108-188. Note.--A full-year 2011 appropriation for this account was not enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 111-242, as amended). The amounts included for 2011 reflect the annualized level provided by the continuing resolution.*

**ADMINISTRATIVE PROVISIONS** (Including transfer of funds)

*At the request of the Governor of Guam, the Secretary may transfer discretionary funds or mandatory funds provided under section 104(e) of Public Law 108-188 and Public Law 104-134, that are allocated for Guam, to the Secretary of Agriculture for the subsidy cost of direct or guaranteed loans, plus not to exceed three percent of the amount of the subsidy transferred for the cost of loan administration, for the purposes authorized by the Rural Electrification Act of 1936 and section 306(a)(1) of the Consolidated Farm and Rural Development Act for construction and repair projects in Guam, and such funds shall remain available until expended: Provided, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: Provided further, That such loans or loan guarantees may be made without regard to the population of the area, credit elsewhere requirements, and restrictions on the types of eligible entities under the Rural Electrification Act of 1936 and section 306(a)(1) of the Consolidated Farm and Rural Development Act: Provided further, That any funds transferred to the Secretary of Agriculture shall be in addition to funds otherwise made available to make or guarantee loans under such authorities.*

*If the Secretary of the Interior determines that a territory has a substantial backlog of capital improvement program funds at the beginning of a fiscal year, the Secretary may withhold or redistribute that territory's capital improvement funds for the current fiscal year among the other eligible recipient territories. For purposes of this section, a territory with an expenditure rate of less than 50 percent shall be deemed to have a substantial backlog. The expenditure rate will be calculated on the last day of each fiscal year, currently September 30, and will be based on expenditures and receipts over the five most recent fiscal years.*

**2. Justification of Proposed Language Changes**

In the absence of a full-year 2011 appropriation, all 2012 changes are based on the 2010 Interior Department and 2011 Continuing Resolution Appropriations Acts.

*Insertion: If the Secretary of the Interior determines that a territory has a substantial backlog of capital improvement program funds at the beginning of a fiscal year, the Secretary may withhold or redistribute that territory's capital improvement funds for the current fiscal year among the other eligible recipient territories. For purposes of this section, a territory with an expenditure rate of less than 50 percent shall be deemed to have a substantial backlog. The expenditure rate will be calculated on the last day of each fiscal year, currently September 30, and will be based on expenditures and receipts over the five most recent fiscal years.*

The proposed insertion will allow OIA to more efficiently manage Capital Improvement Project funds (CIP). The CIP Program originates from Section 702 of Public Law 94-241, "The Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America." The annually appropriated no-year funds (\$27.72 million) are used to address a variety of infrastructure needs in the U.S. territories of Guam, American Samoa, the U.S. Virgin Islands and the Commonwealth of the Northern Mariana Islands through grants awarded by OIA. Though these are no-year funds, five year performance periods are assigned to the grants to encourage efficiency and to comply with Departmental regulations. At the end of the five years, any unspent funds are deobligated.

OIA has been advised by the Office of the Solicitor that because CIP funding is no year, once awarded it must remain with the recipient territory until expended unless Congressional approval to reallocate the funds is obtained. This requires OIA to return any unspent funds deobligated from a recipient's grant at the end of the five year performance period back to that recipient through future grants until the funds are fully expended.

This inability to redistribute deobligated funds among all four eligible U.S territories significantly reduces the effectiveness and efficiency of the CIP program by not providing incentive to the recipient to implement CIP-funded projects in a timely manner.

### 3. 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) Covenant Grants. Funding under the Northern Marianas Covenant was first established in 1976 under 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. This was later amended in 1986 by Section 10 of P.L. 99-396 (100 Stat. 840). These provisions were further amended by Public Law 104-134, enacted in 1996, which reduced annual funding to the Northern Mariana Islands and reallocated additional funding to other uses, including capital infrastructure projects in American Samoa, Guam, and the U.S. Virgin Islands.

(7) Compacts of Free Association. The Compact of 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. 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. While the Compact of Free Association with the Republic of Palau was set to expire on September 30, 2009, P.L. 111-88 extended the terms of the Compact by one year.

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



4. Expiring Authorizations

Program	Citation	Title of Legislation	Amount Authorized	Expiration Date	2012 Budget Request (\$ in 000's)	Explanation of Authorization Requirement for FY 2012	Program Description
Republic of Palau Compact of Free Association	PL 99-658 PL 111-88 PL 111-322	Republic of Palau Compact of Free Association	\$573.0 million	March 4, 2011	\$29.25 million	Placeholder for legislative proposal	Economic assistance for the Republic of Palau

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### III. Activity/Subactivity-Level Presentation

#### A. American Samoa Operations

Activity: American Samoa							
Subactivity: American Samoa Operations \$(000)							
	2010 Actual	2010 Enacted/ 2011 CR	2012				Change from 2011 (+/-)
			Fixed Costs & Related Changes (+/-)	Administrative Cost Savings (+/-)	Program Changes (+/-)	Budget Request	
General Operations	21,897	21,897	0	0	0	21,897	0
High Court	855	855	0	0	0	855	0
<b>Total Requirements</b>	<b>22,752</b>	<b>22,752</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>22,752</b>	<b>0</b>
FTE	2	2	0	0	0	2	0

#### PROGRAM OVERVIEW

Each 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 (ASG) 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 ASG and the Department, new programs are funded from local revenues.

A secondary objective of this program activity is to promote self-sufficiency. 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. The American Samoa Operations funding provided currently represents approximately 16% of ASG’s General Fund revenue and 25% of the LBJ Hospital’s revenue.

*FY 2000 Tobacco Loan and Fiscal Reform Plan:* In response to a proposal from the American Samoa Government, Congress enacted legislation authorizing American Samoa to receive a direct Federal loan up to \$18.6 million. The loan is to be repaid from ASG’s share of the Tobacco Settlement Escrow Fund created 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 (FRP). The MOA requires ASG to submit quarterly reports, substantiated by an independent auditor, that provide updated revenue and expenditure information.

## 2012 PROGRAM PERFORMANCE

American Samoa plans to accomplish the following in 2012:

- Provide financial reports for quarter ending September 30, 2011.
- Provide financial reports for quarter ending December 31, 2011.
- Provide financial reports for quarter ending March 31, 2012.
- Provide financial reports for quarter ending June 30, 2012.

The following chart reflects the ASG's operations funding priorities for 2010, 2011 and 2012:

Funding Category	2010	2011	2012
	Award	Proposed Award	Proposed Award
Basic (DOE/ASCC) Operations	\$14,240,000	\$14,240,000	\$14,240,000
LBJ Hospital Operations	\$7,657,000	\$7,657,000	\$7,657,000
High Court	\$855,000	\$855,000	\$855,000
<b>Total</b>	<b>\$22,752,000</b>	<b>\$22,752,000</b>	<b>\$22,752,000</b>

*OIA Designated American Samoa as High Risk:* In an effort to improve accountability for Federal funds, OIA designated American Samoa as a "high-risk" grantee as provided for in 43 CFR 12.52, and as recommended by the General Accounting Office (GAO) and the Office of Inspector General (OIG). This designation allows OIA to require American Samoa grantees to comply with special conditions for future or existing grants. The special conditions may include: payment of grant funds on a reimbursable basis, withholding of approval to proceed from one project phase to another until receipt of acceptable evidence of current performance, additional project monitoring, and requiring the grantee to obtain technical or management assistance.

The “high-risk” designation will be removed once the ASG is in compliance with each of the following conditions: (a) the government shall have completed Single Audits by the statutory deadline for the two most recent consecutive years, resulting in opinions that are not disclaimed and do not contain qualifications that OIA determines in its reasonable discretion to be material; (b) the ASG shall have a balanced budget, as confirmed by independent auditors, for the two most recent consecutive years, without regard for nonrecurring windfalls such as insurance settlements; and (c) the ASG shall be in substantial compliance with the MOA and FRP.

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## B. Covenant CIP Grants Summary

Activity: CNMI/Covenant Grants \$(000)							
SUMMARY TABLE							
	2010 Actual	2010 Enacted/2011 CR	2012				Change From 2011 (+/-)
			Fixed Costs & Related Changes (+/-)	Administrative Cost Savings (+/-)	Program Changes (+/-)	Budget Request	
CNMI Construction	10,995	10,000	0	0	-477	9,523	-477
American Samoa Construction	9,383	10,500	0	0	-411	10,089	-411
Guam Construction	5,360	5,026	0	0	+1,060	6,086	+1,060
Virgin Islands Construction	1,982	2,194	0	0	-172	2,022	-172
<b>Totals</b>	<b>27,720</b>	<b>27,720</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27,720</b>	<b>0</b>
FTEs	0	0	0	0	0	0	0

Covenant Capital Improvement Project (CIP) funds address a variety of infrastructure needs in the U.S. territories including critical infrastructure such as hospitals, schools, wastewater and solid waste systems. Improvements to critical infrastructure not only benefit the current population and businesses, but lay the groundwork to attract new investment to the territories thereby promoting economic development and self-sufficiency.

Beginning with 2005, OIA implemented a new competitive allocation system for the \$27.72 million in mandatory Covenant CIP grants. It is based on a premise that all funds will be used for capital needs in the U.S. territories. This 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 territories are asked to submit capital improvement requests within a range of \$2 million both above and below base (target) level funding.

Base level funding was established on the basis of historic trends in 2005 when the competitive allocation system was implemented. It was adjusted for 2012 based upon the performance of

each of the U.S territories over the past five years as required by the 2004 Section 702 Funding Agreement between OIA and the CNMI.

FY 2012 Baseline Covenant Funding  
(\$000)

CNMI	10,648
American Samoa	10,047
Guam	4,545
U.S. Virgin Islands	<u>2,480</u>
TOTAL	27,720

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 and to meet Federal grant requirements. These criteria were revised in 2009 to strengthen these measures and to ensure that awarded funds are being utilized efficiently and effectively. In addition to the application of these criteria to the allocation of capital improvement assistance, the Office of Insular Affairs may consider the capacity of each insular government to absorb the amount of capital assistance it would otherwise qualify for and any special or extenuating conditions, such as unspent balances, that might require adjustments to the allocation. The competitive criteria are listed below:

Competitive Criteria for the Proposed Allocation of Mandatory Covenant CIP Funding

1. The extent to which the applicant is in compliance with completion deadlines established under the Single Audit Act of 1984.
2. The extent to which the applicant's financial statements were reliable.
3. The extent to which the applicant is exercising prudent financial management and is solvent.
4. The extent to which the applicant has demonstrated prompt and effective efforts to resolve questioned costs and internal control deficiencies identified in single audits.
5. The extent to which the applicant has responded to recommendations identified in reviews completed by the Office of Inspector General, the Government Accountability Office and other Federal offices.
6. The extent to which the applicant has demonstrated effective contract administration and compliance with local statutes and regulations regarding procurement practices and processes.
7. The extent to which the applicant's capital improvement application is complete and submitted on time.
8. The extent to which the applicant has complied with all reporting requirements applicable to past and ongoing grants in an accurate manner.
9. The extent to which the applicant dedicates adequate resources to critical offices to help ensure properly functioning internal controls and efficient operations, including the presence of a qualified independent auditor with an adequately funded office and strong safeguards to its independence.



10. The extent to which the applicant is able to successfully expend capital improvement funds within the award period.

While the total available for funding stays constant (\$27.72 million), allocations will vary from year to year depending upon the performance of each insular government with respect to the above 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. For example, the 2012 request for Guam increased \$1,541,000 over the baseline funding in the competitive process because it scored well above the average of the insular areas on the ten criteria.

The competitive allocation system is applied to the \$27.72 million in CIP funds using a point method. The territories are given a score on each of the above criteria. The criteria themselves are ranked so that those considered more significant would receive a higher weight than those considered less important in the overall, final score.

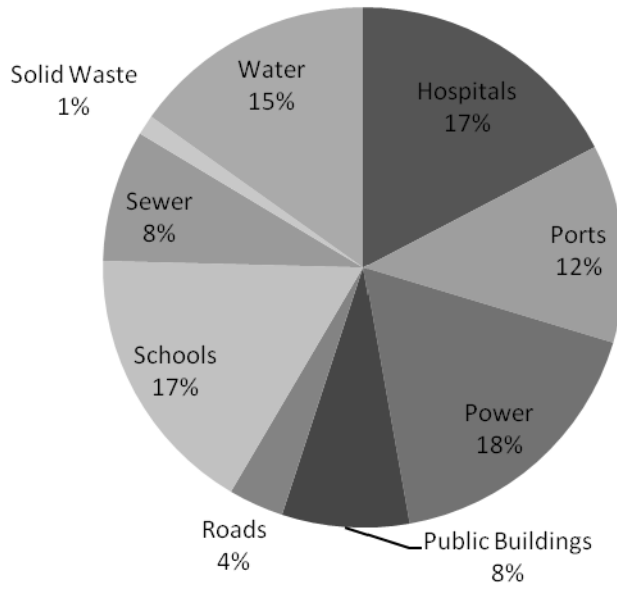
The chart below reflects the baseline distribution along with adjustments made to 2011 and 2012 requests based on each insular government's score on the competitive criteria.

Covenant CIP Grant Funding Levels  
*Dollars in thousands (000's)*

Territory	2011	2011 +/- Baseline	2012	2012 +/- Baseline	Total 2011	Total FY 2012	Diff +/- 2011
	Baseline Funding		New Baseline				
CNMI	11,000	-1,000	10,648	-1,125	10,000	9,523	-477
American Samoa	10,000	+500	10,047	+42	10,500	10,089	-411
Guam	3,360	+1,666	4,545	+1,541	5,026	6,086	+1,060
Virgin Islands	<u>3,360</u>	<u>-1,166</u>	<u>2,480</u>	<u>-458</u>	<u>2,194</u>	<u>2,022</u>	<u>-172</u>
<b>Total</b>	27,720	0	27,720	0	27,720	27,720	0

Covenant Capital Improvement Project funds address a variety of infrastructure needs in the U.S. territories including critical infrastructure such as hospitals, schools, wastewater and solid waste systems. The pie chart on the next page displays 2010 spending of CIP by category.

### 2010 Breakdown of CIP Expenditures



1.

<b>Activity: CNMI/Covenant Grants</b>							
<b>Subactivity: CNMI Construction \$(000)</b>							
	2010 Actual	2010 Enacted/ 2011 CR	2012				Change from 2011 (+/-)
			Fixed Costs & Related Changes (+/-)	Adminis- trative Cost Savings (+/-)	Program Changes (+/-)	Budget Request	
	10,995	10,000	0	0	-477	9,523	-477
FTEs	0	0	0	0	0	0	0

**SUMMARY OF 2012 PROGRAM CHANGES**

<b>Request Component</b>		
Program Changes	Amount	FTE
CNMI Construction	-477	0

**JUSTIFICATION OF 2012 PROGRAM CHANGES**

The 2012 budget request for CNMI Construction is \$9.523 million, a program decrease of \$477,000 with no additional FTE from the 2010 Enacted/ 2011 Continuing Resolution level. The budget request was calculated utilizing the CIP selection criteria and methods below. The process is further described in the beginning of this section (see Activity: CNMI/Covenant Grants Summary Table section).

Beginning with 2005, OIA implemented a new competitive allocation system for the \$27.72 million in mandatory Covenant CIP grants. It is based on a premise that all funds will be used for capital improvement needs in the U.S. territories. This 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 territories are asked to submit capital improvement requests within a range of \$2 million both above and below base (target) level funding.

Base level funding was established on the basis of historic trends in 2005 when the competitive allocation system was implemented. It was adjusted for 2012 based upon the performance of each of the U.S territories over the past five years as required by the 2004 Section 702 Funding Agreement between OIA and the CNMI.

CNMI Baseline Funding.....	\$10,648,000
Results from Competitive Process.....	<u>-\$1,125,000</u>
Programmed funding for 2012.....	\$9,523,000

## 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 has granted more than \$400 million in Covenant Capital Improvement Project (CIP) funding to the CNMI since the program started in 1978. The funding has been used for infrastructure improvements as required by Public Law 104-134. The U.S.-CNMI partnership in capital development has produced tangible results in terms of infrastructure improvements and the resulting economic development, which is especially significant when considering the CNMI's short history as part of the United States.

## 2012 PROGRAM PERFORMANCE

This past year saw substantial progress made on several CIP-funded infrastructure projects in the CNMI. Construction began on critical projects such as the Rehabilitation of the Sadog Tasi Wastewater Treatment Plant, the Rehabilitation of the Agingan Wastewater Treatment Plant, and the Marpi Public Cemetery. In addition, the Water Task Force completed the Central Garapan Waterline Replacement project as well as the Rapagao and Sablan Quarry Water Well Isolation and Water System Improvements project.

The requested \$9.523 million for 2012 will be used to continue meeting critical infrastructure needs in the CNMI similar to previous years. Funds will be used for improvements to potable water, wastewater, power and solid waste infrastructure. The proposed projects to be funded in 2012 are briefly explained below.

The delivery of 24 hour potable water to Saipan continues to be a priority and would receive \$4.5 million of the proposed CIP funding. The funds would be used to continue leak detection and repair activities, rehabilitate existing water tanks, and construct new transmission lines. Currently, the majority of Saipan's residents do not have potable water available 24 hours a day. The CNMI formed the Water Task Force in 2004 to coordinate this important effort and

significant progress has been made. In December 2006, only 26% of Saipan's population had access to 24 hour water. Thanks to the Water Task Force's efforts, approximately 78% of the population had access to 24 hour water at the end of 2010.

In addition to the delivery of potable water, the CNMI has put an emphasis on developing solid waste infrastructure in recent years. In 2011, \$1.2 million each would be allocated to the Tinian Landfill and the Rota Landfill projects which are in intended to provide environmentally compliant solid waste disposal facilities for the islands' residents.

The Garapan Revitalization project would receive \$1.4 million to continue drainage improvements in Saipan's largest village.

Finally, \$1.3 million would be dedicated to evaluating the potential for the development of geothermal energy in the CNMI which, if realized, could substantially reduce the territory's reliance on expensive imported diesel fuel needed for power generation. The funds will be used to drill a 2,000 ft. well to measure the geothermal gradient beneath Saipan.

The following chart reflects the CNMI's funding priorities for 2010, 2011 and 2012:

Funding Category	2010	2011	2012
	Award	Award	Proposed Award
Economic Development	-	-	-
Solid Waste	\$3,000,000	\$2,500,000	\$2,380,750
Wastewater	\$1,000,000	\$2,610,000	\$1,350,000
Water	\$2,051,795	\$4,890,000	\$4,532,250
Power	\$4,943,205	-	\$1,260,000
<b>Total</b>	<b>\$10,995,000</b>	<b>\$10,000,000</b>	<b>\$9,523,000</b>

2.

<b>Activity: CNMI/Covenant Grants</b>							
<b>Subactivity: American Samoa Construction \$(000)</b>							
	2010 Actual	2010 Enacted/ 2011 CR	2012				Change from 2011 (+/-)
			Fixed Costs & Related Changes (+/-)	Adminis- trative Cost Savings (+/-)	Program Changes (+/-)	Budget Request	
	9,383	10,500	0	0	-411	10,089	-411
FTEs	0	0	0	0	0	0	0

**SUMMARY OF 2012 PROGRAM CHANGES**

<b>Request Component</b>		
Program Changes	Amount	FTE
American Samoa Construction	-411	0

**JUSTIFICATION OF 2012 PROGRAM CHANGES**

The 2012 budget request for American Samoa Construction is \$10.089 million, a program decrease of \$411,000 with no additional FTE from the 2010 Enacted/ 2011 Continuing Resolution level.

Beginning with FY 2005, OIA implemented a new competitive allocation system for the \$27.72 million in mandatory Covenant CIP grants. It is based on a premise that all funds will be used for capital improvement needs in the U.S. territories. This 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 territories are asked to submit capital improvement requests within a range of \$2 million both above and below base (target) level funding.

Base level funding was established on the basis of historic trends in 2005 when the competitive allocation system was implemented. It was adjusted for 2012 based upon the performance of each of the U.S territories over the past five years as required by the 2004 Section 702 Funding Agreement between OIA and the CNMI.

American Samoa Baseline Funding.....	\$10,047,000
Results from competitive process.....	+\$ 42,000
Proposed funding for 2012.....	\$10,089,000

The 2012 allocation for American Samoa was calculated utilizing the CIP selection criteria and methods discussed further in the beginning of this section (see Activity: CNMI/Covenant Grants Summary Table section).

**PROGRAM OVERVIEW**

Until 1996, American Samoa received annual discretionary grants for capital improvement needs. These grants averaged approximately \$5.0 million annually. During this 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 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.

**2012 PROGRAM PERFORMANCE**

Over the past year, several important Covenant CIP projects in American Samoa were completed including a new chiller at the LBJ Tropical Medical Center and a new Leone Dispensary as well as a complete renovation of the East Substation for the Department of Public Safety. The Department of Education completed classroom buildings at the Alofau and Pavaiai Elementary Schools while the American Samoa Power Authority completed the Water Supply System in the Manu’ a Islands.

In addition, 2010 saw the completion of the Futiga Landfill Scale Office as well as the connection of over 50 homes to the main sewer system in Tualauta. Substantial progress was made on the Petesa Happy Valley Road project as it approaches completion. While ongoing projects such as the Tafuna Plains Sewer System and the LBJ Electrical System Upgrade made steady progress, new projects such as the Lupelele Classroom Building, Matafao Elementary Classroom/Cafeteria Building and LBJ Obstetrics-Gynecology Ward have broken ground.

The requested \$10.089 million for 2012 will be used to continue meeting critical infrastructure needs in American Samoa similar to previous years. Approximately \$2.7 million of the 2012 request will be utilized to construct a mental health facility to meet the increasing need to provide adequate facilities to house and treat mental health patients in American Samoa. An additional \$1.3 million will be used to design and renovate the Labor & Delivery and Operation Room Suite of the LBJ Tropical Medical Center while \$600,000 will help fund the design of a new Intensive Care Unit. These new facilities will improve patient services and help the Medical Center meet life safety code requirements.

The \$2 million requested for the seaport will be utilized to rehabilitate the existing service wharf which is dilapidated and sinking into the harbor. The service wharf serves about 30% of the boats coming into the harbor, mainly the ferries to the Manu'a Islands and Western Samoa.

Approximately \$1.5 million of the 2012 request will help fund the construction of a building at the over-crowded Male Correctional Facility. The new two-story building will have the capacity to accommodate 100 inmates allowing for greater security and maintenance with all convicted inmates housed in one building.

The 2012 request includes \$900,000 to provide quality education for a growing population of students in American Samoa. Approximately \$500,000 will be utilized to design and construct a multipurpose building to house an Auditorium and a Student Services Center for the American Samoa Community College. The remaining \$400,000 will help fund needed school buses and furniture and equipment for the classroom buildings that were recently constructed using CIP funds.

The following chart reflects the ASG's funding priorities for 2010, 2011 and 2012:

Funding Category	2010	2011	2012
	Award	Award	Proposed Award
Health	\$1,900,000	\$1,900,000	\$4,639,900
Education	\$2,790,000	\$2,920,000	\$900,000
Water	\$1,000,000	\$1,000,000	-
Wastewater	-	\$1,355,000	\$244,650
Solid Waste	\$1,755,000	-	-
Port	\$1,200,000	\$1,945,000	\$2,300,000
Public Safety	\$268,850	\$380,000	\$1,500,000
Roads	-	\$380,000	-
Parks	-	\$95,000	-
O&M Set-Aside	\$469,150	\$525,000	\$504,450
<b>Total</b>	<b>\$9,383,000</b>	<b>\$10,500,000</b>	<b>\$10,089,000</b>



**O&M 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 to all funds directed to O&M. 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.

3.

<b>Activity: CNMI/Covenant Grants</b>							
<b>Subactivity: Guam Construction \$(000)</b>							
	2010 Actual	2010 Enacted/ 2011 CR	2012				Change from 2011 (+/-)
			Fixed Costs & Related Changes (+/-)	Adminis- trative Cost Savings (+/-)	Program Changes (+/-)	Budget Request	
	5,360	5,026	0	0	+1,060	6,086	+1,060
FTEs	0	0	0	0	0	0	0

**SUMMARY OF 2012 PROGRAM CHANGES**

Request Component		
Program Changes	Amount	FTE
Guam Construction	+1,060	0

**JUSTIFICATION OF 2012 PROGRAM CHANGES**

The 2012 budget request for Guam Construction is \$6.086 million, a program increase of \$1,060,000 with no additional FTE from the 2010 Enacted/ 2011 Continuing Resolution level. The amount was calculated utilizing the CIP selection criteria and methods below. The process is further described in the beginning of this section (see Activity: CNMI/Covenant Grants Summary Table section).

Beginning with FY 2005, OIA implemented a new competitive allocation system for the \$27.72 million in mandatory Covenant CIP grants. It is based on a premise that all funds will be used for capital improvement needs in the U.S. territories. This 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 territories are asked to submit capital improvement requests within a range of \$2 million both above and below base (target) level funding.

Base level funding was established on the basis of historic trends in FY 2005 when the competitive allocation system was implemented. It was adjusted for FY 2012 based upon the performance of each of the U.S territories over the past five years as required by the 2004 Section 702 Funding Agreement between OIA and the CNMI.

Guam Baseline Funding.....	\$4,545,000
Results from competitive process.....	+ \$1,541,000
Proposed funding for 2012.....	\$6,086,000

## PROGRAM OVERVIEW

Legislation enacted in 1996 established a minimum six-year Covenant Capital Infrastructure Project (CIP) program for Guam as impact aid resulting from Micronesian immigration authorized in the Compacts of Free Association. Beginning in 2004 however, funding for impact aid for Guam is authorized and appropriated under the Compact of Free Association Amendments Act of 2003 (P.L. 108-188). Therefore, funds provided in 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.

## 2012 PROGRAM PERFORMANCE

CIP-funded infrastructure projects on Guam made substantial progress this past year. The Guam Memorial Hospital's Medical Warehouse Expansion project was successfully completed in April 2010. The additional warehouse space will ensure that the Hospital is able to store an adequate supply of medical and pharmaceutical supplies in the event of an emergency. The Port Authority of Guam completed the design of the Gregorio D. Perez Marina Renovation project and plans to start construction on this major capital improvement project shortly. The renovation and expansion of the Southern Regional Health Center continues to make good progress and is on schedule to be completed in March 2014.

In 2012, Guam proposes to use its allocation of CIP funding to meet infrastructure needs in the areas of education, ports, and drinking water. The projects to be funded are briefly explained below.

The Department of Public Works would receive \$1,280,000 to purchase new school buses and spare parts for student transport. These new buses will replace existing ones which have deteriorated to the point that continued repairs are no longer considered economical.

The Port Authority of Guam would receive \$2,500,000 for phase II of the Gregorio D. Perez Marina Renovations project. The Marina was built prior to World War II and was last renovated in 1977. Phase I of the renovations is being funded by previously awarded CIP grants.

The Guam Waterworks Authority would receive \$934,000 to rehabilitate the Asan Springs facility which will increase the supply of water available to residents of the village of Asan and surrounding areas.

Finally, \$1,372,000 would be allocated to the University of Guam for the repair, renovation, and modernization of the existing Field House which was constructed in 1982. The Field House is a

multi-use facility which serves the University, local government agencies, and a variety of profit and non-profit organizations. Though it has received routine maintenance since its construction, more comprehensive repairs are now needed to ensure that it continues to adequately serve Guam.

The chart below reflects Guam's funding priorities for 2010, 2011 and 2012:

Funding Category	2010	2011	2012
	Award	Award	Proposed Award
Health	\$1,015,000	\$3,000,000	-
Education	\$1,445,000	-	\$2,652,000
Solid Waste	-	-	-
Power	-	-	-
Port	\$430,000	\$440,000	\$2,500,000
Public Buildings	-	\$1,586,000	-
Water	\$2,000,000	-	\$934,000
Public Safety	\$470,000	-	-
<b>Total</b>	<b>\$5,360,000</b>	<b>\$5,026,000</b>	<b>\$6,086,000</b>

4.

<b>Activity: CNMI/Covenant Grants</b>							
<b>Subactivity: Virgin Islands Construction \$(000)</b>							
	2010 Actual	2010 Enacted/ 2011 CR	2012				Change from 2011 (+/-)
			Fixed Costs & Related Changes (+/-)	Adminis- trative Cost Savings (+/-)	Program Changes (+/-)	Budget Request	
	1,982	2,194	0	0	-172	2,022	-172
FTEs	0	0	0	0	0	0	0

**SUMMARY OF 2012 PROGRAM CHANGES**

<b>Request Component</b>		
Program Changes	Amount	FTE
Virgin Islands Construction	-172	0

**JUSTIFICATION OF 2012 PROGRAM CHANGES**

The 2012 budget request for Virgin Islands Construction is \$2.022 million, a program decrease of \$172,000 with no additional FTE from the 2010 Enacted/ 2011 Continuing Resolution level.

Beginning with 2005, OIA implemented a new competitive allocation system for the \$27.72 million in mandatory Covenant CIP grants. It is based on a premise that all funds will be used for capital improvement needs in the U.S. territories. This 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 territories are asked to submit capital improvement requests within a range of \$2 million both above and below base (target) level funding.

Base level funding was established on the basis of historic trends in 2005 when the competitive allocation system was implemented. It was adjusted for 2012 based upon the performance of each of the U.S territories over the past five years as required by the 2004 Section 702 Funding Agreement between OIA and the CNMI.

U.S. Virgin Islands Baseline Funding.....	\$ 2,480,000
Results from competitive process.....	-\$ 458,000
Proposed funding for 2012.....	\$2,022,000

The 2012 allocation for the U.S. Virgin Islands was calculated utilizing the CIP selection criteria and methods which are discussed further in the beginning of this section (see Activity: CNMI/Covenant Grants Summary Table section).

## **PROGRAM OVERVIEW**

Public Law 104-134, enacted in 1996, allowed Covenant funding, previous provided only to the CNMI, to be disbursed throughout the U.S.-affiliated insular areas.

Over the years each of the territories has received funding through this mandatory Covenant appropriation to fund Capital Improvement Projects (CIP). While, in past years, American Samoa 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 U.S. 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 U.S. Virgin Islands is mandated to comply with consent decrees issued for various violations of Federal environmental laws. Recent allocations of CIP funds are being utilized to assist the U.S. Virgin Islands in complying with these Federal mandates.

## **2012 PROGRAM PERFORMANCE**

In 2008 two state-of-the-art wastewater treatment plants on St. Croix and St. Thomas were completed using funds from previously awarded CIP grants. The U.S. Virgin Islands was required to build the new plants in order to comply with the Clean Water Act along with various other Federal and local environmental laws. The U.S. Department of Justice, which is working closely with the U.S. Virgin Islands on resolving these violations, also mandated that territory-wide sewer system infrastructure upgrades are made to ensure that the Territory has the infrastructure to support the new wastewater treatment plants. The 2007 and the 2008 CIP grants are dedicated to these types of projects including pump station construction or upgrades, extensive collection pipe replacement, replacement of portions of the LBJ and Lagoon Street force mains and rehabilitation of significant numbers of manholes.

The 2009, 2010 and 2011 CIP grants are dedicated to address equally critical solid waste problems that the U.S. Environmental Protection Agency (EPA) has determined pose a serious threat to human health and the physical environment. There are two active landfills in the U.S. Virgin Islands: the Anguilla Landfill on St. Croix, and the Bovoni Landfill on St. Thomas. Both are unlined, lack leachate collection systems, and are sited within the coastal zone (immediately adjacent to vibrant mangrove lagoons). Disposal of medical, septic, and small amounts of hazardous waste into these landfills has allowed the potential for leachate to contaminate ground water supplies and coastal waters and fisheries. In addition, both landfills have suffered from underground methane fires, as well as sporadic above-ground fires, which have raised public health concerns regarding the potential impact of landfill gas emissions and ash on air quality and on the widespread rain water collection systems in the adjacent area. The U.S. EPA has

exercised strict scrutiny of solid waste operations in the U.S. Virgin Islands and has issued nine Orders for the two landfills. In order to comply with EPA's mandates, the U.S. Virgin Islands must bring into compliance and close the Anguilla Landfill and sections of the Bovoni Landfill. The closures must occur in full compliance with all applicable EPA and other governmental regulations.

In 2012, the U.S. Virgin Islands proposes to use \$2.022 million in CIP funds for enhancement of the historic districts of Downtown Main Street on St. Thomas and the Christiansted Boardwalk on St. Croix. These projects which are part of a larger, integrated effort to revitalize the Virgin Islands community, will address a range of transportation and community needs for the local residents as well as the millions of visitors each year, most of whom are from the U.S. mainland. The town of Charlotte Amalie on St. Thomas is one of the most intact historic commercial centers in this hemisphere while the Christiansted Boardwalk on St. Croix is the heart and soul of the downtown area. The revitalization efforts will build a better economic condition for businesses to compete more successfully as new commercial developments come along. The projects will not only improve the condition of the roadway and sidewalks, but will also improve the aesthetics and function of the street lighting making it safer and more inviting for pedestrians. The Government of the U.S. Virgin Islands seeks to develop the current infrastructure to improve the character, ambiance and economic vitality of its historic districts.

The following chart summarizes the U.S. Virgin Islands' funding priorities for 2010, 2011 and 2012:

Funding Category	2010	2011	2012
	Award	Award	Proposed Award
Solid Waste	\$1,982,000	\$2,194,000	-
Economic Development	-	-	\$2,022,000
<b>Total</b>	\$1,982,000	\$2,194,000	\$2,022,000

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## C. Territorial Assistance

<b>Activity: Territorial Assistance</b> \$(000)							
<b>SUMMARY TABLE</b>							
	2010 Actual	2010 Enacted/ 2011 CR	2012				Change from 2011 (+/-)
			Fixed Costs & Related Changes (+/-)	Adminis- trative Cost Savings (+/-)	Program Changes (+/-)	Budget Request	
Office of Insular Affairs	9,280	9,280	+129	-132	+203	9,480	+200
General Technical Assistance	15,302	15,302	0	0	-1,498	13,804	-1,498
Maintenance Assistance	2,241	2,241	0	0	0	2,241	0
Brown Tree Snake Control	3,000	3,000	0	0	0	3,000	0
Coral Reef Initiative	1,000	1,000	0	0	0	1,000	0
Water and Wastewater	1,900	1,900	0	-207	-1,693	0	-1,900
Guam Infrastructure	2,000	2,000	0	0	-2,000	0	-2,000
Empowering Insular Communities	0	0	0	0	+4,120	4,120	+4,120
<b>Total</b>	34,723	34,723	+129	-339	-868	33,645	-1,078
FTEs	38	41	0	0	+2	43	+2
<i>DoD Transfer (Guam School Buses)*</i>	0	0	0	0	+10,070	10,070	+10,070

\*DoD transfer for Guam school buses justified in the General Technical Assistance subactivity.

The Territorial Assistance 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 more than \$450 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 defined in the Chief Financial Officers Act. Good financial management and effective internal controls are stressed within the Office, however, in its report entitled “Opportunities Exist to Improve Interior’s Grant Oversight and Reduce the Potential for Mismanagement” (GAO-10-347), GAO noted that OIA would be more effective with additional oversight resources.

The second major function within this program area 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. OIA asks the governments and assistance providers to form partnerships with us to identify major priorities and then develop and implement long-term action plans.

1.

<b>Activity:</b>		<b>Territorial Assistance</b>					
<b>Subactivity:</b>		<b>Office of Insular Affairs (OIA) \$(000)</b>					
	<b>2010 Actual</b>	<b>2010 Enacted/ 2011 CR</b>	<b>2012</b>				<b>Change from 2011 (+/-)</b>
			<b>Fixed Costs &amp; Related Changes (+/-)</b>	<b>Administrative Cost Savings (+/-)</b>	<b>Program Changes (+/-)</b>	<b>Budget Request</b>	
	9,280	9,280	+129	-132	+203	9,480	+200
FTEs	38	41	0	0	+2	43	+2

**SUMMARY OF 2012 PROGRAM CHANGES**

<b>Request Component</b>		
Program Changes	Amount	FTE
Office of Insular Affairs	+203	+2

**JUSTIFICATION OF 2012 PROGRAM CHANGES**

The 2012 budget request for the Office of Insular Affairs (OIA) is \$9.48 million and 43 FTE, an increase of \$200,000 with 2 additional FTE from the 2010 Enacted/ 2011 Continuing Resolution level. The 2012 budget request for the Office of Insular Affairs includes \$129,000 for fixed costs and related changes. The budget also includes \$330,000 and 2 FTE to establish a Guam field office to serve as a main contact point to monitor and assist with the military build-up on the island.

In support of the President's commitment on fiscal discipline and spending restraint, OIA is participating in an aggressive Department-wide effort to curb administrative spending. In accordance with this initiative, OIA's justification assumes \$86,000 in savings within its 2012 office operations account; building upon \$46,000 in management efficiencies that the Office began implementing in 2011. OIA's operations account has virtually no flexibility; the only substantial costs OIA can control are its salaries and benefits costs, and its travel. As a result, OIA plans to achieve 2012 administrative cost savings by reducing official travel. OIA's travel budget is utilized to ensure adequate oversight and accountability for Federal funds including OIA grant funds. In its report entitled "Opportunities Exist to Improve interior's Grant Oversight and Reduce the Potential for Mismanagement" (GAO-10-347), GAO noted the need for OIA to augment oversight over its program funds. OIA has been working to comply with these directives within its strained resources. OIA also funds the travel costs for the Assistant

Secretary for Insular Areas. OIA absorbs these costs within its existing travel budget. The Assistant Secretary needs to routinely travel in order to effectively execute the duties of the Secretary with regard to the insular areas.

## **PROGRAM OVERVIEW**

The Office of Insular Affairs carries out the Secretary's responsibilities with respect to U.S.-affiliated insular areas. The office is organized into three divisions:

- 1.) 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. The division monitors accountability issues and tracks insular area audit resolutions, including Single Audits. The Division maintains a field presence in the CNMI, U.S. Virgin Islands and American Samoa.
- 2.) The Technical Assistance Division: manages all General Technical Assistance grants and cooperative agreements which provide support not otherwise available to the insular areas to combat deteriorating economic and fiscal conditions. Activities often include, but are not limited to, building institutional capacity in the following critical areas: health care, education, public safety, data collection and analysis, fiscal accountability, energy, transportation, economic development and communication. The division also manages the Brown Treesnake program.
- 3.) 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 Operations and Maintenance Improvement Program, and Compact Impact Grants. The Division maintains an office in Hawaii for Compact oversight in the FSM and the RMI, and has a field presence in the CNMI, the FSM and the RMI.

The Office of Insular Affairs is headed by the Assistant Secretary for Insular Areas who provides overall policy direction and a Director who handles non-financial administrative functions, public information, and correspondence control. The Director acts on behalf of the Assistant Secretary in his absence.

### Guam Field Office

The proposed Guam field office will serve as a main contact point for monitoring and assisting with the military's relocation to the island from Okinawa, Japan. The office will house two OIA employees and will have two additional hoteling workstations to accommodate other Federal staff visiting Guam working on build-up related issues. OIA will staff the office with a fiscal specialist/evaluator and a program/grants specialist. The vital need on Guam for experienced employees specializing in grants management or evaluation is important to the economic and social vitality of Guam as the military build-up ramps up and Guam's population increases. This technical expertise is needed to monitor the influx of Federal dollars to the territory. These staff will also work with the other insular communities in the region. Estimated costs for opening the office are as follows:

Salaries & Benefits	\$225,000
GSA Rent	\$50,000
Official Travel	\$40,000
Training, Supplies & Equipment	<u>\$15,000</u>
Total	\$330,000

Providing effective and meaningful grant oversight is dependent on having the right mix of personnel skills and a carefully planned use of those skills. OIA is cognizant of the importance of human capital. Any new hiring decisions will take into account expertise, diversity, and the long-term potential of new employees. All of the people OIA recruits must have the potential to work in a cross-cultural environment.

## 2012 PROGRAM PERFORMANCE

In 2012, OIA will continue to pursue the Department's mission of empowering insular communities by executing activities which improve quality of life, create economic opportunity and promote efficient and effective governance. Improvements to quality of life and economic opportunity are achieved in a variety of ways, including funding critical infrastructure such as schools, hospitals, roads and environmental facilities. OIA also provides assistance to help the islands identify reforms to improve their business climates. Technical assistance is provided to help the insular areas become better stewards of Federal funds, and a number of grants are now awarded according to criteria that reward good fiscal management.

With financial assistance programs exceeding \$450 million per year, OIA requires sufficient personnel resources to provide oversight of grants, including Compact and mandatory Covenant funding. At the 2012 level of funding OIA will:

- Improve out-year performance by grantees by continuing to focus on oversight.
- Conduct site visits to grant projects
- Satisfy outside agencies' concern (insular governments and the GAO) of appropriate Federal involvement in grant programs.
- Continue to actively work with the U.S. Territories and the Freely Associated States to ensure their compliance with the Single Audit Act and to improve the timeliness of their audit submissions.
- Open a Guam field office

All of OIA's overhead and administrative costs that support departmental functions are paid from the Office of Insular Affairs account as assessed through the Department Working Capital Fund. Specific detail itemizing the actual activity billed can be found on the following page.

**Office of Insular Affairs  
2012 Working Capital Fund Direct Bill  
(Dollars in thousands)**

Activity/Program	2010	2011 PY Collections	2011	2012
Ocean Coastal Great Lakes Activities	0.0		25.2	25.5
Single Audit Clearinghouse	3.7	1.4	2.6	2.7
Federal Assistance Award Data System	0.3		0.1	0.1
e-OPF	0.0		0.0	0.8
DOI University	0.0		0.0	2.5
CFO Audit	0.0		11.6	16.8
NBC Administrative Operations Directorate	0.2		0.6	0.6
NBC Financial Management Directorate	145.9		154.9	156.7
<b>Total</b>	<b>150.0</b>	<b>1.4</b>	<b>195.1</b>	<b>205.6</b>

**Office of Insular Affairs  
2012 Working Capital Fund Centralized Bill  
(Dollars in thousands)**

Activity/Program	2010	2011 Pres Budget	2011	2012
Departmental Communications Office	0.5	0.5	0.5	0.5
Departmental Museum	1.0	1.0	1.0	1.1
Office of Policy Analysis	29.5	29.5	29.5	28.1
Office of Financial Management	11.6	11.6	11.6	9.3
Office of Property and Acquisition Management	0.2	0.2	0.2	0.2
Office of Human Resources	0.9	0.9	0.9	1.2
Office of Civil Rights	0.2	0.2	0.2	0.2
DOI University	0.9	0.9	0.9	1.0
Office of Law Enforcement and Security	83.7	83.7	82.2	136.0
Office of Emergency Management	0.0		1.5	2.2
Office of the Chief Information Officer	345.5	345.5	345.5	143.8
CFO Financial Statement Audit	65.0	65.0	65.0	65.0
e-Government Initiatives	2.6	2.6	2.6	2.1
Office of the Solicitor	0.0		0.0	0.4
<b>Total</b>	<b>541.7</b>	<b>541.7</b>	<b>541.7</b>	<b>391.2</b>

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

*(Total Employment)*

	<u>2010 Actual</u>	<u>2011 Estimate</u>	<u>2012 Estimate</u>
SES	1	1	1
SL-0*	1	1	1
GS-15	6	6	6
GS-14	7	7	7
GS-13	12	12	15
GS-12	4	7	9
GS-11	4	3	0
GS-10	0	0	0
GS-9	2	1	1
GS-8	0	0	0
GS-7	0	0	0
GS-6	0	0	1
GS-5	1	2	1
GS-4	2	1	1
GS-3	0	0	0
GS-2	0	0	0
Total Employment (actual/projected) at the end of the Fiscal Year	<b>40</b>	<b>41</b>	<b>43</b>

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

2.

<b>Activity: Territorial Assistance</b>							
<b>Subactivity: General Technical Assistance \$(000)</b>							
	2010 Actual	2010 Enacted/ 2011 CR	2012				Change from 2011 (+/-)
			Fixed Costs & Related Changes (+/-)	Adminis- trative Cost Savings (+/-)	Program Changes (+/-)	Budget Request	
General TA	15,302	15,302	0	0	-1,498	13,804	-1,498
<b>TOTAL</b>	<b>15,302</b>	<b>15,302</b>	<b>0</b>	<b>0</b>	<b>-1,498</b>	<b>13,804</b>	<b>-1,498</b>
<b>FTEs</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>
<i>DoD Transfer</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>+10,070</i>	<i>10,070*</i>	<i>+10,070</i>

\*\$10,070 will be transferred from the Department of Defense to this account for vehicles and supplies for transportation of civilian students in Guam.

#### SUMMARY OF 2012 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
General Technical Assistance	-1,498	0

#### JUSTIFICATION OF 2012 PROGRAM CHANGES

The 2012 budget request for General Technical Assistance is \$13.8 million, a decrease of \$1.5 million from the 2010 Enacted/ 2011 Continuing Resolution level. The \$1.5 million reduction will decrease the amount available for direct grant awards to the insular areas. OIA anticipates that a \$10.1 million appropriation transfer from DoD will occur in 2012 to provide funding for vehicles, supplies and related maintenance for transportation of civilian students in Guam.

#### PROGRAM OVERVIEW

The General Technical Assistance program provides support not otherwise available to the insular areas, to combat deteriorating economic and fiscal conditions and to 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 program also funds student training programs for high school and college students, as well as training for insular area professionals in the financial management, accounting and audit fields. The program provides funds to assist the insular areas in maintaining accreditation for their colleges as well.

OIA staff and outside experts also provide information on a variety of topics to help improve government operations in areas such as financial management, procurement and contract management, and the administration of Federal grant programs.

### **2012 PROGRAM PERFORMANCE**

Although General Technical Assistance funding has been reduced from the 2010 level, \$1.7 million will be allocated in 2012 to support the socio-economic impacts of the military buildup in Guam. \$1.0 million will be provided to assist the Government of Guam with improvements to their tax systems and collections, grant writing processes, land-use, and acquisition/procurement processes. In 2012, \$720,000 will be provided to Guam for the acquisition of six ambulances and related spare parts/maintenance packages. Also, in 2012, it is anticipated that an additional \$10.1 million will be transferred from the Department of Defense (DoD) for the purpose of providing vehicles/supplies and related maintenance for transportation of civilian students.

In 2011 and 2012, it is anticipated that approximately \$7.6 to \$7.8 million of the TA funds will be utilized for grants provided directly to each insular area. Please see the table on the following page.

**Technical Assistance  
Grant Awards 2010/Estimate for 2011 & 2012**

<b>Recipient</b>	<b>2010 Awards</b>	<b>2011 Estimate</b>	<b>2012 Estimate</b>
<b>Direct Grants to Insular Areas</b>			
American Samoa	\$894,037	TBD	TBD
American Samoa Tsunami Recovery	\$1,200,000	--	--
Northern Mariana Islands (CNMI)	\$672,815	TBD	TBD
Guam	\$1,048,106	TBD	TBD
Guam Military Build-Up Socio-Economic Impact	--	--	\$1,720,000
U.S. Virgin Islands	\$1,504,866	TBD	TBD
Federated States of Micronesia (FSM)	\$10,000	TBD	TBD
Republic of the Marshall Islands (RMI)	\$1,228,435	TBD	TBD
Republic of Palau	\$894,629	TBD	TBD
<b>Total, Direct Grants to Insular Areas</b>	<b>\$7,452,888</b>	<b>\$7,556,747</b>	<b>\$7,757,900</b>
<b>Other TA Programs (Provides Benefits to Multiple Insular Areas)</b>	<b>2010 Awards</b>	<b>2011 Estimate</b>	<b>2012 Estimate</b>
Grad. School PITI VITI www.pitiviti.org	\$1,700,000	\$1,700,000	\$1,700,000
Micronesian Center for Sustainable Future	\$494,178	TBD	TBD
Guam 3 <sup>rd</sup> Party Fiduciary Assistance	\$163,011	--	--
U.S. Bureau of Commerce, BEA (for GDP data)	\$1,168,000	\$600,000	\$600,000
Close Up Foundation	\$1,000,000	\$1,050,000	\$1,050,000
U.S. Department of Energy (NREL)	\$750,000	TBD	TBD
Junior Statesman	\$276,100	\$276,100	\$276,100
Pacific Basin Development Council	\$197,126	\$199,153	TBD
4 Atoll Health Care Program (RMI)	\$985,235	\$986,926	\$986,926
Prior Service Benefits Program	\$1,000,000	\$1,000,000	\$1,000,000
Judicial Training	\$320,000	\$320,000	\$320,000
CDC	\$50,000	\$50,000	\$50,000
CNMI Ombudsman's Office	\$250,000	\$250,000	\$250,000
CNMI Immigration, Labor and Law Enforce./Forum Economic Labor Dev. (FELD)	\$297,356	\$1,000,000	TBD
University of Hawaii/Pacific Business Center Pr.	\$150,000	TBD	TBD
Other OIA Initiatives	\$33,341	\$1,300,000	\$800,000
<b>Total, Multiple Jurisdiction Programs</b>	<b>\$7,849,112</b>	<b>\$7,745,253</b>	<b>\$6,046,100</b>
<b>Total, Technical Assistance</b>	<b>\$15,302,000</b>	<b>\$15,302,000</b>	<b>\$13,804,000</b>
Transfer from DoD (Guam Buses)			\$10,070,000
<b>Total, Technical Assistance</b>	<b>\$15,302,000</b>	<b>\$15,302,000</b>	<b>\$23,874,000</b>

In November 2010, OIA changed the manner in which General Technical Assistance grant requests were received in order to comply with Federal regulations. OIA now requests that applicants submit requests through Grants.gov.

Meetings are held with the Assistant Secretary for Insular Areas, the Director of Insular Affairs, senior staff from each division and the Technical Assistance Division to review and discuss submissions made by each insular area. Input is solicited from OIA field staff as well. Projects are selected for funding based on the results of these meetings and information provided by the insular area governments. This process promotes transparency and accountability for the distribution of grants.

General Technical Assistance funding priorities include, but are not limited to projects which foster the development of the insular areas in the following categories: accountability; financial management; tax systems and procedures; insular management controls; economic development; training/education; energy; public safety, health, immigration, labor, and law enforcement.

### **Direct Grants to Insular Areas**

In 2010, \$7.5 million in Technical Assistance funds were provided as direct grants to the seven insular areas. Examples of awarded grants include:

- \$85,200 for the Republic of the Marshall Islands Orientation Program intended to assist Marshallese immigrants assimilate to the United States.
- \$90,000 for the Marshalls Energy Company to recruit a qualified management advisor to assist in the execution of its comprehensive recovery plan.
- \$411,650 for the Palau International Airport for equipment needed for security upgrades.
- \$260,000 to the Government of Palau, Office of Budget and Grants Oversight to hire a consultant to help update and modernize existing processes and procedures.
- \$350,000 for the Commonwealth of the Northern Mariana Islands Visitors Authority to update its Tourism Master Plan.
- \$66,000 to the U.S. Virgin Islands to implement a comprehensive street naming and addressing system.
- \$350,000 to integrate the U.S. Virgin Islands Bureau of Internal Revenue's Excise Tax System with the Bureaus main operating system.
- \$300,000 for the University of Guam's Green Initiative Program.
- \$200,000 for the Guam Department of Administration to upgrade its Federal Grants-In-Aid System to improve internal control capabilities and reporting compliance.
- \$340,000 for the American Samoa Department of Mental Health and Social Services to establish a comprehensive long term mental health system for tsunami victims.

### **Technical Assistance Energy Assessment – Final Report anticipated in fiscal year 2011.**

Energy security is critical to the insular areas' future economic development and sustainability. Development of a long-term Strategic Energy Plan is needed to achieve energy security. OIA has

entered into an Inter-Agency Agreement (IAA) and provided \$750,000 to the U.S. Department of Energy, National Renewable Energy Laboratory (NREL) to seek support to assist the Governments of American Samoa, Commonwealth of the Northern Mariana Islands (CNMI), and Guam with developing a clean energy future for these Pacific Territories.

Through the IAA, NREL is providing technical support to the Governments of American Samoa, Commonwealth of the Northern Mariana Islands, and Guam by conducting initial energy efficiency and renewable energy (EE/RE) assessments and assisting in developing a strategic plan for EE/RE implementation and deployment. NREL has sent interdisciplinary teams to cover each relevant technical area for energy assessments, system recovery, and upgrades. Experts in the following disciplines participated:

1. Integrated Wind-Diesel Generation
2. Transmission and Distribution
3. Energy Efficiency and Building Technologies
4. Solar Technologies
5. Biomass and Waste-to-Energy

In addition to the above core disciplines, team capabilities included expertise in program analysis, project financing, policy, and energy project and Committee facilitation. For the Commonwealth of the Northern Mariana Islands and Guam, NREL also included an expert in geothermal energy on the team.

Additionally, OIA, through NREL shall support the Governments of American Samoa, Commonwealth of the Northern Mariana Islands, and Guam with the process of developing and implementing long-term Strategic Energy Plans that will involve a range of stakeholders including government officials, private sector entities, community leaders, and appropriate federal agency partners. Support is being provided to establish Energy Steering Committees for American Samoa and Guam that will be charged with developing and implementing long-term Strategic Energy Plans. The Commonwealth of the Northern Mariana Islands has already formed and established an Energy Steering Committee. The Steering Committees are in the infancy stages of development and require both technical assistance and expertise from NREL for developing their Strategic Energy Plan as well as continued facilitation support.

OIA anticipates that the NREL final reports and recommendations will be complete during fiscal year 2011.

**Statistical Improvement Program (*GDP Project with U.S. Department of Commerce, Bureau of Economic Analysis (BEA)*)**

One of OIA's goals is to improve the quality and quantity of economic data in the territories. The first place to look for economic data is GDP data and there were no official GDP data for the U.S. Territories. In December 2008, OIA completed a Memorandum of Understanding (MOU) with the Bureau of Economic Analysis (BEA) of the Department of Commerce to develop GDP data for the four U.S. Territories (American Samoa, Guam, Commonwealth of the Northern

Mariana Islands, and the U.S. Virgin Islands). The initial agreement with BEA was structured for a period of 18 months for a total cost of \$1.6 million, i.e. \$1 million a year, which would cover the initial data source assessment, travel by 2-3 BEA staff to each territory and estimates of GDP. The BEA has also agreed, to continue the work for almost half as much a year, approximately \$600 thousand per year. Fiscal year 2012 costs are estimated to be \$600,000.

To calculate U.S. GDP, the BEA collects all the data it needs from other Federal agencies such as the Bureau of the Census, the Bureau of Labor Statistics (BLS, a unit of DOL), and the IRS. Because the territories are not included in most of the current data and research work by Federal agencies, the BEA has to collect the data in the territories (hence travel) and put them in a format they use for U.S. GDP calculations. Since territorial data sources are not as extensive as those for the 50 states and DC, it is labor intensive to put them together in a format consistent with the BEA's framework for U.S. GDP.

On May, 2010, the BEA released its first GDP estimates for all four territories in Washington, DC. These estimates are highlighted in this budget's General Statement and additional details are available at the BEA web site which can be reached through the link below:

[http://www.bea.gov/newsreleases/general/2010/territory\\_0310.htm](http://www.bea.gov/newsreleases/general/2010/territory_0310.htm)

Moving forward, the agreement between OIA and BEA will extend and improve the estimates of GDP. BEA currently plans to release estimates for both 2008 and 2009 in the spring of 2011.

This GDP measurement project represents an important first step toward achieving BEA and OIA's ultimate goal: to integrate these territories not only into the estimates of national GDP but also into the full set of the national income and product accounts (NIPAs). Currently, the NIPAs cover the 50 states and the District of Columbia, and transactions with the territories are included in transactions with the "rest-of-the world." OIA is working with the territories and the BEA to move this program forward, consulting with the territories on how to expand the program within its current structure and reach a point at which all the territories have current GDP data produced by the BEA with minimal OIA intervention.

#### **Republic of the Marshall Islands 4 Atoll Healthcare Program**

The Four Atoll Health Care Program addresses the medical needs of Marshall Islands communities affected by the nuclear weapons testing program which the U.S. Department of Defense carried out in the Marshall Islands between 1946 and 1958. General Technical Assistance provides for the primary health care needs of the Enewetak, Bikini, Rongelap and Utrik communities in the Republic of the Marshall Islands. In 2010, the Technical Assistance program funded \$985,235 for medical professionals and needed medical supplies for the population of the 4 Republic of the Marshall Islands Atolls of Kili/Bikini - 994 people; Enewetak/Ujelang - 997 people; Rongelap/Mejatto - 459 people; and Utrik- 425 people. The funds provided a full time primary care physician to each of the four atolls to work in collaboration with a full time island based health assistant; standard, updated medical instruments, equipment and supplies on all atolls; provided routine and specialty clinic hours;

and provided specialty missions. The specialty missions included: Dental, Health/Education, Women's Mission, Immunizations, Food Safety and Water Treatment, Reporting of Women and Children Abuse (Domestic Violence), Diabetic Assessment Program, Community Health Education, Cancer Screenings and Health Surveys.

The Marshall Islands Ministry of Health provides local support to this Interior-funded program.

### **Prior Service Benefits Program**

The Prior Service Benefits Trust Fund provides payments to beneficiaries that are citizens of the Commonwealth of the Northern Mariana Islands, Federated States of Micronesia, the Republic of the Marshall Islands and the Republic of Palau who worked for the U.S. Department of Navy and the U.S. Trust Territory of the Pacific Islands for the period from 1944 through June 30, 1968. The Prior Service Benefits Trust Fund helps ensure the solvency of the Fund so that payments to beneficiaries will continue uninterrupted. Without the funds provided by OIA, the Prior Service Benefits Trust fund will be unable to continue payments to its beneficiaries. Checks are sent out from this fund on a monthly basis. Currently, there are no funds available for any additional payments beyond those funds provided by OIA. Funds are desperately needed in order to allow the Prior Service Benefits Trust Fund to continue to make the monthly payments.

OIA made available \$1,000,000 in 2010 to support the Prior Service Trust Fund Administration (PSTFA). In June 2010, an updated census of beneficiaries was conducted for distribution of fiscal year 2011 benefits, revealing 364 beneficiaries in the Commonwealth of the Northern Mariana Islands, 717 in the Federated States of Micronesia, 239 in the Republic of the Marshall Islands, and 305 in the Republic of Palau, a decrease of 42 beneficiaries from 2010.

In the last days of the war, Micronesians started working for the U.S. Military providing essential services to active duty soldiers, sailors and airmen, including care for the wounded and support for the men fighting in places like Iwo Jima and Okinawa. These people were paid very low meager salaries, often as low as 9 cents an hour, with no employee benefits.

### **Commonwealth of the Northern Mariana Islands Immigration, Labor and Law Enforcement Program**

The CNMI Initiative on Labor, Immigration and Law Enforcement was established by Congress 1995 to address immigration, labor, and related law enforcement problems in the Commonwealth of the Northern Mariana Islands. It was subsequently funded through the Covenant through 2004. Beginning in 2005, activities in support of the CNMI Initiative have been funded under General Technical Assistance. The CNMI Initiative addresses immigration, labor and related law enforcement problems through a variety of means including reimbursable agreements with other Federal Agencies and grants funding labor, immigration, and law enforcement personnel within the Commonwealth's Office of the Attorney General and the Department of Labor.

In 2010, \$147,000 was awarded to Guma Esperansa to support the CNMI Initiative. Guma Esperansa is the only permanent shelter for victims of domestic violence, sexual assault and human trafficking in the CNMI. Since its inception in 2001, Guma Esperansa has served more than 1,500 victims regardless of citizenship, ethnicity or immigration status. The FY 2010 funding awarded by OIA provides food, housing and medical assistance to 40 victims of foreign labor fraud in the CNMI identified by the Federal Ombudsman's Office, the U.S. Attorney's Office, the Federal Bureau of Investigations, and U.S. Immigrations and Customs Enforcement.

In 2010 and 2011 \$300,000 in total was provided to continue support for an Assistant U.S. Attorney (AUSA) position in the Saipan Field Office. This AUSA position is devoted entirely to enforcement of federal laws addressing the labor, immigration and law enforcement initiative.

In title VII of Public Law 110-229, Congress requested that the Secretary of the Interior provide information and recommendations regarding alien workers in the CNMI. The report was issued April 2010. The report includes: the number of aliens residing in the Commonwealth, a description of the legal status (under Federal law) of such aliens, the number of years each alien has been residing in the Commonwealth, the current and future requirements of the Commonwealth economy for an alien work force, and any such recommendations to the Congress, as the Secretary may deem appropriate, related to whether or not the Congress should consider permitting lawfully admitted alien workers lawfully residing in the Commonwealth on such enactment date to apply for long-term status under the immigration and nationality laws of the United States. Consistent with the goals of comprehensive immigration reform, OIA recommended that Congress consider permitting alien workers who have lawfully resided in the CNMI for a minimum period of five years to apply for long-term status under the immigration and nationality laws of the United States. The report can be found on the OIA website: [www.oia.gov](http://www.oia.gov).

### **Forum on Economic and Labor Development (FELD)**

In order to comply with Public Law 110-229, Consolidated Natural Resources Act (CNRA), May 8, 2008, Title VII, Section 702e, Assistant Secretary of the Interior for Insular Areas convened a public meeting, *Forum on Economic and Labor Development (FELD)*, on Saipan on November 9, 2010, as a step toward fulfilling requirements of the law. The FELD attracted a representative cross section of leaders from the CNMI government, business, labor and community groups. The main purpose of the forum was to gather ideas and suggestions from all stakeholders and identify areas of the CNMI economy and labor market that would benefit the most from a technical assistance grant OIA may make available under the law. In an all-day proceedings that included general as well as breakout sessions, participants produced a detailed list of areas that, in their opinions, would benefit from federal grants and contribute to economic growth and financial stability.

The list includes all major areas of the economy and labor market that FELD participants felt would benefit from direct federal assistance. The list also includes subsidies for existing industries to reduce consumer cost of necessities such as power and transport as well as funds for building new facilities such as a Micronesian Cultural Center and a state-of-the-art hospital.

The list of ideas and suggestions for economic growth and financial stability is fairly broad and wide ranging. It covers many areas that would undoubtedly help the CNMI's economy and its financial stability if they were funded. However public law 110-229, which extended federal immigration rules and regulations to the CNMI and assigned implementation responsibility to DOI and other federal agencies, does not appropriate funds for the technical assistance grant implementation it mandates. In the absence of resources specifically committed to this purpose, OIA has to divert resources from other uses to implement CNRA's technical assistance provisions. This commitment adds to the financial constraints within which OIA has to allocate its limited Technical Assistance budget that has recently been reduced because of government-wide fiscal constraints.

OIA's resource constraints severely limit its capacity to aid the CNMI and implement the CNRA's mandate for technical assistance. Still, to fulfill requirements of the law and offer the CNMI some critically needed economic and financial aid, OIA is willing to commit a one-time grant of up to \$1 million from its existing General Technical Assistance funding and other scarce resources. Using the FELD's list of ideas and suggestions as the primary guide and reflection of the needs of the CNMI as expressed by a representative cross section of the community, OIA designates those areas (sectors) of the economy and the labor market for Technical Assistance grants that would generate the greatest possible benefit for the CNMI.

Given the array of areas to be considered for improvement, the list below reflects OIA's selection of critical areas: 1. Tourism, 2. Labor, 3. Vocational Skill, 4. Renewable Energy, and 5. Agriculture and aquaculture. Secondary Areas for Technical Assistance Grant consideration include: 1. Health and Medical Care Industry, and 2. Education and Training.

### **Close Up Program**

The Close Up Foundation has conducted the Close Up Insular Areas Program under a grant from the General Technical Assistance program since 1988. Close Up was provided \$1 million in funds in 2010 and involves civic education work with students, teachers and administrators from American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, the Federated States of Micronesia, the Republic of the Marshall Islands, the Republic of Palau, and the U.S. Virgin Islands.

The goals of Close Up's Insular Areas Program for students and teachers are to:

- demonstrate how the United States' model of democracy functions and to foster the interest, knowledge, and skills needed to effectively participate in a democracy;
- address the academic needs of the insular areas and to provide training and materials to improve teacher civic education skills; and
- increase mutual understanding between the United States' diverse citizenry with a special emphasis on public policy concerns and culture.

The technical assistance grant will provide funds for students and teachers from American Samoa, Commonwealth of the Northern Mariana Islands, Guam, Federated States of Micronesia,



Republic of the Marshall Islands, Republic of Palau and the United States Virgin Islands to participate in Close Up Washington and other island-based civic education programs.

The principal components of the Close Up Insular Areas Program were:

- High school student participation in a week-long Close Up Washington High School civic education program;
- Participation by high school students on additional study visits to New York, Philadelphia and Williamsburg, Virginia;
- Middle School Student participation in a Close Up Washington Middle School civic education program as well as a Philadelphia study visit.
- Teacher participation in a parallel Close Up Washington Program for Educators;
- Student participation in a Close Up Student Forum, July 28-30, 2010, in Guam;
- Student and teacher participation in local-based “Close Up” civic education programs;
- Professional evaluation of the program to ensure that academic goals and objectives are met.

Close Up conducted Close Up Insular Areas Washington Programs in February, April and June 2010. In all, 200 students and 37 teachers from the Insular Areas travelled to Washington D.C. and other cities to participate in Close Up programs. Insular areas students and teachers participate on Close Up programs alongside their peers from around the United States. This further integrates the island participants into American education and culture and exposes students from across our nation to the importance and uniqueness of the island communities.

The Close Up Student Forum was held July 28-30, 2010 in Guam at Guam Community College. 40 students, representing each of Guam’s 5 public high schools participated in the summer program. The goal of the Student Forum was to teach students about the inner-workings of Guam’s local government and learn how laws are made in the Guam legislature. Students researched issues and then drafted bills that were debated in a mock legislative session.

Close Up local programs in Kosrae, Federated States of Micronesia and Palau received federal grant funds in 2010. 180 students participated in two local programs (October 22, 2009 and April 30, 2010) conducted in Palau. The purpose of the programs was to give Close Up students the opportunity to observe and learn how candidates for state governors run for a public office. 211 students participated in the 20<sup>th</sup> Annual Kosrae four-day local program conducted February 9-12, 2010 in Tofol, Kosrae. The program was designed to help bring students closer to their government and its leaders.

Close Up civic education programs provide our young people with an understanding of the United States Government and the role that each individual plays in our democratic system. They return home as active participants in the civic life of their communities.

The Close Up programs address the educational needs of the insular areas and foster the knowledge and skills needed for island residents to effectively participate in the United States

model of democracy. The program for educators provides training and materials to improve teacher civic education skills. The programs also seek to increase mutual understanding between the diverse citizenry of the United States with special emphasis on public policy concerns and culture.

### **Junior Statesman Foundation**

OIA awarded a technical assistance grant in the amount of \$276,000 in 2010 for Junior Statesmen Foundation (JSF) scholarships for twenty-eight high school students from the insular areas to attend the 2010 Junior Statesmen Summer Schools. That was the 20<sup>th</sup> year that the Junior Statesmen Foundation has worked in partnership with the Office of Insular Affairs to identify, educate and train outstanding insular-area high school students for active, effective and ethical participation in public affairs.

Interior Department grants cover the cost of each scholarship winner's summer school tuition (including room and board on the host university campus and all related costs, as well as transportation to and from the university). The Junior Statesmen Summer School is conducted at Georgetown, Princeton and Stanford Universities.

At the month-long summer schools, students take a Political Science college level course, along with high level instruction in debate and leadership. Seven insular areas will participate in the 2010 scholarship program: American Samoa, the Northern Mariana Islands, the Federated States of Micronesia, Guam, Palau, the U.S. Virgin Islands and the Marshall Islands.

The Interior Department grant also funds academic prep programs in colleges in American Samoa, the Northern Mariana Islands, Guam, Palau and the U.S. Virgin Islands to help prepare their students for their summer school experience.

The Junior Statesmen mission is to strengthen American democracy by educating and preparing high school students for life-long involvement and responsible leadership in a democratic society.

### **Pacific Basin Development Council (PBDC)**

The Governors of American Samoa, Guam, the Northern Mariana Islands and Hawaii collectively established PBDC in February 1980 to articulate and address economic and social development issues of the Pacific Islands. Its purpose is to enhance the region's economic competitiveness through its capability to identify, understand, and strategically plan. Funds are provided to the PBDC to further improve Homeland Security, Capacity building, and organizational development.

- The Governors' and Islands' staff play an integral role in PBDC. Formal policy and project decisions are determined by the PBDC Board of Directors. The Pacific Way generally requires decisions by Board consensus, rather than majority rule.

- Each Governor appoints key aides to PBDC's Technical Advisory Committee (TAC). TAC offers alternatives (for action by the Governors); provides local coordination and follow-ups; and gives the staff guidance on day-to-day activities.
- In August 2010, PBDC requested \$199,153 from OIA for continued support of the targeted areas.

**Ombudsman's Office (Saipan, CNMI)**

The Federal Ombudsman's Office provides assistance to the Commonwealth of the Northern Mariana Islands' 30,000 plus nonresident workers with labor and immigration complaints. The Federal Ombudsman's Office has a staff of professional caseworker/interpreters who speak Mandarin, Taiwanese, Tagalog, Bengali, Hindu, Urdu and Singhalese. Technical Assistance funds are utilized to pay for the operations of the Ombudsman's Office. The cost for operation of the Ombudsman's Office is estimated at \$250,000 annually.

**Judicial Training**

Training programs are also conducted to help the Pacific Islands face burgeoning populations and judicial systems that are not fully developed. The Pacific Islands Committee of the Ninth Circuit Judicial Council oversees, designs, arranges and ensures the delivery of these training programs and actively participates in the programs to guarantee training is provided that is responsive to educational needs. This training program was a result of an assessment that was conducted of the court systems in the American territories and the freely associated states which identified specific training needs for the non-lawyer judges, legally trained judges, and court staff in these islands. \$320,000 was provided for this program in 2010 (a detailed report is available upon request).

**Programs funded by Technical Assistance and jointly managed by the Graduate School**

The Pacific & Virgin Islands Training Initiatives (PITI-VITI) are funded by General Technical Assistance, and managed by the Graduate School. PITI-VITI supports the mission of OIA by assisting "the US-affiliated islands in developing more efficient and effective government by providing financial and technical assistance". PITI-VITI's mission is to provide customized, results-oriented professional and organizational development services that enable insular governments to strengthen financial and program performance and accountability, achieve fiscal stability, and promote economic growth. To this end, PITI-VITI works to build trust in insular governments by fostering responsible leadership and financial stewardship of the highest standard. PITI-VITI's strategic goals are to: improve leadership and management capacity to effectively perform; improve financial management systems and practices; increase effectiveness and program results; institutionalize regional professional organizations and communities of practice; and improve the capacity and capabilities of the public sector work force in critical positions and functions.

PITI-VITI serves American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, the Republic of Palau, and the U.S. Virgin Islands.

2010 PITI-VITI Initiatives included:

*Training and Technical Assistance Support*

Forty-nine (49) classroom training courses were delivered in 2010 for 2,511 course participants. Classroom training courses were provided in Procurement and Contract Management, Governmental Accounting, Auditing, Supervision, Personnel and Human Resource Management, Leadership, Fraud, Grants Management, Indirect Costs, Internal and Management Controls, and Performance and Project Management. In addition, twenty (20) consult-training activities were provided that approximately 658 insular government participants took part in support of various government-specific initiatives.

*Island Government Finance Officers' Association (IGFOA)*

Since 2000, PITI-VITI has supported the efforts of the Island Government Finance Officers' Association (IGFOA), a professional organization comprised of the Chief Financial Officers of each insular government and their associates. In addition to arranging for IGFOA members to participate in the annual Government Finance Officers Association (GFOA) Conference, PITI-VITI works with IGFOA to highlight best practices in the insular governments and to serve as a conduit for resource sharing. IGFOA gatherings enable the insular government finance community to discuss common challenges they face and identify successful best practices and strategies to address problems. PITI/VITI also takes advantage of IGFOA meetings to deliver professional development seminars on leadership skills and team building in the finance environment. Two IGFOA conferences were held during 2010.

*Association of Pacific Island Public Auditors (APIPA)*

The Association of Pacific Islands Public Auditors (APIPA) is a forum made up of public auditors from each of the Pacific insular areas. The U.S. Virgin Islands Office of the Inspector General has also been an active member in APIPA since the late 1990's. The Association holds annual conferences to discuss issues related to the field of auditing and to provide practitioners an opportunity to attain continuing professional education required by the field. Since its inception in 1991, PITI has provided auditors with the opportunity to attain up to 40 hours of continuing professional education (CPE) credits annually. By providing training during the annual APIPA conference and providing targeted audit training at each insular jurisdiction, PITI-VITI plays a critical role in working with APIPA to strengthen institutional support to the various public audit offices in the region.

*Executive Leadership Development Project (ELDP)*

The Executive Leadership Development Program (ELDP) was designed to assist the insular areas with developing and retaining the qualified, skilled staff that will become the future leaders of their respective governments. Program participants meet four times over the course of a year to develop skills in leadership, management, government finance, procurement, and auditing.

*Audit Improvement Project*

Audit resolution has become a cornerstone of the financial management improvement efforts launched more than a decade ago by OIA and PITI-VITI. PITI-VITI continues to provide technical support to improve the timeliness and effectiveness of the insular areas' single audits, building on prior successes.

*Finance and Audit Office Assessments*

PITI-VITI developed diagnostic tools to measure each insular government's audit and finance offices against a standard, broad set of criteria. In 2010, a finance office assessment was conducted for the CNMI's Department of Finance. The assessment identified the aspects of the CNMI's Department of Finance most critical to enabling high performance. The diagnostic data collected will be used to create a development plan to better focus donor resources on high-priority issues identified through the assessment process.

*The Performer and AFTER Analysis*

The Performer provides an independent assessment of each insular government's financial health and success, based on their audited financial statements. Using various financial ratios, most governments now have five years of Performer data with which to measure financial trends—both positive and negative. New Performers were developed for ten insular government entities in 2010 based on information in the insular government's 2009 audited financial statements, with the exception of the U.S. Virgin Islands which has yet to release their 2009 Single Audit. Many of the insular governments have used the most recent Performer scores to explain their financial status to their Legislatures and Governors, ultimately leading to better-informed fiscal decisions. The accompanying AFTER analysis details the government's efforts to develop timely and accurate financial statements. Finally, utilities-specific Performers were developed for the six jurisdictions that comprise the Freely-Associated States. In addition to measuring financial health, the Utility Performers also measured utility efficiency through various relevant ratios.

*PITI-VITI Website*

PITI-VITI's website ([www.pitiviti.org](http://www.pitiviti.org)) contains comprehensive information on the PITI-VITI program, including background on staff and training curricula, recent news, conference announcements and reports, APIPA and IGFOA institutional information, and specific documentation on initiatives such as the Audit Improvement Plan, the Performer, the ELDP, and Assessments.

*Federated States of Micronesia and Republic of the Marshall Islands Compact Support*

In 2010, PITI-VITI continued to provide technical support to both the Federated States of Micronesia and Republic of the Marshall Islands on issues relating to Compact implementation.

**Other selective projects managed by the Graduate School include:***Micronesia Center for a Sustainable Future*

The Graduate School has been working with the Chief Executives of the nine US-affiliated jurisdictions across Micronesia towards the establishment of a Micronesia Center for a

Sustainable Future (MCSF). The MCSF is intended to function as a Secretariat to the Micronesian Chief Executives' Summits (MCES), which have met twice yearly for the past six years, as well administratively, as well as a support to Standing Committee activities undertaken through the MCES. The Graduate School, through the Designated Representatives of the Chief Executives, is focusing on three primary delivery areas: Organizational Development, Program Delivery and Regional Strategic Framework.

*Third-party Fiduciary Agent for the Government of Guam's Department of Education*

The Graduate School provided technical assistance to the Government of Guam's Department of Education to assist with the procurement of a Third-Party Fiduciary Agent that will monitor and administer all or part of U.S. federal education grants. This support includes providing technical assistance and training in internal controls and accounting processes to enable Guam's Department of Education to improve their financial accountability, management and controls over U.S. federal education grants awards and disbursements.

### **Financial Statement Reviews**

OIA continues to work with each insular government to assist in its compliance with the Single Audit Act of 1984, P.L. 98-502, and the Single Audit Act Amendments of 1996, P.L. 104-156 as implemented under OMB Circular A-133. Currently, with the exception of the U.S. Virgin Islands, all of the insular areas are in compliance with the single audit completion deadlines. The U.S. Virgin Islands is scheduled to be compliant by April 2011.

OIA reviews the completed single audit information (independent auditors' reports, financial statements, and Federal award audit findings) to help determine: the financial position of the insular government and various activities undertaken that affect operations. The information is considered by OIA when determining levels of OIA funding to be awarded; the extent to which OIA may aid in the resolution of financial statement qualifications and Federal award audit findings; and OIA audit follow-up activities required to comply with Federal regulations and departmental policies.

OIA selected the Single Audits of 2004 as a base year for comparison in order to help monitor and evaluate the progress of each of the island governments to resolve audit findings and audit opinion qualifications. By tracking the progress, OIA identified specific areas in which assistance such as technical advice, training and outside expertise was provided.

As a result of OIA's efforts, all of the insular areas have shown marked improvements in the reliability of their financial data and in the administration of Federal grant programs. Seven of the insular governments (Guam, Palau, the Marshall Islands, the Federated States of Micronesia's National Government and the states of Pohnpei, Kosrae and Yap) have consistently received unqualified (clean) opinions from their respective independent auditors who review their financial statements. In addition, two other insular governments (Commonwealth of the Northern Marianas and the U.S. Virgin Islands) have clean opinions on their financial statements related to major governmental operations. Moreover, with each passing year, the 11 insular governments have reduced the number of material single audit findings and the amount of

questioned costs related to Federal grant programs. Also, due to the increased accountability and accuracy of the financial data, Federal reviewers have been more successful in assisting the insular program managers to improve processes and, in some cases, the reviewers have been able to single out those who may be participating in fraud, waste and abuse of Federal funds.

3.

Activity: Territorial Assistance							
Subactivity: Maintenance Assistance \$(000)							
	2010 Actual	2010 Enacted/ 2011 CR	2012				Change from 2011 (+/-)
			Fixed Costs & Related Changes (+/-)	Administrative Cost Savings (+/-)	Program Changes (+/-)	Budget Request	
	2,241	2,241	0	0	0	2,241	0
FTEs	0	0	0	0	0	0	0

### 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 (also referred to as the Operations and Maintenance Improvement Program) 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.

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.

The maintenance assistance fund also provides funding to address general regional training needs and allows the insular governments to share expertise and develop maintenance practices appropriate to the region. The Micronesian Water and Wastewater Training Program, Pacific Lineman Training Program and the Airport Rescue and Fire Fighting Training Program make standard water & wastewater maintenance training, power maintenance training and rescue and fire fighting training easily accessible to all insular areas. The maintenance assistance program



has proven to be an effective method of institutionalizing better maintenance practices throughout the U.S. affiliated islands.

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.

Maintenance assistance generally uses grants as the primary means to provide insular assistance. However, grants to individual island areas usually 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.

## **2012 PROGRAM PERFORMANCE**

In 2010, the Maintenance Assistance program awarded a number of grants for programs to enhance operation and maintenance efforts within each insular area.

An example of a direct grant to an insular area was \$124,500 awarded to Yap in 2010 for the Micronesian Heavy Equipment Maintenance Training Program. This program is designed to train utility mechanics in the essential technical skills required to maintain heavy equipment and vehicles. Furthermore, a \$200,000 grant was awarded to the Marshall Islands Energy Company for the acquisition and installation of a prepaid metering system.

Maintenance Assistance funds a number of grants to support regional initiatives. One example of such an initiative is the Pacific Lineman Training Program (PLT) which hones the skills of Pacific island power employees. OIA awarded \$519,500 for the PLT program in 2010 to provide 42 weeks of professional linemen training. Training includes the Basic Lineman Training Course as well as advanced training courses in Substation Operation and Maintenance, Hot Line Work, and U.S. Department of Labor Certification Training. The PLT program plans to train additional linemen in 2011 and 2012. Another example of a regional initiative is the Energy Efficiency Assessment Program which OIA supported with \$434,500 in 2010. This initiative aimed to assist utilities in the Pacific insular areas to create prioritized programs for reducing power system losses.

In 2011 and 2012, the Maintenance Assistance program plans to continue funding immediate needs for maintenance in the insular areas while maintaining support for regional initiatives.

The table on the following page identifies the allocation of Maintenance Assistance funding from FY 2008 – 2010.

## MAINTENANCE ASSISTANCE

FY 2008-2010

Grant Award Amounts

<u>Insular Area</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
American Samoa	\$443,993	\$319,000	\$200,000
Guam	\$35,000	\$325,000	\$319,623
U.S. Virgin Islands	\$1,030,118	\$0	\$0
Commonwealth of the Northern Mariana Islands	\$183,700	\$98,040	\$141,062
Republic of Palau	\$174,000	\$279,500	\$0
Republic of the Marshall Islands	\$0	\$250,000	\$340,000
Federated States of Micronesia	\$40,000		
Chuuk	\$319,140	\$0	\$0
Kosrae	\$0	\$0	\$0
Pohnpei	\$449,112	\$505,000	\$125,000
Yap		\$99,500	\$143,000
Other Grants* (Regional Programs)	<u>\$931,389</u>	<u>\$1,019,336</u>	<u>\$1,423,923</u>
<b>TOTAL</b>	<b>\$3,606,452**</b>	<b>\$2,895,376**</b>	<b>\$2,692,608**</b>

\* Includes Regional Programs which benefit the islands such as Lineman Training, Aircraft Rescue and Fire Fighting Training, Micronesia Water and Wastewater Training, Solid Waste Training, Energy Efficiency Assessment Program, Keeping the Lights On for Utility Survival, Pacific Islands Power Utility Engineers Capacity Building in Demand Side Management and Training Needs Assessment of the Pacific Island power utilities and partial funding for the Board Members Workshop & Engineers Workshop.

\*\* Total award amounts in FY 2008, FY 2009 and FY 2010 are higher than budgeted amounts due to prior year recoveries from closed grants being re-obligated.

## 4.

<b>Activity:</b>		<b>Territorial Assistance</b>					
<b>Subactivity:</b>		<b>Brown Treesnake Control</b> \$(000)					
	<b>2010 Actual</b>	<b>2010 Enacted/ 2011 CR</b>	<b>2012</b>				<b>Change from 2011 (+/-)</b>
			<b>Fixed Costs &amp; Related Changes (+/-)</b>	<b>Administrative Cost Savings (+/-)</b>	<b>Program Changes (+/-)</b>	<b>Budget Request</b>	
	3,000	3,000	0	0	0	3,000	0
FTEs	0	0	0	0	0	0	0

**PROGRAM OVERVIEW**

The Brown Treesnake (BTS) was unintentionally introduced to the island of Guam following World War II. The BTS is directly responsible for the extinction or local extirpation of 9 of 13 native forest birds and 3 of 12 native lizards. Snakes have caused more than 1,600 power outages in the 20-yr period of 1978-1997 and most recently nearly 200 outages per year. Snakebite is the cause of approximately 1 in 1200 emergency room visits on Guam, with infants constituting a disproportionately high number of these cases. Due to extremely high densities of BTS on Guam, it has been accidentally transported from Guam to other sites worldwide through infested civilian and military vessels and cargo. Documented sites include: Hawaii, the CNMI, Corpus Christi, Texas; McAlester, Oklahoma; Japan; Anchorage, Alaska; Wake Island; Taiwan; Kwajalein; Diego Garcia; Darwin, Australia; and Rota, Spain. There is appropriate concern that the introduction of the BTS to other sites will have similar catastrophic impacts.

Brown Treesnake Control is a combination research and operational program designed to prevent the dispersal of this invasive species from Guam to other geographic 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. Geological Survey (basic and applied research); the U.S. Fish and Wildlife Service (Pacific and overall program 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 (restoration, control and management).

**2012 PROGRAM PERFORMANCE**

Although OIA has not yet received the 2012 BTS program plans, it is anticipated that the funds will be used in similar manner to 2011 which is detailed below:

- Guam plans to use its FY 2011 BTS funding to maintain 550 BTS traps in order to continue its endangered species recovery efforts. The Cocos Island restoration project and public awareness activities will also be continued.
- The CNMI will maintain approximately 450 BTS traps at CNMI ports of entry and maintain a 90% canine inspection rate of Guam-based cargo arrivals to prevent the introduction of the BTS.
- The State of Hawaii will continue efforts to reinstate its BTS Detector Dog Program which was abolished in June 2009 due to the state's economic downturn. The program will ensure that high-risk cargo arriving from Guam is inspected for BTS.
- USDA Wildlife Services will continue to maintain BTS traps at the Guam International Airport, the Port Authority of Guam, and commercial shipping warehouses in support of BTS interdiction. USDA staff (through OIA funds) will ensure inspection of at least 90% of commercial cargo and aircraft departing Guam.
- USGS researchers will continue the development and testing of tools intended to improve BTS interdiction, control, and management. These include testing the efficacy of toxicant loaded mice for BTS control and guide ropes for BTS traps. The USGS Rapid Response Team (RRT) will continue to respond to snake sighting and will conduct sight response training to snake searchers in the Pacific region.
- USFWS will continue to provide overall BTS program coordination to ensure that progress is made.

The program strategies and performance measures for BTS Control are provided on the next page. The OIA funding for BTS Control will allow OIA, working in partnership with key entities, to achieve the strategy results identified on the following page.

**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>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>
1. Number of products tested and evaluated.	10	6	9	12
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 U.S. insular areas.

<b>Performance Measures:</b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>
1. Number of detection and monitoring methods evaluated.	7	1	3	4
2. Number of BTS captured on CNMI.	0	1	0	0
3. Number of BTS captured on Hawaii.	0	0	0	0
4. Number of BTS interceptions at ports of exit on Guam. (commercial)	3,500	1,400	1,470	1400

**Strategy 3**

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

<b>Performance Measures:</b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>
1. Number of enclosed acres where BTS barriers have been constructed and are being maintained.	12.5	12.5	12.5	147.5
2. Number of traps maintained in areas in order to protect endangered species from predation.	650	635	550	550

5.

<b>Activity: Territorial Assistance</b>							
<b>Subactivity: Coral Reef Initiative (CRI) \$(000)</b>							
	2010 Actual	2010 Enacted/ 2011 CR	2012				Change from 2011 (+/-)
			Fixed Costs & Related Changes (+/-)	Adminis- trative Cost Savings (+/-)	Program Changes (+/-)	Budget Request	
	1,000	1,000	0	0	0	1,000	0
FTEs	0	0	0	0	0	0	0

## 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. In 2001, the freely associated states (FAS) became non-voting members of the Task Force. 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. The insular governors, FAS presidents and the All Islands Coral Reef Committee provide significant guidance and direction to the 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. Each island has established its own local advisory committee for strategic planning and priority setting. OIA has also supported the development and implementation of pioneering resource management efforts in the FAS, including the development of a blueprint for creating a national system of protected areas for the FSM, natural resource assessments of the atolls of the Marshall Islands, and protection of critical marine resources in the Republic of Palau.

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. Priority projects are outlined in the “All Islands Coral Reef Initiative Strategy”, the insular areas’ “Local Action Strategies (LAS)”, biodiversity and management plans developed by the FAS and the Task Force’s “National Action Plan to Conserve Coral Reefs”, a comprehensive program of research, mapping, monitoring, conservation and management. LAS are updated regularly by each of the insular areas and form the basis for a significant portion of the annual grant awards. Members of the Coral Reef Task Force meet semi-annually to evaluate progress and work out specific plans and priorities for the next half-year. OIA is also actively engaged in advancing efforts to establish a new research and education in St. Croix, USVI, that will provide not only world-class science and educational opportunities for the Virgin Islands and across the region, but serve as a model for green building design and operations to island communities.

## **2012 PROGRAM PERFORMANCE**

The goal of the Coral Reef Initiative 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 to assist the insular areas in identifying causes for coral reef decline, assessing needs for improving local management and protection, and as available, providing 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.

OIA has worked with local coral reef advisory groups to update their Local Action Strategies. These LAS identify short and long-term priority needs to improve the health and protection of their coral reefs. OIA is funding these priority needs in accordance with specific goals and objectives, with measures identified within the grants. The priorities identified in the LAS will help the insular areas reduce land-based sources of pollution, reduce over-fishing, and improve local understanding of the value of coral reefs through outreach and education programs.

Through financial and technical assistance, OIA has supported the development of several new initiatives. Among these is the Micronesia Challenge, launched at the Task Force meeting in Palau in 2005 by the region’s heads of governments. The Micronesia Challenge is a bold initiative to conserve 30% of near-shore marine resources and 20% of forest resources by 2020. The challenge far exceeds current goals of international conventions and emphasizes the need for Micronesian leaders to work together to confront environmental and sustainable development issues.

Funds provided by OIA, in partnership with NOAA, have helped Guam and the CNMI develop significant plans to restore three watersheds, two on Guam and one on Saipan, that will alleviate the effects of run-off and other threats to the adjacent coral reefs. OIA has also supported development and management of marine protected areas in the insular areas, education and internship opportunities for students in the Pacific insular areas, conservation planning for local

governments, development of fisheries management plans, assessments and management of the effects of climate change on reef ecosystems, and development of resource management plans for communities in the Marshall Islands.

OIA, in cooperation with other Federal, local and international partners, supported the development of "A Blueprint for Conserving the Biodiversity of the Federated States of Micronesia". The Blueprint provides a framework for creating the first national system of protected areas for the FSM and serves as a model for the region. OIA is now supporting implementation of many of the Blueprint's goals, including the Conservation Action Planning (CAP) process to guide local site conservation actions, establishing partnerships to support and implement conservation interventions, and conducting marine resources assessments in areas with data gaps such as Kosrae and Pohnpei. OIA's support for the Blueprint's goals and objectives has also led to the creation of the Pacific Islands Marine Protected Area Communities (PIMPAC). PIMPAC is working across the region to advance local community support for marine protection and management.

Specific ongoing outputs for the Coral Reef program include:

- Partnering with the National Park Service and a consortium of universities known as the Joint Institute for Caribbean Marine Studies (Rutgers University, University of North Carolina Wilmington, University of the Virgin Islands and University of South Carolina) to establish a new marine research and education center in St. Croix, USVI. The Salt River Bay Marine Research and Education Center (MREC) will be a nexus for marine research and education in the Caribbean, supporting science-based decision making for managers throughout the region, providing education and outreach to students and the public, and restoring a world-class facility to the island. OIA is meeting regularly with the partners to develop the design concepts and institutional capacity, and to address the National Park Service's requirements for a project of this scope and complexity. In late 2010, an architecture firm was hired to develop the preliminary designs. The MREC will incorporate some of the most advanced concepts for sustainable building design, making it a model for island communities. OIA is also supporting an international student design competition for the MREC that will not only foster the development of new green building concepts but raise awareness of the project around the world.
- Support for Conservation Action Planning (CAP) to guide site conservation actions in Micronesia. The CAP process helps local jurisdictions identify long-term measurable conservation results at the local level; establish partnerships to support and implement conservation actions; and quantitatively and qualitatively measure conservation effects over time. CAP is being used by some jurisdictions to update their Local Action Strategies in 2010.
- Support for community-based marine conservation planning and management in communities of the Marshall Islands, including Majuro, Arno, Ailinginae, Rongelap, Namdrik, Mili and Ailuk Atolls. These efforts will further the goal of assisting communities with resource management planning in all of the 21 inhabited atolls by 2014.
- Support for development of watershed management plans for Guam and Saipan that will mitigate impacts to adjacent reefs from erosion, sedimentation and storm water run-off.



- Support for assessments of commercially important species of reef fish in Micronesia and American Samoa that will lead to improved management of local fisheries.
- Support for environmental education including eco-camps and e-learning programs in the Northern Mariana Islands and Guam and the effects of population pressure on the marine resources of American Samoa.
- Support for assessing the effects of climate change on local reefs to reduce stresses and improve reef resilience.
- Support for enhancement of regulatory frameworks and enforcement to protect coral reefs in local jurisdictions.
- Support for development of community-based marine protected areas in American Samoa, Guam and CNMI, including marine resource assessments, community outreach and education and marine enforcement.
- Assistance to Guam to identify and mitigate potential threats to their coral reefs from the proposed military build-up.

6.

Activity: Territorial Assistance							
Subactivity: Water & Wastewater \$(000)							
	2010 Actual	2010 Enacted/ 2011 CR	2012				Change from 2011 (+/-)
			Fixed Costs & Related Changes (+/-)	Administrative Cost Savings (+/-)	Program Changes (+/-)	Budget Request	
	1,900	1,900	0	-207	-1,693	0	-1,900
FTEs	0	0	0	0	0	0	0

### SUMMARY OF 2012 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Water & Wastewater	-1,693	0

### JUSTIFICATION OF 2012 PROGRAM CHANGES

The Office of Insular Affairs (OIA) is not requesting funds for the Water and Wastewater program in 2012, a reduction of \$1.9 million and 0 FTE from the 2010 Enacted/ 2011 Continuing Resolution level. Of the total reduction, \$207,000 resulted from mandated acquisition and travel reductions that could not be absorbed by the Office of Insular Affairs account without impacting financial assistance oversight capabilities while the remaining \$1.7 million is a general program decrease. The funding level for the Water and Wastewater program in recent years only allows for the correction of smaller system deficiencies or temporary fixes such as the hiring of consultants. In 2012, pressing water and wastewater improvements will be addressed within existing Covenant capital improvement resources.

### PROGRAM OVERVIEW

The importance of improving water and wastewater systems in the territories has increased in recent years as analyses conducted by local and Federal agencies have revealed deficiencies in the systems' abilities to meet environmental requirements. In the case of the U.S. Virgin Islands, inadequate wastewater treatment facilities have threatened health and reef environments and have culminated in court-ordered sanctions against the government. In the case of Guam, contaminated water from the landfill threatens the quality of the ground water supply. The CNMI remains the largest community in the United States without 24-hour potable 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 which are sometimes contaminated by poorly constructed septic systems. The water and wastewater subactivity provides support, not otherwise available, to the territories to address these deficiencies.

## **2012 PROGRAM PERFORMANCE**

Although project proposals for 2011 water and wastewater funding have not yet been received, it is anticipated that the funds will be used to continue addressing critical water and wastewater needs in the territories in a similar fashion to previous years. The \$1.9 million in water and wastewater funding made available in 2010 is being used to address critical projects in Guam, the U.S. Virgin Islands, and the CNMI. They are briefly described below.

Guam was awarded \$250,000 to flood-proof the Chaligan Sewage Pump Station which is crucial in the treatment of wastewater from the villages of Agat and Santa Rita. This project will help lift the Federal Emergency Management Agency's (FEMA) probationary status designation on the Government of Guam for violations of the National Flood Insurance Program which bars Guam from FEMA pre-disaster assistance. Construction began on this project in November 2010.

The CNMI was awarded \$750,000 in 2010 water and wastewater funding for the preparation of a master plan for the Commonwealth Utilities Corporation's Water and Wastewater Division. The master plan is a requirement of U.S. EPA Region IX Court Stipulation Order #1 resulting from violations of the Clean Water Act and the Safe Drinking Water Act. The master plan scope of work is currently being reviewed by the U.S. EPA.

The U.S. Virgin Islands was awarded \$900,000 in water and wastewater funding to replace and rehabilitate sections of the Mon Bijou collection system which has experienced force main breaks causing serious public health risks to the residents in the area. This project will help the Government of the Virgin Islands comply with a Federal court order "to seek, find and replace" any damaged pipes in the collection system.

7.

Activity: Territorial Assistance							
Subactivity: Guam Infrastructure \$(000)							
	2010 Actual	2010 Enacted/ 2011 CR	2012				Change from 2011 (+/-)
			Fixed Costs & Related Changes (+/-)	Administrative Cost Savings (+/-)	Program Changes (+/-)	Budget Request	
	2,000	2,000	0	0	-2,000	0	-2,000
FTEs	0	0	0	0	0	0	0

**SUMMARY OF 2012 PROGRAM CHANGES**

Request Component		
Program Changes	Amount	FTE
Guam Infrastructure	-2,000	0

**JUSTIFICATION OF 2012 PROGRAM CHANGES**

Guam Infrastructure will no longer be an independent subactivity in 2012. Instead, activities that assist with civilian infrastructure improvements needed as a result of the military's increased presence on island will now be funded as part of General Technical Assistance and the proposed Empowering Insular Communities program. As a result, no funding is requested in the 2012 budget request for Guam Infrastructure, a decrease of \$2.0 million and 0 FTE from the 2010 Enacted/ 2011 Continuing Resolution level.

**PROGRAM OVERVIEW**

Guam is located within five hours flying time of most potential "hot spots" in the East Asia including North Korea and the southern Philippines. Because of the proximity, the U.S. Air Force maintains and is increasing its presence at Andersen AFB on Guam, and the U.S. Pacific Command views Guam as a primary base in its evolving Integrated Global Presence and Basing Strategy, which emphasizes forward-deployed, rapidly deployable force components. The military is expanding on Guam because the island, a U.S. territory, houses the only bases in this strategically important region where the U.S. can operate without fear of expulsion or restriction.

The redeployment of forces to Guam, and accompanying significant upgrades in military facilities there, is requiring an investment of \$16.0 billion shared by both the Department of

Defense and the Government of Japan. The buildup, which is a vital part of U.S. national security, cannot be fully successful unless Guam's civilian infrastructure is upgraded to keep pace with expansions to the military infrastructure and the associated population increase of an estimated 20 percent. Guam's infrastructure is not adequate to support the existing population and the expanded military presence will require additional investments.

The Guam Infrastructure program provided funding to assist Guam in upgrading civilian infrastructure impacted by the military buildup. The funding was awarded as a grant but could have been disbursed through a reimbursable support agreement or transferred to the U.S. Department of Agriculture (USDA) to serve as a subsidy for rural development loans.

### **2012 PROGRAM PERFORMANCE**

The Government of Guam requested that the \$2 million in 2010 Guam Infrastructure funding be awarded in the form of a grant for the modernization of the Jose D. Leon Commercial Port. The modernization of Guam's only commercial port will ensure that the island is able to meet the growth anticipated as a result of the military buildup.

8.

<b>Activity:</b>		<b>Territorial Assistance</b>					
<b>Subactivity:</b>		<b>Empowering Insular Communities \$(000)</b>					
	<b>2010 Actual</b>	<b>2010 Enacted/ 2011 CR</b>	<b>2012</b>				<b>Change From 2011 (+/-)</b>
			<b>Fixed Costs &amp; Related Changes (+/-)</b>	<b>Administrative Cost Savings (+/-)</b>	<b>Program Changes (+/-)</b>	<b>Budget Request</b>	
Empowering Insular Communities	0	0	0	0	+4,120	4,120	+4,120
FTEs	0	0	0	0	0	0	0

**SUMMARY OF 2012 PROGRAM CHANGES**

<b>Request Component</b>		
	<b>Amount</b>	<b>FTE</b>
Empowering Insular Communities	+4,120	0

**JUSTIFICATION OF 2012 PROGRAM CHANGES**

The FY 2012 budget request for the Empowering Insular Communities (EIC) program is \$4.1 million and 0 FTE, a program change of +\$4.1 million with 0 additional FTE from the 2010 Enacted/ 2011 Continuing Resolution level.

Insular communities face unique economic development challenges due to their geographic isolation and finite resources. To assist the islands in meeting these challenges, and consistent with the Interior Department's role to assist in the development of these jurisdictions, OIA is requesting \$4.1 million to implement the Empowering Insular Communities program. Funding will be used in 2012 to address socio-economic impacts of the military's relocation from Okinawa, Japan, to Guam and pursue sustainable energy strategies that will lessen the dependence of the insular areas on oil imports.

**PROGRAM OVERVIEW**

The Empowering Insular Communities program is designed to:

- 1.) Strengthen the foundations for economic development in the islands by addressing challenges preventing reliable delivery of critical services needed to attract investment. Critical services include power (with an emphasis on sustainable green alternatives), water, sewer, solid waste, healthcare and public safety.
- 2.) Pursue economic development initiatives that encourage private sector investment in the insular areas.

A call letter will be sent each year inviting the insular areas to apply for Empowering Insular Communities funding. The call letters will contain guidance for applicants and specify the theme for next year's EIC program application. All of the territories may apply for the entire \$5.0 million, however, applications must be organized in to a walk-up table showing four equal tiers of \$1.25 million (see sample). Each tier can contain no more than two proposals. The proposals in each tier must be independently executable or build upon a proposal in a preceding tier.

When determining the selection of activities for EIC program funding, proposals will be scored using the following criteria:

*Compliance with Guidance*

- a. *Does the application comply with call letter guidance?*
  - *Was the application submitted on time?*
  - *Do all of the proposals in the application fit within the EIC program definition?*
  - *Do the proposals in the application align with the theme detailed in the call letter?*

*Delivery of Services*

- b. *Does the proposal address a shortcoming in the delivery of a critical public service that could deter investment?*
  - *Will the proposal remedy a pressing public health issue?*
  - *Will the proposal make communities more secure?*
  - *Will basic utility services (water/sewer/solid waste/power) become more reliable and/or expand their reach?*
  - *Will the proposal address a court order, executive order or mandate to address the issue?*

*Economic Development Impact*

- c. *Does the proposal demonstrate that its implementation will result in increased private sector investment in the insular areas?*
  - *What will the long-term impact be?*
  - *Will the end result be sustainable?*
  - *What is the potential return on investment?*
  - *How many local jobs will be created?*
  - *How much revenue will be generated for the local government?*

Point values will be assigned to each of the criteria and proposals with the highest scores will be funded.

## **2012 PROGRAM PERFORMANCE**

In 2012, Empowering Insular Communities funding will address two critical public service delivery issues; 1) lessening the socio-economic impacts of the military's relocation from Okinawa, Japan to Guam; and 2) the implementation of comprehensive sustainable energy strategies. Specific public safety equipment purchases for Guam totaling \$1.1 million are detailed below. The distribution of the \$3.0 million for the implementation of sustainable energy strategies will be competitive.

### Guam Military Realignment

Of the \$4.1 million requested for 2012, \$1.12 million will be used to lessen the socio-economic impacts of the military's relocation from Okinawa, Japan to Guam through the purchase of the following public safety equipment:

- \$600,000      Fire Ladder Truck
- \$240,000      Two Rescue Trucks
- \$280,000      Rigid Hull Inflatable Rescue Boat & Equipment.

### Sustainable Energy Strategies

Energy security is critical to the insular areas' future economic development and sustainability. Development of long-term strategic energy plans is needed to achieve energy security. To jump start this effort, OIA entered into an Inter-Agency Agreement (IAA) in 2010 and provided \$750,000 to the U.S. Department of Energy, National Renewable Energy Laboratory (NREL) through General Technical Assistance. In 2011, NREL will be providing the results of initial energy efficiency and renewable energy (EE/RE) assessments and a strategic plan for EE/RE implementation and deployment. OIA will use the remaining \$3.0 million requested for Empowering Insular Communities in 2012 to help the territories implement actions identified in these energy plans.



**D. Compacts of Free Association****1.**

<b>Activity: Compact of Free Association (Current Appropriation)</b>							
<b>Subactivity: Federal Services Assistance \$(000)</b>							
	2010 Actual	2010 Enacted/ 2011 CR	2012				Change from 2011 (+/-)
			Fixed Costs & Related Changes (+/-)	Adminis- trative Cost Savings (+/-)	Program Changes (+/-)	Budget Request	
	2,818	2,818	0	0	0	2,818	0
FTEs	0	0	0	0	0	0	0

**PROGRAM OVERVIEW**

The Compacts of Free Association guarantee that the freely associated states (FAS) will continue to receive certain Federal services 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 those of the U.S. Postal Service (USPS).

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. U.S. domestic first class postage rates were formerly in effect for mail from the United States to the FAS. Current agreements with the FSM and RMI allow phased increases to reach established international rates. 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. The total cost of this service exceeds the subsidy requested by OIA. The additional costs are paid by USPS from its revenues.

**2012 PROGRAM PERFORMANCE**

OIA will enter into a reimbursable agreement with the USPS for services provided to the FAS.

2.

<b>Activity: Compact of Free Association (Current Appropriation)</b>							
<b>Subactivity: Palau Program Grant Assistance \$(000)</b>							
	2010 Actual	2010 Enacted/ 2011 CR	2012				Change from 2011 (+/-)
			Fixed Costs & Related Changes (+/-)	Adminis- trative Cost Savings (+/-)	Program Changes (+/-)	Budget Request	
	2,000	2,000	0	0	-2,000	0	-2,000
FTEs	0	0	0	0	0	0	0

**SUMMARY OF 2012 PROGRAM CHANGES**

<b>Request Component</b>		
Program Changes	Amount	FTE
Palau Program Grant Assistance	-2,000	0

**JUSTIFICATION OF 2012 PROGRAM CHANGES**

The 2012 budget request does not fund another extension of Palau Program Grant Assistance, a decrease of \$2.0 million and 0 FTE from the 2010 Enacted/ 2011 Continuing Resolution level.

Economic assistance provisions under Palau's Compact of Free Association (P.L. 99-658), including Palau Program Grant Assistance, were set to expire at the end of 2009. The Department of the Interior, Environment, and Related Agencies Appropriations Act, 2010 (P.L. 111-88 Sec. 122) and subsequent 2011 continuing appropriations acts have continued to extend Palau Program Grant Assistance.

On September 3, 2010, the United States and the Government of Palau successfully concluded the review of the Compact of Free Association and signed a 15-year agreement that includes a \$250 million package of assistance through 2024. Under the agreement, Palau committed to undertake economic, legislative, financial, and management reforms. The conclusion of the agreement reaffirms the close partnership between the United States and the Republic of Palau. A legislative proposal was transmitted to Congress on January 14, 2011 that would extend the Compact, including continued economic assistance. As a result, OIA is not seeking funds for Palau Program Grant Assistance in 2012.

**PROGRAM OVERVIEW**

Palau Program Grant Assistance was a current mandatory component of the largely permanent indefinite 1994 “Compact of Free Association” between the U.S. and the Government of Palau (Pub. L. No. 99-658). Section 221(b) states that the U.S. “recognizing the special needs of the Palau particularly in the fields of education and health care, shall make available...the annual amount of \$2 million”. The Compact required the use of funds be described in an annual program plan submitted to the United States. Palau currently uses these funds solely for education programs within its Ministry of Education.

**2012 PROGRAM PERFORMANCE**

2011 program funding will be administered as it was under the Compact in section 221(b) according to the Fiscal Procedures Agreement for the Republic of Palau.

3.

<b>Activity: Compact of Free Association (Current Appropriation)</b>							
<b>Subactivity: Enewetak \$(000)</b>							
	2010 Actual	2010 Enacted/ 2011 CR	2012				Change from 2011 (+/-)
			Fixed Costs & Related Changes (+/-)	Adminis- trative Cost Savings (+/-)	Program Changes (+/-)	Budget Request	
	500	500	0	0	-264	236	-264
FTEs	0	0	0	0	0	0	0

**SUMMARY OF 2012 PROGRAM CHANGES**

Request Component		
Program Changes	Amount	FTE
Enewetak	-264	0

**JUSTIFICATION OF 2012 PROGRAM CHANGES**

The 2012 budget request for the Enewetak program is \$236,000 and 0 FTE, a program decrease of \$264,000 and 0 FTE from the 2010 Enacted/ 2011 Continuing Resolution level. At the 2012 request level, OIA will decrease supplemental discretionary funding for the Enewetak Support program. The program will operate at a reduced level using the remaining \$236,000 in discretionary funding to supplement the \$1.3 million in permanent funding, with adjustment for inflation, provided under the amended Compact of Free Association (Public Law 108-188).

**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.

**2012 PROGRAM PERFORMANCE**

The Enewetak program currently 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. OIA will provide grants for Enewetak in 2012 to continue these activities.

4.

<b>Activity: Compact of Free Association (Current Appropriation)</b>							
<b>Subactivity: Palau Compact Extension \$(000)</b>							
	2010 Actual	2010 Enacted/ 2011 CR	2012				Change from 2011 (+/-)
			Fixed Costs & Related Changes (+/-)	Administrative Cost Savings (+/-)	Program Changes (+/-)	Budget Request	
	12,000	12,000	0	0	-12,000	0	-12,000
FTEs	0	0	0	0	0	0	0

**SUMMARY OF 2012 PROGRAM CHANGES**

<b>Request Component</b>		
Program Changes	Amount	FTE
Palau Compact Extension	-12,000	0

**JUSTIFICATION OF 2012 PROGRAM CHANGES**

The 2012 budget request does not fund another Palau Compact Extension, a decrease of \$12.0 million and 0 FTE from the 2010 Enacted/ 2011 Continuing Resolution level.

On September 3, 2010, the United States and the Government of Palau successfully concluded the review of the Compact of Free Association and signed a 15-year agreement that includes a \$250 million package of assistance through 2024. Under the agreement, Palau committed to undertake economic, legislative, financial, and management reforms. The conclusion of the agreement reaffirms the close partnership between the United States and the Republic of Palau. A legislative proposal was transmitted to Congress on January 14, 2011 that would extend the Compact, including continued economic assistance. As a result, OIA is not seeking funds for another Palau Compact Extension in 2012.

**PROGRAM OVERVIEW**

Economic assistance provisions under Palau's Compact of Free Association (P.L. 99-658) were set to expire at the end of 2009. The Department of the Interior, Environment, and Related Agencies Appropriations Act, 2010 (Pub. L. No. 111-88 Sec. 122) and subsequent 2011 continuing appropriations acts have continued to extend economic assistance to Palau within OIA current budget authority.

**2012 PROGRAM PERFORMANCE**

2010 and 2011 Palau Compact Extension funding will be administered as it was under the Compact according to the Fiscal Procedures Agreement for the Republic of Palau.

5.

<b>Account: Compact of Free Association (Permanent and Indefinite)</b> <b>Activity: Economic Assistance</b> <b>Subactivity: Federated States of Micronesia and Republic of the Marshall Islands \$(000)</b>							
	2010 Actual	2010 Enacted/ 2011 CR	2012				Inc (+) Dec(-) From 2011
			Fixed Costs & Related Changes (+/-)	Administrative Cost Savings (+/-)	Program Changes (+/-)	Budget Request	
RMI	65,624	65,969	0	0	+1,122	67,091	+1,122
FSM	104,760	107,056	0	0	-1,605	105,451	-1,605
Judicial Training	334	336	0	0	+5	341	+5
<b>Total</b>	<b>170,718</b>	<b>173,361</b>	<b>0</b>	<b>0</b>	<b>-478</b>	<b>172,883</b>	<b>-478</b>
FTEs	0	0	0	0	0	0	0

#### SUMMARY OF 2012 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
RMI	+1,122	0
FSM	-1,605	0
Judicial Training	+5	0

#### JUSTIFICATION OF 2012 PROGRAM CHANGES

The 2012 budget request for Compact of Free Association - Economic Assistance to the Marshall Islands and Federated States of Micronesia is \$172.9 million, a decrease of 478,000 with no additional FTEs from the 2010 Enacted/ 2011 Continuing Resolution level. The program changes in this account are required inflation adjustments under the amended Compact of Free Association. The increases are based on changes in the United States Gross Domestic Product Implicit Price Deflator but may not exceed 5% annually.

#### PROGRAM OVERVIEW

Article I of Title Two of the Compacts of Free Association describes the financial assistance commitment 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 ensures continuation of direct financial assistance through 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) ensure 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.

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.

During the first Compact period, the FSM and the RMI did not make significant progress toward achieving the long-term Compact goals of self-sufficiency. The U.S. believes part of the reason for poor economic performance over the past seventeen years was in the design of the first Compact itself. The lack of performance standards, 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 U.S. 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 to grant agreements 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 2023.

**2012 PROGRAM PERFORMANCE**

OIA will continue to monitor activities in the FSM and the RMI through a combination of site-visits and quarterly review of FSM and RMI-submitted financial and performance reports. It is expected office staff will:

- Conduct a minimum of 200 (-20% from 2011) person-days of site visits in the RMI and FSM.
- Collect quantitative and qualitative data on performance objectives and measures.
- Issue and administer all sector grants and the Supplemental Education Grant in the RMI and FSM.
- 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 they arise.

Specific information for 2012 is not available at the time of this report due to the nature of the Compact agreement. As agreed to in the Compact, performance plans and budgets for 2012 are not submitted by the FSM and RMI until 90 days before the start of the fiscal year. However, a brief summary of 2011 program performance information for the FSM and RMI sector grants is provided on the next few pages.

**i. Fiscal Year 2011 Sector Allocations for the FSM**

The following is a breakdown of grant allocations to the FSM by sector, and within sectors, by government entity:

	Education	Health	Capacity Building	Private Sector	Environment	Infrastructure
National	\$603,240	\$868,276	\$254,905	\$0	\$0	TBD
COM	\$3,800,000	\$0	\$0	\$0	\$0	TBD
Chuuk	\$9,953,420	\$8,909,104	\$933,000	\$986,847	\$662,123	TBD
Kosrae	\$2,468,964	\$2,158,786	\$484,196	\$827,107	\$212,131	TBD
Pohnpei	\$7,488,013	\$5,880,791	\$468,069	\$0	\$446,290	TBD
Yap	\$4,063,036	\$3,186,802	\$531,842	\$804,747	\$324,324	TBD
<b>Total</b>	<b>\$28,376,673</b>	<b>\$21,003,759</b>	<b>\$2,672,012</b>	<b>\$2,618,701</b>	<b>\$1,644,868</b>	<b>\$24,185,521</b>

**Education**

FSM states have aligned their goals with the following five education goals cited in the FSM Strategic Development Plan:

1. Improve the quality of learning in the FSM.
2. Improve the quality of teaching in the FSM.
3. Consolidate performance monitoring and data based decision-making systems.
4. Strengthen participation and accountability of the education system to communities.
5. Ensure education is relevant to the life and aspirations of the FSM people.

The Compact and two other Federal programs continue to provide the entire budget for Education in the FSM. The FSM has 228 elementary and 37 secondary schools with a total of approximately 36,000 students enrolled. The FSM continues to provide performance data of varying quality.

**Health**

In 2011, the FSM received a Compact health sector grant of \$21 million. As has been the case historically, health sector grant funding primarily supported regular recurring operations of the four state in-patient facilities. Expansion of programs took the back seat to the need to maintain current services. Funding made possible long-neglected salary adjustments for some categories of health professionals; better managed tertiary medical referral management and care; the hiring of staff to strengthen in- and out-patient service capacity; and minor and/or emergency repairs.

Despite the FSM Strategic Development Plan's stated emphasis on primary health care, funding continued to follow the path of curative care. This was, in large measure, due to the continuing need to keep within budget ceilings and to normalize services and programs still adversely affected from the step down phase of the Compact's first financial assistance period. Public

health and primary care still received comparatively less attention, even though the population of the FSM is far-flung and still vulnerable to both infectious and debilitating chronic disease.

The overall impact of these service and organizational enhancements over the medium and longer terms depends on the FSM's ability to keep pace with inflationary pressures on recurring costs, and addressing the safety and adequacy of the health sector's aging physical infrastructure. Facility repair, renovation, and construction that needed redress years ago are still issues. Capital improvement projects began for hospitals in Kosrae and Yap, and for a new public health center in Pohnpei.

### Public Infrastructure

The FSM received a public sector infrastructure allocation of \$24.2 million during 2011. This funding will be obligated for individual projects when design and engineering phases are complete. The FSM National Government's Infrastructure Program Management Unit (PMU) currently has approximately 15 projects in various stages of design. Three new elementary school buildings were completed and construction commenced on three more schools in Pohnpei. A \$26.2 million water, sewer, road and drainage project in Weno, Chuuk is approximately 30% complete with a targeted completion date in August 2012. Construction of early childhood education and post-secondary facilities continued in Yap State. Program and project management of infrastructure sector assistance by the PMU requires additional strengthening. The U.S. Army Corps of Engineers conducted a program assessment of the FSM Infrastructure Program Management Unit in February 2011.

### Public Sector Capacity Building

In 2011, the FSM received \$2.67 million for the capacity building sector. Fiscal Year 2011 continued the successful articulation regarding the uses of funding started in Fiscal Year 2010. Clear deliverables and activities are specified in program-oriented proposals. The FSM has not yet developed a medium-term plan to guide how the sector grant may be optimally utilized in order to achieve measurable public sector capacity building gains.

### Environment

In 2011, the FSM received an allocation of approximately \$1.64 million for its environment sector. Each State received funding for an Environmental Protection Agency or similar agency with a like mission. Financial assistance also supported marine and forestry conservation efforts. Public education programs were a part of all programs funded under this sector. The lack of national goals for the environment sector continued to hamper the evaluation of performance progress.

### Private Sector Development

In 2011, the FSM received an allocation of \$2.6 million for its private sector development sector grant. This amount funded the basic operations of a number of different agencies to increase tourism, promote agriculture, and support small businesses. The lack of national goals for the private sector development sector grant continued to hamper the evaluation of performance progress.

**ii. Fiscal Year 2011 Allocations for the RMI**

The following is a breakdown of \$33,307,058 of grant allocations to the RMI by sector and Compact of Free Association, Section 211-mandated funding:

<b>Sector</b>	<b>Funds Allocated</b>
Education	\$11,839,151
Health	\$6,834,858
Capacity Building	\$300,000
Infrastructure	\$10,296,314
Environment	\$325,000

Ebeye Special Needs	\$3,486,781
Kwajalein Environmental Impact	\$224,954

**Education**

In 2011, Compact and Ebeye Special Needs funding again provided just less than one half of the total funds available for education in the RMI. Over 11,000 students were enrolled in 76 elementary and 6 secondary schools. The student teacher ratio in elementary schools was 13 to 1 and 18 to 1 in secondary schools. Lack of credentialed teachers and low student achievement continue to be associated and persistent problems. The RMI is working to improve these issues through a number of efforts.

During 2011, the RMI is using Compact education sector funds to make progress in meeting the following education goals:

1. Improve curriculum at all levels.
2. Improve effectiveness of staff and teachers.
3. Improve student performance and learning outcomes.
4. Implement infrastructure development and maintenance plan.
5. Supplement special educational needs of Ebeye.
6. Provide financial assistance to post-secondary students.
7. Improve performance of the College of the Marshall Islands.

The RMI Ministry of Education (MOE) assisted the Marshall Islands High School in gaining accreditation, and implemented testing schemes at grades three, six, and eight to measure student performance.

Similar uses of compact funding are planned for 2012.

## Health

In 2011, Compact and Ebeye Special Needs funding and special revenue financing for medical supplies and referrals both made up approximately forty percent (40%) of the health care budget in the RMI. Basic Compact support decreased 3% over the previous year to \$7.1 million, primarily as a result of lower utility costs. Ebeye Special Needs funding addressed continued shortfalls caused by wage pressures and inflation. U.S. Federal health grants and, to a lesser extent, general fund support were the mainstay of staffing and operating public health programs and prevention services.

The state of flux caused by the major reorganization of the health care system begun in the previous year, prompted a degree of budgetary uncertainty in determining how best to integrate dollars that flow to preventive, primary care and secondary care services. Accessing accurate current health statistical information has become increasingly difficult but redirecting Compact funds to strengthen capacity proved impossible because of competing priorities. Health policy and planning support similarly have been impacted.

During 2011, the RMI used Compact health sector funds to meet the following objectives:

1. To staff and upgrade outer island health center capabilities in preventive health and primary care.
2. To support routine day-to-day hospital services on Majuro and Ebeye.
3. To improve the effectiveness of hospital services on Majuro and Ebeye.
4. To provide efficient primary and preventive health care on Ebeye (Ebeye Special Needs).
5. To provide effective management of personnel and finances.

Active planning for the major reconstruction of Majuro Hospital, stalled in 2008 and 2009 because of inadequate attention within the Ministry of Health, weak conceptual design and exorbitant cost and phasing projections, has not made significant progress in 2011.

## Public Infrastructure

The RMI allocated approximately \$10.3 million for infrastructure improvements and maintenance in 2011. The RMI consistently adheres with the Amended Compacts' policy that at least 30% of all annual United States Compact financial assistance be directed toward infrastructure development. To guide project selection, the RMI continued to utilize a comprehensive Infrastructure Development and Maintenance Program (IDMP) with complete project descriptions, timelines, financial requirements and measurable project indicators. Education remains the priority sector targeted by Compact infrastructure assistance and has also received the largest portion of infrastructure development and maintenance funding over the past three years.

## Public Sector Capacity Building

In 2011, the RMI received \$300,000 in Compact funds to support performance based budgeting efforts.

Environment

In 2011, the RMI received an allocation of \$224,954 for Kwajalein Environmental Impact. This amount is used to support the RMI Environmental Protection Agency (EPA) activities and programs on Ebeye. The RMI also received \$325,000 to support capital needs for the Majuro Atoll Waste Corporation.



**iii. Fiscal Year 2012 Judicial Training Program**

Section 105(i)(1) of Public Law 108-188 established an annual program for the training of judges and officials of the judiciary in the Federated States of Micronesia and the Republic of the Marshall Islands in cooperation with the Pacific Islands Committee of the Ninth Circuit Judicial Council. The base amount of the program was established at \$300,000, an amount adjusted annually by Section 118 of the Compact of Free Association. The 2012 program funding level is estimated at \$341,000. The goals of the program are to:

- Train judges to provide fair, impartial and speedy justice, with a bench imbued with integrity, professionalism and competence.
- Train court leaders with ethical principles to train court staff.
- Train lawyers to provide a pool of qualified candidates to fill future judicial vacancies.
- Train court interpreters to provide access to justice in local communities.

6.

<b>Account: Compact of Free Association (Permanent and Indefinite)</b>							
<b>Activity: Compact Impact \$(000)</b>							
	2010 Actual	2010 Enacted/ 2011 CR	2012				Change from 2011 (+/-)
			Fixed Costs & Related Changes (+/-)	Administrative Cost Savings (+/-)	Program Changes (+/-)	Budget Request	
Hawaii	11,229	11,229	0	0	-128	11,101	-128
Guam	16,827	16,827	0	0	-191	16,636	-191
CNMI	1,930	1,930	0	0	-22	1,908	-22
American Samoa	14	14	0	0	0	14	0
Census	0	0	0	0	+341	341	+341
<b>Total</b>	<b>30,000</b>	<b>30,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30,000</b>	<b>0</b>
FTEs	0	0	0	0	0	0	0

*Note: 2012 Budget Request numbers are estimates pending final calculation of amount withheld for census work*

## 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, \$30.0 million in grants to affected jurisdictions to aid in defraying costs incurred 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 \$30.0 million 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. The most recent enumeration was completed in 2009 by the U.S. Census Bureau and the results were used to determine the distribution of the \$30.0 million beginning in 2010. This allocation is in accordance with the provision in Section 104(e)(5) of Title One of the amended Compacts of Free Association.

As allowed for by Section 104 (e)(3)(c), the \$30.0 million for 2012 has been reduced by \$341,000 and the distribution adjusted accordingly, in order to fund the next U.S. Census Bureau enumeration.

**2012 PROGRAM PERFORMANCE**

The following FY 2011 grants will be made to each eligible jurisdiction based on the population of qualified migrants:

- Hawaii: \$11,228,742
- Guam: \$16,827,026
- CNMI: \$ 1,930,443
- American Samoa: \$ 13,789

Compact Impact grant assistance 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 is to provide a spending plan to the Office of Insular Affairs (OIA) for the use of the funds prior to the awarding of the grant. Although OIA has not yet received the 2012 spending plans, it is anticipated that the funds will be used in a manner similar to 2011 as detailed below.

In 2011, the State of Hawaii has proposed to use the full amount of its \$11.2 million to supplement state funds to support indigent health care as in past years.

Guam will use its 2011 Compact Impact grant of \$16.8 million in the following manner:

- DPW Schools Leaseback \$7,100,000
- GMHA Medical Equipment and Supplies \$2,500,000
- Judiciary of Guam Case Management System \$3,777,026
- University of Guam Infrastructure Improvements \$1,400,000
- DOC Electronic Cell Locking System Upgrade \$ 300,000
- DPH&SS Pharmaceutical and Medical Supplies \$ 750,000
- DOC Equipment (Standby Generators) \$ 500,000
- DISID Permanent Injunction Projects \$ 250,000
- DYA Facilities Improvements \$ 250,000

In 2011 The Commonwealth of the Northern Mariana Islands is using its Compact Impact grant of \$1.9 million to supplement the operational budgets of the following local agencies:

- Department of Public Health \$ 536,744
- Division of Youth Services \$ 44,616
- Department of Public Safety \$1,157,234
- Department of Corrections \$ 154,698
- Office of Public Defender \$ 37,151

American Samoa will use its 2011 grant of \$13,789 to fund operational services of its Department of Health.

7.

<b>Account: Compact of Free Association (Permanent and Indefinite)</b>							
<b>Activity: Economic Assistance</b>							
<b>Subactivity: Republic of Palau Compact \$(000)</b>							
			<b>2012</b>				
	<b>2010 Actual</b>	<b>2010 Enacted/ 2011 CR</b>	<b>Fixed Costs &amp; Related Changes (+/-)</b>	<b>Administrative Cost Savings (+/-)</b>	<b>Program Changes (+/-)</b>	<b>Budget Request</b>	<b>Inc (+) Dec(-) From 2011</b>
Palau Compact	0	0	0	0	+29,250	29,250*	+29,250
FTEs	0	0	0	0	0	0	0

\* Republic of Palau Legislative Proposal

**SUMMARY OF 2012 PROGRAM CHANGES**

<b>Request Component</b>		
Program Changes	Amount	FTE
Palau Compact	+29,250	0

**JUSTIFICATION OF 2012 PROGRAM CHANGES**

The 2012 budget request includes a placeholder of \$29.3 million and 0 FTE in recognition of the recently completed review of the relationship between the United States (U.S.) and the Republic of Palau (ROP).

**PROGRAM OVERVIEW**

On September 3, 2010, the United States and the Government of Palau successfully concluded the review of the Compact of Free Association and signed a 15-year agreement that includes a \$250 million package of assistance through 2024. Under the agreement, Palau committed to undertake economic, legislative, financial, and management reforms. The conclusion of the agreement reaffirms the close partnership between the United States and the Republic of Palau. A legislative proposal was transmitted to Congress on January 14, 2011 that would extend the Compact, including continued economic assistance. Palau has a strong track record of supporting the U.S. in the United Nations, and its location is strategically linked to Guam and U.S. operations in Kwajalein Atoll.

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## IV. Miscellaneous Schedules

DEPARTMENT OF THE INTERIOR  
OFFICE OF INSULAR AFFAIRS  
ASSISTANCE TO TERRITORIES

Program and Financing (in millions of dollars)

OMB ACCOUNT ID: 01085-0412-0		2010	2011	2012
14-0412-0-1-806		Actual	Estimate	Estimate
Obligations by program activity:				
0009	Office of Insular Affairs	7	9	9
0010	Technical assistance	9	15	24
0014	Insular management controls	2	0	0
0015	Coral reef initiative	2	1	1
0016	Water and wastewater projects	2	2	0
0017	Maintenance assistance fund	2	2	2
0018	American Samoa operations grants	23	23	23
0019	Brown Treesnake	3	3	3
0020	Guam Infrastructure	0	2	0
0021	Empowering Insular Communities	0	0	4
0091	Direct subtotal, discretionary	50	57	66
0101	Covenant grants, mandatory	36	28	28
0799	Total direct obligations	86	85	94
0801	Reimbursable program activity	1	1	1
0809	Reimbursable program activities, subtotal	1	1	1
0900	Total new obligations	87	86	95
Budgetary Resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	17	23	23
1021	01 Recoveries of prior year unpaid obligations	7	0	0
1050	Unobligated balance (total)	24	23	23
Budget authority:				
Appropriations, discretionary:				
1100	01 Appropriation	57	57	56
1121	01 Appropriations transferred from other accounts [97-0100]	0	0	10
1160	Appropriation, discretionary (total)	57	57	66
Appropriations, mandatory:				
1200	01 Appropriation	28	28	28
1260	Appropriations, mandatory (total)	28	28	28
Spending authority from offsetting collections, discretionary:				
1700	01 Collected	1	1	1
1750	Spending auth from offsetting collections, disc (total)	1	1	1
1900	Budget authority (total)	86	86	95
1930	Total budgetary resources available	110	109	118
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	23	23	23
Change in obligated balance:				
Obligated balance, start of year (net):				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	130	139	152
3010	Uncollected pymts, Fed sources, brought forward, Oct 1	-4	-4	-4
3020	Obligated balance, start of year (net)	126	135	148
3030	Obligations incurred, unexpired accounts	87	86	95
3040	Outlays (gross)	-71	-73	-100
3080	Recoveries of prior year unpaid obligations, unexpired	-7	0	0
Obligated balance, end of year (net):				
3090	Unpaid obligations, end of year (gross)	139	152	147
3091	Uncollected pymts, Fed sources, end of year	-4	-4	-4
3100	Obligated balance, end of year (net)	135	148	143
Budget authority and outlays, net:				
Discretionary:				
4000	Budget authority, gross	58	58	67
Outlays, gross:				
4010	Outlays from new discretionary authority	34	38	44
4011	Outlays from discretionary balances	15	12	26
4020	Outlays, gross (total)	49	50	70
Offset against gross budget authority and outlays:				
Offsetting collections (collected) from:				
4030	01 Federal sources	-1	-1	-1
Additional offsets against gross budget authority only:				
4060	Additional offsets against budget authority only (total)	0	0	0
4070	Budget authority, net (discretionary)	57	57	66
4080	Outlays, net (discretionary)	48	49	69
Mandatory:				
4090	Budget authority, gross	28	28	28
Outlays, gross:				
4100	Outlays from new mandatory authority	2	1	1
4101	Outlays from mandatory balances	20	22	29
4110	Outlays, gross (total)	22	23	30
4160	Budget authority, net (mandatory)	28	28	28
4170	Outlays, net (mandatory)	22	23	30
4180	Budget authority, net (total)	85	85	94
4190	Outlays, net (total)	70	72	99

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

Program and Financing (in millions of dollars)

OMB ACCOUNT ID: 010-85-0415-0		2010	2011	2012
14-0415-0-1-808		Actual	Estimate	Estimate
Obligations by program activity:				
0001	Federal services assistance	2	3	3
0101	Program grant assistance, mandatory	2	2	0
0192	Subtotal	4	5	3
0201	Assistance to the Marshall Islands	64	66	67
0202	Assistance to the Federated States of Micronesia	97	107	105
0203	Assistance to the Republic of Palau	12	12	0
0204	Compact Impact	30	30	30
0205	RMI FSM Judicial Training	1	1	1
0291	Subtotal, permanent indefinite	204	216	203
0801	Reimbursable program	18	18	18
0900	Total new obligations	226	239	224
Budget resources available for obligation:				
1000	Unobligated balance carried forward, start of year	51	62	60
1021	01 Recoveries of prior year unpaid obligations	2	0	0
1050	Unobligated balance (total)	53	62	60
Budget authority:				
Appropriations, discretionary:				
1100	01 Appropriation	3	3	3
1160	Appropriation, discretionary (total)	3	3	3
Appropriations, mandatory:				
1200	01 Appropriation	212	214	203
1200	02 Appropriation	2	2	0
1260	Appropriations, mandatory (total)	214	216	203
Spending authority from offsetting collections, discretionary:				
1700	01 Collected	0	18	18
1700	01 Change in uncollected payments, Federal sources	18	0	0
1900	Budget Authority (total)	235	237	224
1930	Total budgetary resources available	288	299	284
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	62	60	60
Change in obligated balance:				
Obligated balance, start of year (net):				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	148	149	163
3010	Uncollected pymts, Fed sources, brought forward, Oct 1	-29	-25	-25
3020	Obligated balance, start of year (net):	119	124	138
3030	Obligations incurred, unexpired accounts	226	239	224
3040	Outlays (gross)	-220	-225	-232
3050	Change in uncollected pymts, Fed sources, unexpired	-18	0	0
3051	01 Change in uncollected pymts, Fed sources, expired	22	0	0
3080	Recoveries of prior year unpaid obligations, unexpired	-2	0	0
3081	01 Recoveries of prior year unpaid obligations, expired	-3	0	0
Obligated balance, end of year (net):				
3090	Unpaid obligations, end of year (gross)	149	163	155
3091	Uncollected pymts, Fed sources, end of year	-25	-25	-25
3100	Obligated balance, end of year (net):	124	138	130
Budget authority and outlay, net:				
Discretionary:				
4000	Budget authority, gross	21	21	21
Outlays, gross:				
4010	Outlays from new discretionary authority	4	5	5
4011	Outlays from discretionary balances	16	17	17
4020	Outlays, gross (total)	20	22	22
Offsets against gross budget authority and outlays:				
Offsetting collections (collected) from:				
4030	01 Federal sources	-19	-18	-18
Additional offsets against gross budget authority only:				
4050	Change in uncollected pymts, Fed sources, unexpired	-18	0	0
4052	Offsetting collections credited to expired accounts	19	0	0
4060	Additional offsets against budget authority only (total)	1	0	0
4070	Budget authority, net (discretionary)	3	3	3
4080	Outlays, net (discretionary)	1	4	4
Mandatory:				
4090	Budget authority, gross	214	216	203
Outlays, gross:				
4100	Outlays from new mandatory authority	169	184	173
4101	Outlays from mandatory balances	31	19	37
4110	Outlays, gross (total)	200	203	210
4160	Budget authority, net (mandatory)	214	216	203
4170	Outlays, net (mandatory)	200	203	210
4180	Budget authority, net (total)	217	219	206
4190	Outlays, net (total)	201	207	214



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		2010	2011	2012
14-0414-0-1-806		Actual	Estimate	Estimate
Obligations by program activity:				
0001	Technical Assistance	2	1	0
0002	Brown Treesnake	0	2	0
0900	Total new obligations (object class 25.2)	2	3	0
Budgetary Resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	5	3	0
1050	Unobligated balance (total)	5	3	0
Budget authority:				
Appropriations, discretionary:				
1160	Appropriation, discretionary (total)	0	0	0
1930	Total budgetary resources available	5	3	0
Memorandum (non-add) entries:				
1930	Unexpired unobligated balance, end of year	5	3	0
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	3	0	0
Change in obligated balance:				
Obligated balance, start of year (net):				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	0	2	3
3020	Obligated balance, start of year (net)	0	2	3
3030	Obligations incurred, unexpired accounts	2	3	0
3040	Outlays (gross)	0	-2	-2
Obligated balance, end of year (net):				
3090	Unpaid obligations, end of year (gross)	2	3	1
3100	Obligated balance, end of year (net)	2	3	1
Budget authority and outlays, net:				
Discretionary:				
Outlays, gross:				
4011	Outlays from discretionary balances	0	2	2
4080	Outlays, net (discretionary)	0	2	2
4180	Budget authority, net (total)	0	0	0
4190	Outlays, net (total)	0	2	2

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		2010	2011	2012
14-0418-0-1-806		Actual	Estimate	Estimate
Obligations by program activity:				
0001	Advance payments to Guam of estimated U.S. income tax collections	46	45	45
0002	Advance payments to the Virgin Islands of estimated U.S. excise tax	141	100	100
0900	Total new obligations (object class 41.0)	187	145	145
Budgetary resources:				
Budget authority:				
Appropriations, mandatory:				
1200	01 Appropriation	187	145	145
1260	Appropriations, mandatory (total)	187	145	145
1900	Budget authority (total)	187	145	145
1930	Total budgetary resources available	187	145	145
Change in obligated balance:				
3030	Obligations incurred, unexpired accounts	187	145	145
3040	Outlays (gross)	-187	-145	-145
Budget authority and outlays, net:				
Mandatory:				
4090	Budget authority, gross	187	145	145
Outlays, gross:				
4100	Outlays from new mandatory authority	187	145	145
4160	Budget authority, net (mandatory)	187	145	145
4170	Outlays, net (mandatory)	187	145	145
4180	Budget authority, net (total)	187	145	145
4190	Outlays, net (total)	187	145	145

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		2010	2011	2012
14-4163-0-3-806		Actual	Estimate	Estimate
Obligations by program activity: Credit program obligations				
0713	Payment of interest to treasury	1	1	1
0742	Downward reestimate paid to receipt account	4	0	0
0743	Interest on downward reestimate	1	0	0
0900	Total new obligations	6	1	1
Budgetary resources: Unobligated balance				
1050	Unobligated balance (total)	0	0	0
Financing authority: Borrowing authority, mandatory				
1400 01	Borrowing authority	4	0	0
1400	Borrowing authority, mandatory (total)	4	0	0
Spending authority from offsetting collections, mandatory:				
1800 01	Collected	2	2	2
1825 01	Spending authority from offsetting collections applied to repay	0	-1	-1
1850	Spending auth from offsetting collections, mand (total)	2	1	1
1900	Financing authority (total)	6	1	1
1930	Total budgetary resources available	6	1	1
Change in obligated balance:				
Obligated balance, start of year (net):				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	0	0	1
3020	Obligated balance, start of year (net)	0	0	1
3030	Obligations incurred, unexpired accounts	6	1	1
3040	Financing disbursements (gross)	-6	0	0
Obligated balance, end of year (net):				
3090	Unpaid obligations, end of year (gross)	0	1	2
3100	Obligated balance, end of year (net)	0	1	2
Financing authority and disbursements, net:				
Mandatory:				
4090	Financing authority, gross	6	1	1
Financing disbursements:				
4110	Financing disbursements, gross	6	0	0
Offsets against gross financing authority and disbursements:				
Offsetting collections (collected) from:				
4123 01	Non-Federal sources - interest payment fr. Am. Samoa	-2	-1	-1
4123 02	Non-Federal sources Principal Repayment American Samoa	0	-1	-1
4130	Offsets against gross financing auth and disbursements (total)	-2	-2	-2
4160	Financing authority, net (mandatory)	4	-1	-1
4170	Financing disbursements, net (mandatory)	4	-2	-2
4180	Financing authority, net (total)	4	-1	-1
4190	Financing disbursements, net (total)	4	-2	-2

DEPARTMENT OF THE INTERIOR  
OFFICE OF INSULAR AFFAIRS  
PROGRAM GRANT ASSISTANCE - PALAU

Program and Financing (in millions of dollars)

OMB ACCOUNT ID: 010-85-0415-4		2010	2010	2012
14-0415-4		Actual	Estimate	Estimate
Obligations by program activity:				
0001	Assistance to Republic of Palau	0	0	29
0192	Subtotal, Permanent Indefinite	0	0	29
0900	Total new obligations (object class 41.0)	0	0	29
Budgetary Resources:				
Unobligated balance:				
1050	Unobligated balance (total)	0	0	0
Budget authority:				
Appropriations, mandatory:				
1200	01 Appropriation	0	0	29
1260	Appropriations, mandatory (total)	0	0	29
1900	Budget authority (total)	0	0	29
1930	Total budgetary resources available	0	0	29
Change in obligated balance:				
Obligated balance, start of year (net):				
3020	Obligated balance, start of year (net)	0	0	0
3030	Obligations incurred, unexpired accounts	0	0	29
3040	Outlays (gross)	0	0	-25
Obligated balance, end of year (net):				
3090	Unpaid obligations, end of year (gross)	0	0	4
3100	Obligated balance, end of year (net)	0	0	4
Budget authority and outlays, net:				
Mandatory:				
4090	Budget authority, gross	0	0	29
Outlays, gross:				
4100	Outlays from new mandatory authority	0	0	25
4160	Budget authority, net (mandatory)	0	0	29
4170	Outlays, net (mandatory)	0	0	25
4180	Budget authority, net (total)	0	0	29
4190	Outlays, net (total)	0	0	25

Historical Table

**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	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	TOTALS	FY	FY
<u>Republic of Marshall Islands (RMI)</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>		<u>2002</u>	<u>2003</u>
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./ S	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 Rights G	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
Enjebi	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>
<u>Federated States of Micronesia (FSM)</u>																		
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>
<u>Federal Services - FSM/RMI/Palau</u>	18,750	17,320	12,760	10,160	7,660	7,810	7,294	7,528	6,514	6,964	6,964	7,354	7,354	7,120	7,338	138,890	7,354	7,306
<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>

**FSM-RMI Compact Payment Projections  
2004-2008**

*(In thousands of dollars)*

	2004			2005			2006			2007			2008			Subtotal 2004-2008
	Base	Inflation 0.00%	Total	Base	Inflation 2.00%	Total	Base	Inflation 4.35%	Total	Base	Inflation 6.68%	Total	Base	Inflation 8.58%	Total	
<b>Federated States of Micronesia</b>																
Annual Grant Section 211	76,200	-	76,200	76,200	1,524	77,724	76,200	3,315	79,515	75,400	5,037	80,437	74,600	6,401	81,001	394,876
Audit Grant Section 212 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500	2,500
Trust Fund Section 215	16,000	-	16,000	16,000	320	16,320	16,000	696	16,696	16,800	1,122	17,922	17,600	1,510	19,110	86,048
<i>Total FSM Compact</i>	<u>92,700</u>	<u>-</u>	<u>92,700</u>	<u>92,700</u>	<u>1,844</u>	<u>94,544</u>	<u>92,700</u>	<u>4,011</u>	<u>96,711</u>	<u>92,700</u>	<u>6,159</u>	<u>98,859</u>	<u>92,700</u>	<u>7,911</u>	<u>100,611</u>	<u>483,424</u>
<b>Republic of the Marshall Islands</b>																
Annual Grant Section 211	35,200	-	35,200	34,700	694	35,394	34,200	1,488	35,688	33,700	2,251	35,951	33,200	2,849	36,049	178,281
Audit Grant Section 213 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500	2,500
Trust Fund Section 216 (a&c)	7,000	-	7,000	7,500	150	7,650	8,000	348	8,348	8,500	568	9,068	9,000	772	9,772	41,838
Kwajalein Impact Section 212	15,000	-	15,000	15,000	300	15,300	15,000	653	15,653	15,000	1,002	16,002	15,000	1,287	16,287	78,242
Rongelap Resettlement Section 103 (f)(4)	-	-	-	1,780	-	1,780	1,760	-	1,760	1,760	-	1,760	-	-	-	5,300
Enewetak Section 103 (f)(2)(c)(i)	1,300	-	1,300	1,300	26	1,326	1,300	57	1,357	1,300	87	1,387	1,300	112	1,412	6,781
<i>Total RMI Compact</i>	<u>59,000</u>	<u>-</u>	<u>59,000</u>	<u>60,780</u>	<u>1,170</u>	<u>61,950</u>	<u>60,760</u>	<u>2,545</u>	<u>63,305</u>	<u>60,760</u>	<u>3,908</u>	<u>64,668</u>	<u>59,000</u>	<u>5,019</u>	<u>64,019</u>	<u>312,942</u>
<b>Compact-Other</b>																
Compact Impact Section 104 (e)	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	29,700	(20)	29,680	30,000	-	30,000	149,680
Compact Impact Enumeration Section 104 (e)(4)	-	-	-	-	-	-	-	-	-	300	20	320	-	-	-	320
Judicial Training	300	-	300	300	6	306	300	13	313	300	20	320	300	26	326	1,565
<i>Total Compact-Other</i>	<u>30,300</u>	<u>-</u>	<u>30,300</u>	<u>30,300</u>	<u>6</u>	<u>30,306</u>	<u>30,300</u>	<u>13</u>	<u>30,313</u>	<u>30,300</u>	<u>20</u>	<u>30,320</u>	<u>30,300</u>	<u>26</u>	<u>30,326</u>	<u>151,565</u>
<b>GRAND TOTAL</b>	<b>182,000</b>	<b>-</b>	<b>182,000</b>	<b>183,780</b>	<b>3,020</b>	<b>186,800</b>	<b>183,760</b>	<b>6,569</b>	<b>190,329</b>	<b>183,760</b>	<b>10,087</b>	<b>193,847</b>	<b>182,000</b>	<b>12,956</b>	<b>194,956</b>	<b>947,931</b>

## FSM-RMI Compact Payment Projections

2009-2013

(In thousands of dollars)

	2009 Inflation			2010 Inflation			2011 Inflation			2012 Inflation			2013 Inflation			Subtotal 2009-2013
	Base	10.51%	Total	Base	10.94%	Total	Base	11.83%	Total	Base	13.83%	Total	Base	15.83%	Total	
<b>Federated States of Micronesia</b>																
Annual Grant Section 211	73,800	7,756	81,556	73,000	7,986	80,986	72,200	8,541	80,741	71,400	9,875	81,275	70,600	11,176	81,776	406,334
Audit Grant Section 212 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500	2,500
Trust Fund Section 215	18,400	1,934	20,334	19,200	2,100	21,300	20,000	2,366	22,366	20,800	2,877	23,677	21,600	3,419	25,019	112,696
<i>Total FSM Compact</i>	<i>92,700</i>	<i>9,690</i>	<i>102,390</i>	<i>92,700</i>	<i>10,087</i>	<i>102,787</i>	<i>92,700</i>	<i>10,907</i>	<i>103,607</i>	<i>92,700</i>	<i>12,751</i>	<i>105,451</i>	<i>92,700</i>	<i>14,595</i>	<i>107,295</i>	<i>521,531</i>
<b>Republic of the Marshall Islands</b>																
Annual Grant Section 211	32,700	3,437	36,137	32,200	3,523	35,723	31,700	3,750	35,450	31,200	4,315	35,515	30,700	4,860	35,560	178,384
Audit Grant Section 213 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500	2,500
Trust Fund Section 216 (a&c)	9,500	998	10,498	10,000	1,094	11,094	10,500	1,242	11,742	11,000	1,521	12,521	11,500	1,820	13,320	59,176
Kwajalein Impact Section 212	15,000	1,577	16,577	15,000	1,641	16,641	15,000	1,775	16,775	15,000	2,075	17,075	15,000	2,375	17,375	84,441
Rongelap Resettlement Section 103 (f)(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Enewetak Section 103 (f)(2)(c)(i)	1,300	137	1,437	1,300	142	1,442	1,300	154	1,454	1,300	180	1,480	1,300	206	1,506	7,318
<i>Total RMI Compact</i>	<i>59,000</i>	<i>6,148</i>	<i>65,148</i>	<i>59,000</i>	<i>6,400</i>	<i>65,400</i>	<i>59,000</i>	<i>6,921</i>	<i>65,921</i>	<i>59,000</i>	<i>8,091</i>	<i>67,091</i>	<i>59,000</i>	<i>9,261</i>	<i>68,261</i>	<i>331,820</i>
<b>Compact-Other</b>																
Compact Impact Section 104 (e)	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	29,700	(41)	29,659	30,000	-	30,000	149,659
Compact Impact Enumeration Section 104 (e)(4)	-	-	-	-	-	-	-	-	-	300	41	341	-	-	-	341
Judicial Training	300	32	332	300	33	333	300	35	335	300	41	341	300	47	347	1,689
<i>Total Compact-Other</i>	<i>30,300</i>	<i>32</i>	<i>30,332</i>	<i>30,300</i>	<i>33</i>	<i>30,333</i>	<i>30,300</i>	<i>35</i>	<i>30,335</i>	<i>30,300</i>	<i>41</i>	<i>30,341</i>	<i>30,300</i>	<i>47</i>	<i>30,347</i>	<i>151,689</i>
<b>GRAND TOTAL</b>	<b>182,000</b>	<b>15,870</b>	<b>197,870</b>	<b>182,000</b>	<b>16,519</b>	<b>198,519</b>	<b>182,000</b>	<b>17,863</b>	<b>199,863</b>	<b>182,000</b>	<b>20,883</b>	<b>202,883</b>	<b>182,000</b>	<b>23,903</b>	<b>205,903</b>	<b>1,005,039</b>

**FSM-RMI Compact Payment Projections  
2014-2018**

*(In thousands of dollars)*

	2014			2015			2016			2017			2018			Subtotal 2014-2018
	Base	Inflation 17.83%	Total	Base	Inflation 19.83%	Total	Base	Inflation 21.83%	Total	Base	Inflation 23.83%	Total	Base	Inflation 25.83%	Total	
<b>Federated States of Micronesia</b>																
Annual Grant Section 211	69,800	12,445	82,245	69,000	13,683	82,683	68,200	14,888	83,088	67,400	16,061	83,461	66,600	17,203	83,803	415,280
Audit Grant Section 212 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500	2,500
Trust Fund Section 215	22,400	3,994	26,394	23,200	4,601	27,801	24,000	5,239	29,239	24,800	5,910	30,710	25,600	6,612	32,212	146,356
<i>Total FSM Compact</i>	<i>92,700</i>	<i>16,439</i>	<i>109,139</i>	<i>92,700</i>	<i>18,283</i>	<i>110,983</i>	<i>92,700</i>	<i>20,127</i>	<i>112,827</i>	<i>92,700</i>	<i>21,971</i>	<i>114,671</i>	<i>92,700</i>	<i>23,815</i>	<i>116,515</i>	<i>564,136</i>
<b>Republic of the Marshall Islands</b>																
Annual Grant Section 211	32,200	5,741	37,941	31,700	6,286	37,986	31,200	6,811	38,011	30,700	7,316	38,016	30,200	7,801	38,001	189,955
Audit Grant Section 213 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500	2,500
Trust Fund Section 216 (a&c)	12,000	2,140	14,140	12,500	2,479	14,979	13,000	2,838	15,838	13,500	3,217	16,717	14,000	3,616	17,616	79,290
Kwajalein Impact Section 212	18,000	3,209	21,209	18,000	3,569	21,569	18,000	3,929	21,929	18,000	4,289	22,289	18,000	4,649	22,649	109,647
Rongelap Resettlement Section 103 (f)(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Enewetak Section 103 (f)(2)(c)(i)	1,300	232	1,532	1,300	258	1,558	1,300	284	1,584	1,300	310	1,610	1,300	336	1,636	7,919
<i>Total RMI Compact</i>	<i>64,000</i>	<i>11,322</i>	<i>75,322</i>	<i>64,000</i>	<i>12,592</i>	<i>76,592</i>	<i>64,000</i>	<i>13,862</i>	<i>77,862</i>	<i>64,000</i>	<i>15,132</i>	<i>79,132</i>	<i>64,000</i>	<i>16,402</i>	<i>80,402</i>	<i>389,310</i>
<b>Compact-Other</b>																
Compact Impact Section 104 (e)	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	29,700	(71)	29,629	30,000	-	30,000	149,629
Compact Impact Enumeration Section 104 (e)(4)	-	-	-	-	-	-	-	-	-	300	71	371	-	-	-	371
Judicial Training	300	53	353	300	59	359	300	65	365	300	71	371	300	77	377	1,827
<i>Total Compact-Other</i>	<i>30,300</i>	<i>53</i>	<i>30,353</i>	<i>30,300</i>	<i>59</i>	<i>30,359</i>	<i>30,300</i>	<i>65</i>	<i>30,365</i>	<i>30,300</i>	<i>71</i>	<i>30,371</i>	<i>30,300</i>	<i>77</i>	<i>30,377</i>	<i>151,827</i>
<b>GRAND TOTAL</b>	<b>187,000</b>	<b>27,815</b>	<b>214,815</b>	<b>187,000</b>	<b>30,935</b>	<b>217,935</b>	<b>187,000</b>	<b>34,055</b>	<b>221,055</b>	<b>187,000</b>	<b>37,175</b>	<b>224,175</b>	<b>187,000</b>	<b>40,295</b>	<b>227,295</b>	<b>1,105,274</b>



**FSM-RMI Compact Payment Projections  
2019-2023**  
*(In thousands of dollars)*

	2019			2020			2021			2022			2023			Subtotal 2019-2023	Total 2004- 2023
	Base	Inflation 27.83%	Total	Base	Inflation 29.83%	Total	Base	Inflation 31.83%	Total	Base	Inflation 33.83%	Total	Base	Inflation 35.83%	Total		
<b>Federated States of Micronesia</b>																	
Annual Grant Section 211	65,800	18,312	84,112	65,000	19,390	84,390	64,200	20,435	84,635	63,400	21,448	84,848	62,600	22,430	85,030	423,014	1,639,505
Audit Grant Section 212 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500	2,500	10,000
Trust Fund Section 215	26,400	7,347	33,747	27,200	8,114	35,314	28,000	8,912	36,912	28,800	9,743	38,543	29,600	10,606	40,206	184,722	529,823
<i>Total FSM Compact</i>	<u>92,700</u>	<u>25,659</u>	<u>118,359</u>	<u>92,700</u>	<u>27,503</u>	<u>120,203</u>	<u>92,700</u>	<u>29,347</u>	<u>122,047</u>	<u>92,700</u>	<u>31,191</u>	<u>123,891</u>	<u>92,700</u>	<u>33,035</u>	<u>125,735</u>	<u>610,236</u>	<u>2,179,328</u>
<b>Republic of the Marshall Islands</b>																	
Annual Grant Section 211	29,700	8,266	37,966	29,200	8,710	37,910	28,700	9,135	37,835	28,200	9,540	37,740	27,700	9,925	37,625	189,076	735,697
Audit Grant Section 213 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500	2,500	10,000
Trust Fund Section 216 (a&c)	14,500	4,035	18,535	15,000	4,475	19,475	15,500	4,934	20,434	16,000	5,413	21,413	16,500	5,912	22,412	102,268	282,572
Kwajalein Impact Section 212	18,000	5,009	23,009	18,000	5,369	23,369	18,000	5,729	23,729	18,000	6,089	24,089	18,000	6,449	24,449	118,647	390,977
Rongelap Resettlement Section 103 (f)(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,300
Enewetak Section 103 (f)(2)(c)(i)	1,300	362	1,662	1,300	388	1,688	1,300	414	1,714	1,300	440	1,740	1,300	466	1,766	8,569	30,587
<i>Total RMI Compact</i>	<u>64,000</u>	<u>17,672</u>	<u>81,672</u>	<u>64,000</u>	<u>18,942</u>	<u>82,942</u>	<u>64,000</u>	<u>20,212</u>	<u>84,212</u>	<u>64,000</u>	<u>21,482</u>	<u>85,482</u>	<u>64,000</u>	<u>22,752</u>	<u>86,752</u>	<u>421,060</u>	<u>1,455,132</u>
<b>Compact-Other</b>																	
Compact Impact Section 104 (e)	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	29,700	(101)	29,599	30,000	-	30,000	149,599	598,565
Compact Impact Enumeration Section 104 (e)(4)	-	-	-	-	-	-	-	-	-	300	101	401	-	-	-	401	1,435
Judicial Training	300	83	383	300	89	389	300	95	395	300	101	401	300	107	407	1,977	7,059
<i>Total Compact-Other</i>	<u>30,300</u>	<u>83</u>	<u>30,383</u>	<u>30,300</u>	<u>89</u>	<u>30,389</u>	<u>30,300</u>	<u>95</u>	<u>30,395</u>	<u>30,300</u>	<u>101</u>	<u>30,401</u>	<u>30,300</u>	<u>107</u>	<u>30,407</u>	<u>151,977</u>	<u>607,059</u>
<b>GRAND TOTAL</b>	<b>187,000</b>	<b>43,415</b>	<b>230,415</b>	<b>187,000</b>	<b>46,535</b>	<b>233,535</b>	<b>187,000</b>	<b>49,655</b>	<b>236,655</b>	<b>187,000</b>	<b>52,775</b>	<b>239,775</b>	<b>187,000</b>	<b>55,895</b>	<b>242,895</b>	<b>1,183,274</b>	<b>4,241,519</b>

U.S. DEPARTMENT OF THE INTERIOR  
 OFFICE OF INSULAR AFFAIRS  
 COMPACT OF FREE ASSOCIATION  
 REPUBLIC OF PALAU  
 Budget Authority 1995 - 2009  
 \$'S IN 000'S

	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	TOTALS
<u>ACTIVITY (P.L. 99-658)</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	
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	4,076	4,290	4,362	3,875	3,998	4,121	4,244	4,367	99,060
<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>11,857</b>	<b>12,071</b>	<b>12,143</b>	<b>10,656</b>	<b>10,779</b>	<b>10,902</b>	<b>11,025</b>	<b>11,148</b>	<b>372,442</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><u>DIRECT PAYMENTS</u></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>13,857</b>	<b>14,071</b>	<b>14,143</b>	<b>12,656</b>	<b>12,779</b>	<b>12,902</b>	<b>13,025</b>	<b>13,148</b>	<b>411,142</b>
Federal Services	1,340	0	0	0	0	0	0	1,539	1,539	1,539	1,539	1,539	1,539	1,539	1,539	13,652
Sect. 212(a) Palau Road Construction	53,000		96,000													149,000
<b>GRAND TOTAL, PALAU</b>	<b>246,807</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>15,396</b>	<b>15,610</b>	<b>15,682</b>	<b>14,195</b>	<b>14,318</b>	<b>14,441</b>	<b>14,564</b>	<b>14,687</b>	<b>573,794</b>

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

U.S. DEPARTMENT OF THE INTERIOR  
 OFFICE OF INSULAR AFFAIRS  
 COMPACT OF FREE ASSOCIATION  
 REPUBLIC OF PALAU  
 Estimated Payments 2010-2024

\$'S IN 000'S

<u>Sec. ACTIVITY (Revised Agreement)</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FY 2024</u>	<u>TOTALS 1/</u>
1 Trust Fund Contributions	0	0	0	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	250	0	30,250
2 Infrastructure Maintenance Fund 2/	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
3 Fiscal Consolidation Fund	0	5,000	5,000													10,000
4 Economic Assistance		13,000	12,750	12,500	12,000	11,500	10,000	8,500	7,250	6,000	5,000	4,000	3,000	2,000		107,500
5 Infrastructure Projects		8,000	8,000	8,000	6,000	5,000	5,000									40,000
<u>Subtotal for Direct Assistance to Palau</u>	<u>0</u>	<u>28,000</u>	<u>27,750</u>	<u>25,500</u>	<u>23,000</u>	<u>21,500</u>	<u>20,000</u>	<u>13,500</u>	<u>12,250</u>	<u>11,000</u>	<u>10,000</u>	<u>9,000</u>	<u>8,000</u>	<u>4,250</u>	<u>2,000</u>	<u>215,750</u>
Postal Service Subsidy		1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	21,000
ANNUAL FUNDING IN LEGISLATIVE PACKAGE	0	29,500	29,250	27,000	24,500	23,000	21,500	15,000	13,750	12,500	11,500	10,500	9,500	5,750	3,500	<u>236,750</u>
<b><u>PALAU ANNUAL WITHDRAWAL FROM TRUST FUND 3/</u></b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,250</b>	<b>5,500</b>	<b>6,750</b>	<b>8,000</b>	<b>9,000</b>	<b>10,000</b>	<b>10,500</b>	<b>11,000</b>	<b>12,000</b>	<b>13,000</b>	<b>15,000</b>	<b><u>126,000</u></b>

1/ \$13.25 million funded in 2010 through appropriations - brings total compact to \$250 million

2/ Entry Into Force repayment (Sec. 212) \$3 million paid into Infrastructure Maintenance Fund

3/ Palau is limited by agreement from withdrawing more than this amount from its US-funded Compact Trust Fund.