

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

and Performance Information
Fiscal Year 2013

OFFICE OF INSULAR AFFAIRS

NOTICE: These budget justifications are prepared for the Interior, Environment and Related Agencies Appropriations Subcommittees.

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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 2013 budget request is framed by long-term 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 in July 2011 have shed light on serious challenges faced in the territories and brought in to focus the vulnerability of their small undiversified economies.

The economic picture painted by these GDP figures is further reinforced by the U.S. Census Bureau's release of 2010 Census data for the territories. With the exception of Guam, all of the U.S. territories had population declines over the past decade led by the CNMI which experienced a 22.2 percent decline in population. These numbers provide clear evidence that islanders are leaving their homes to seek economic opportunity elsewhere. Population declines in the territories will likely compound economic woes as Federal formula grants based on population will decrease funding allotments to the territories. Financial assistance provided through the Office of Insular Affairs often fills gaps left by other Federal programs. As a result, the importance of the Office and the preservation of its financial assistance resources will be crucial to the insular areas as they work to turn around their struggling communities.

American Samoa. In the eight year time frame from 2002 to 2009, the estimates for American Samoa show that real GDP -- GDP adjusted to remove price changes -- decreased 4.7 percent in 2009 after decreasing 2.1 percent in 2008. For comparison, real GDP for the U.S. (excluding the territories) decreased 2.6 percent in 2009 after remaining unchanged in 2008. In 2009, the main contributor to the decrease in real GDP in American Samoa was a decrease in exports of goods, primarily of canned tuna. This decrease was partly offset by a decline in the import of goods and an increase in government spending. The estimates of real GDP for 2008 and 2009 highlight the impact that the tuna canning industry and the government sector had on American Samoa's economy. In 2009, one of the territory's two canneries closed, significantly affecting economic growth. However, the canning industry continued to be a major private employer during both years, while the territorial government continued to be the largest single employer. American Samoa's already low per capita real GDP has declined from \$7,918 in 2007 to \$7,190 in 2009. American Samoa's population declined 3.1 percent from 2000 to 2010, with its population at 55,519 in that year.

Commonwealth of the Northern Mariana Islands. The continuing downward economic spiral in the Commonwealth of the Northern Mariana Islands has been given increased definition by the new GDP data. The estimates for the CNMI show that real GDP decreased 19.8 percent in 2009 after decreasing 12.1 percent in 2008. The estimates of real GDP for 2008 and 2009 reflected continued declines in exports and in consumer spending. The decrease in exports of goods in 2008 and 2009 reflected the continued decline of the CNMI's garment manufacturing industry. The last garment factory closed during the first quarter of 2009. Beginning in 2005, exports of goods, primarily garments, fell in each year; the steepest declines occurred in 2008 and 2009. Exports of goods fell by over 60 percent in 2008

and by over 80 percent in 2009. Further contributing to the decline in real exports in 2009 was a significant drop in exports of services, reflecting a decrease in the number of visitors to the islands. Despite this decline, tourism services were the territory's only significant export in 2009. The decreases in real consumer spending in 2008 and 2009 negatively impacted economic growth, most notably in 2009. In 2009, real consumer spending fell by approximately 13 percent after decreasing by less than 1 percent in 2008. Per capital real GDP declined from \$14,471 in 2007 to \$11,612 in 2009. The CNMI's population decreased 22.2 percent from 2000 to 2010 to 53,883, as its foreign workers and citizens left the islands seeking economic opportunity elsewhere.

Guam. Although challenging economic conditions are likely to persist in American Samoa and the CNMI, the outlook for Guam is brighter. Guam's population grew 2.9 percent from 2000 to 2010 and is forecast to undergo further expansion as the military relocates troops from Okinawa, Japan, to Guam. While some projects that lay the groundwork for the widely anticipated military relocation are underway, the scale of and political commitment to the relocation is currently in flux. A prolonged delay of the military relocation would have a profound negative impact on projected economic activity on both Guam and throughout Micronesia. The relocation of thousands of U.S. military personnel and their dependents from Okinawa, Japan to Guam would present a strong economic opportunity for the island, but would be a huge challenge on many fronts, including the creation of a strategy for needed civilian infrastructure upgrades.

GDP estimates for Guam show that real GDP increased 1.7 percent in 2009 after increasing 0.5 percent in 2008. The largest contributor to the growth in real GDP during this period was federal government spending. The majority of this spending was by the Department of Defense. Federal spending increased in both 2008 and 2009; the increases in both years largely reflected increases in construction spending and in compensation. The tourism industry continued to weaken in 2008 and 2009, negatively impacting economic growth. Spending by tourists makes up the vast majority of Guam's exports of services. If Guam's population grows by 20 percent as a result of the military relocation, economic activity related to construction and the military is set for a robust expansion. If relocation is delayed, Guam's growth will increase at a slower pace and could be more dependent upon a now-declining tourism sector.

U.S. Virgin Islands. 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. It had the highest real GDP per capita amongst the territories at \$38,538 in 2009. However, the estimates for the U.S. Virgin Islands show that real GDP decreased 5.6 percent in 2009 after decreasing 1.3 percent in 2008. This decline will only be exacerbated by the impact of the closure of Hovensa oil refinery in St. Croix in 2012. Besides the loss of 2,000 jobs, the vast majority of imports and exports of goods in recent years have been petroleum products. This will have a serious detrimental impact on the local economy. Tourism accounts for almost all of exports of services, even as a significant decrease in the number of visitors adversely impacted tourist-related services. 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. The population of the territory declined by 2 percent from 2000 to 2010, and was 106,405 in the latest census.

Federated States of Micronesia. 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. Since the introduction of the amended Compact in 2003, the FSM has experienced considerable volatility in economic activity, with GDP declining in three out of the initial six years. Overall GDP has declined by an annual average of 0.3%. The lack of growth has been accompanied by outmigration to the U.S. Mainland and Guam. As a result of the decline or stagnation in incomes, outmigration as measured by net movements of air passengers leaving the FSM during 2004-10 has also been large. Clearly, there is a strong association between economic performance, employment prospects and outmigration.

Republic of the Marshall Islands. The RMI's economy has performed more favorably in the last decade than that of the FSM's. In FY2008-FY2009, growth turned negative—as it did in many countries during this period—with the onset of the international recession. However, 2010 has turned out to be a particularly favorable year for the RMI, with strong growth of 5.2% resulting from low inflation and expansion in the fisheries sector. Further, this trend is set to continue through 2013, as investment in fisheries enterprise and airport improvements continue. Employment data indicates that the economy has managed to generate a number of additional jobs amounting to 0.9% during the amended Compact. Both the private and public sectors have grown, despite declines at the Kwajalein military base. However, the generation of additional jobs has been insufficient to provide gainful employment opportunities for those seeking work, and outward migration remains substantial, averaging 1.7% annually during the amended Compact period.

Both the FSM and the RMI remain generally stable due to funding through the Compact of Free Association. This is partly due to improvements to documented improvements in financial accountability being demonstrated by all levels of government. 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.

The migration of citizens of the FSM and RMI to the U.S., primarily to Guam, Hawaii and the CNMI has created problems for those areas. Combined data from the U.S. Census Bureau's (Census) 2005-2009 American Community Survey (ACS) and the required enumeration in 2008 estimate that a total of roughly 56,000 compact migrants from the FSM, the Marshall Islands, and Palau--nearly a quarter of all FAS citizens--were living in U.S. areas. Compact migrants resided throughout U.S. areas, with approximately 58 percent of all compact migrants living in the three jurisdictions. According to the 2008 required enumeration, compact migrant populations continued to grow in Guam and Hawaii and were roughly 12 percent of the population of Guam and 1 percent of the population of Hawaii. Each of these jurisdictions has reported that local costs for addressing the health, education, social service and law enforcement needs of the migrant communities far exceed the \$30 million annually granted by OIA to help offset the costs. To alleviate this, Congress appropriated an additional \$5 million in 2012 and the President's FY 2013 Budget proposed to maintain that additional funding.

The Office of Insular Affairs will continue to work with other Federal agencies, the affected jurisdictions and the FAS to better mitigate the impact of immigration. OIA will engage the Census Bureau in 2013 to complete another enumeration of FAS emigrants in Hawaii, Guam, the CNMI and American Samoa. The results of this enumeration will direct allocations of Compact impact funds for the next five years.

Republic of Palau. With the anticipated enactment of the new financial assistance agreement between Palau and the U.S. in 2012, 2013 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, they face common challenges:

- very limited land and resources;
- small populations and a limited pool of expertise to address the community's critical needs;
- locations in areas that are highly prone to destructive typhoons, cyclones, or hurricanes; and

- 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.

Management Reforms

Over the last two years, the Administration has implemented a series of management reforms to curb uncontrolled growth in contract spending, terminate poorly performing information technology projects, deploy state of the art fraud detection tools, focus agency leaders on achieving ambitious improvements in high priority areas, and open Government up to the public to increase accountability and accelerate innovation.

In November 2011, President Obama issued an Executive Order reinforcing these performance and management reforms and the achievement of efficiencies and cost-cutting across the government. This Executive Order identifies specific savings as part of the Administration's Campaign to Cut Waste to achieve a 20 percent reduction in administrative spending from 2010 to 2013. Each agency is directed to establish a plan to reduce the combined costs associated with travel, employee information technology devices, printing, executive fleet efficiencies, and extraneous promotional items and other areas.

The Department of the Interior's goal is to reduce administrative spending by \$207 million from 2010 levels by the end of 2013. To meet this goal, the Department is leading efforts to reduce waste and create efficiencies by reviewing projected and actual administrative spending to allocate efficiency targets for bureaus and Departmental offices to achieve the 20 percent target. Additional details on the Campaign to Cut Waste can be found at <http://www.whitehouse.gov/the-press-office/2011/11/09/executive-order-promoting-efficient-spending>.

Strategic Plan

The FY 2011-2016 DOI Strategic Plan, in compliance with the principle of the GPRA Modernization Act of 2010, provides a collection of mission objectives, goals, strategies and corresponding metrics that provide an integrated and focused approach for tracking performance across a wide range of DOI programs. While 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 2013 President's Budget, further details for achieving the Strategic Plan's goals are presented in the DOI Annual Performance Plan and Report (APP&R). Bureau and program specific plans for FY 2013 are fully consistent with the goals, outcomes, and measures described in the FY 2011-2016 version of the DOI Strategic Plan and related implementation information in the Annual Performance Plan and Report (APP&R).

2. Budget Highlights

The proposed 2013 OIA budget is \$575.3 million, an increase of \$4.7 million and 0 FTE from the 2012 enacted level.

Total 2013 Budget Request (Dollars in Thousands)

Budget Authority	2011 Actual	2012 Enacted	2013 President's Budget	2013 Change from 2012
Current	100,640	104,361	88,000	-16,361
Permanent	411,568	466,222	487,254	+21,032
Total OIA	512,208	570,583	575,254	+4,671
<i>FTEs</i>	<i>41</i>	<i>41</i>	<i>41</i>	<i>0</i>

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 2013, these commitments include an estimated \$248.0 million for fiscal payments to Guam and the U.S. Virgin Islands and \$239.3 million for payments under the Compacts of Free Association. Current appropriations of \$88.0 million are requested in 2013, a decrease of \$16.4 million from the 2012 enacted level. Most of this decrease is due to the temporary Palau Compact extension of \$13 million not being proposed for FY 2013. The current appropriations request includes \$60.3 million in discretionary funding and \$27.7 million in mandatory funding.

Palau Compact of Free Association

On February 14, 2011, S. 343 was introduced in the Senate seeking to continue the U.S. Compact relationship with the Republic of Palau. Reaffirming the close partnership between the United States and the Republic of Palau, the bill represents a 15-year agreement that includes a \$250 million package of assistance through 2024. Bill S. 343 has not been enacted by the U.S. Congress to date; and, OIA is not requesting current appropriations for Palau Compact assistance in 2013.

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B. Bureau-Level Tables

1.

FY 2013 Budget at a Glance					
Office of Insular Affairs					
<i>(Dollars in Thousands)</i>					
	2011 Actual	2012 Enacted	Fixed Costs & Related Changes	Program Changes	2013 Request
<u>Assistance to Territories</u>					
American Samoa Operations	22,707	22,717	0	+35	22,752
Covenant Grants	27,720	27,720	0	0	27,720
Territorial Assistance					
Office of Insular Affairs	9,262	9,465	+142	-345	9,262
General Technical Assistance	15,271	18,774	0	-6,274	12,500
<i>Compact Impact Disc.</i>		[4,992]			
Maintenance Assistance	2,443	2,237	0	-1,496	741
Brown Treesnake Control	2,994	2,995	0	+5	3,000
Coral Reef Initiative	998	998	0	+2	1,000
Water and Wastewater	791	790	0	-790	0
Empowering Insular Communities	1,996	2,205	0	+766	2,971
Compact Impact Disc.	0	0	0	+5,000	5,000
Total, Assistance to Territories	84,182	87,901	+142	-3,097	84,946
<u>Compact of Free Association - Current</u>					
Federal Services	2,812	2,814	0	+4	2,818
Palau Program Grant Assistance	2,000	0	0	0	0
Enewetak	499	499	0	-263	236
Palau Compact Extension	11,147	13,147	0	-13,147	0
Total, Compact of Free Association - Current	16,458	16,460	0	-13,406	3,054
Total Current Discretionary/Mandatory	100,640	104,361	+142	-16,503	88,000
<u>Compact of Free Association</u>					
Marshall Islands Compact	65,970	66,839	0	+1,170	68,009
Federated States of Micronesia Compact	107,056	104,984	0	+1,915	106,899
Palau Compact (Legislative Proposal)*	0	16,059	0	+17,941	34,000
<i>Federal Services Permanent</i>		[1,500]			[1,500]
Compact Impact	30,000	30,000	0	0	30,000
Judicial Training	336	340	0	+6	346
Total Compact (Permanent)	203,362	218,222	0	+21,032	239,254
<u>Fiscal Payments</u>					
Guam Section 30 Income Taxes	53,126	53,000	0	0	53,000
VI Rum Excise Taxes	155,081	195,000	0	0	195,000
Total, Fiscal Payments (Permanent)	208,207	248,000	0	0	248,000
Grand Total - Office of Insular Affairs	512,209	570,583	+142	+4,529	575,254

*The Consolidated Appropriations Act of FY 2012 (PL 112-74) provided a total of \$13.147 million in current funds for Palau. Enactment of the Palau Compact legislative proposal in 2012 would result in an additional \$16.059 million in mandatory funds being awarded to Palau. The total payment for Palau in 2012 would be \$29.206 million.

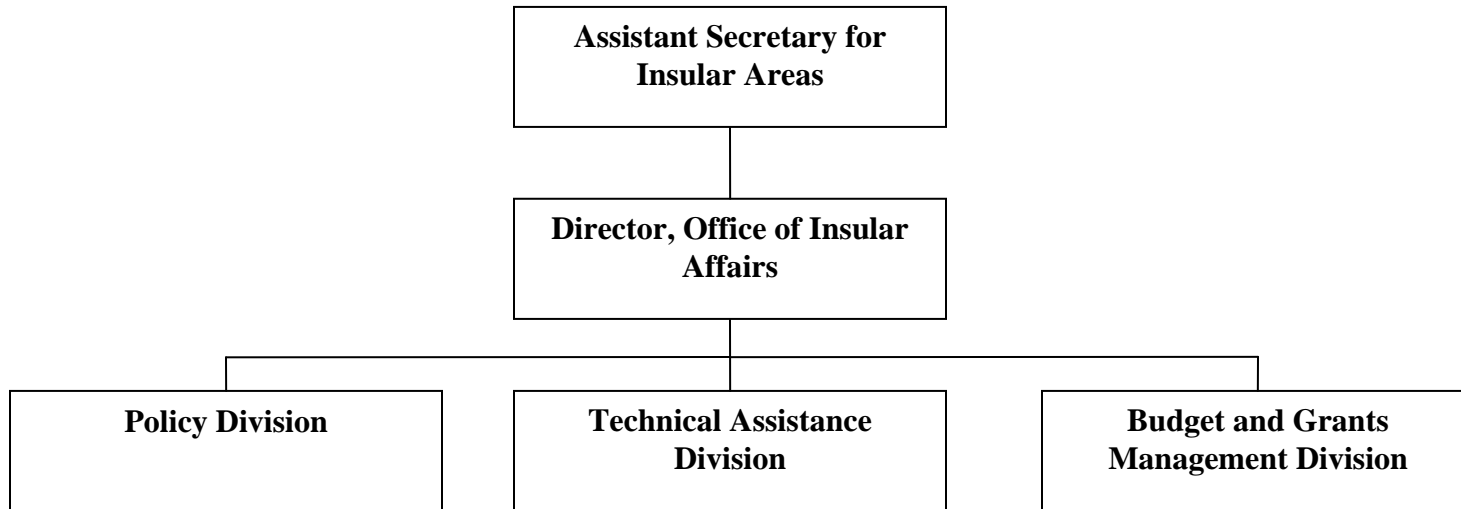
2.

Office of Insular Affairs
2011 Funding (Budget Authority) 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	22,707										22,707
Covenant Grants	10,500	10,000	5,026	2,194							27,720
Office of Insular Affairs	146	346		120		95		875	7,680		9,262
General Technical Assistance	1,566	3,519	2,863	2,646	357	1,902	669	199	500	1,050	15,271
Maintenance Assistance	283	159	60		505	381		1,055			2,443
Brown Treesnake Control		306	285					1,190		1,213	2,994
Coral Reef Initiative	87	83	83		305	50			90	300	998
Water and Wastewater		266	525								791
Empowering Insular Communities	596	500	900								1,996
<i>Total, Assistance to Territories</i>	<i>35,885</i>	<i>15,179</i>	<i>9,742</i>	<i>4,960</i>	<i>1,167</i>	<i>2,428</i>	<i>669</i>	<i>3,319</i>	<i>8,270</i>	<i>2,563</i>	<i>84,182</i>
<u>Compact of Free Association - Current</u>											
Federal Services										2,812	2,812
Palau Program Grant Assistance							2,000				2,000
Enewetak						499					499
Palau Compact Extension							11,147				11,147
<i>Total, Compact of Free Association - Current</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>499</i>	<i>13,147</i>	<i>0</i>	<i>0</i>	<i>2,812</i>	<i>16,458</i>
Total Current Discretionary/Mandatory	35,885	15,179	9,742	4,960	1,167	2,927	13,816	3,319	8,270	5,375	100,640
<u>Compact of Free Association</u>											
Marshall Islands Compact						65,970					65,970
Federated States of Micronesia Compact					107,056						107,056
Palau Compact											0
Compact Impact	14	1,930	16,827					11,229			30,000
Judicial Training										336	336
<i>Total, Compact (Permanent)</i>	<i>14</i>	<i>1,930</i>	<i>16,827</i>	<i>0</i>	<i>107,056</i>	<i>65,970</i>	<i>0</i>	<i>11,229</i>	<i>0</i>	<i>336</i>	<i>203,362</i>
<u>Fiscal Payments</u>											
Guam Section 30 Income Taxes			53,126								53,126
VI Rum Excise Taxes				155,081							155,081
<i>Total, Fiscal Payments (Permanent)</i>	<i>0</i>	<i>0</i>	<i>53,126</i>	<i>155,081</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>208,207</i>
Total Permanent Mandatory	14	1,930	69,953	155,081	107,056	65,970	0	11,229	0	336	411,569
Grand Total - Office of Insular Affairs	35,899	17,109	79,695	160,041	108,223	68,897	13,816	14,548	8,270	5,711	512,209

3.

Organization Chart Office of Insular Affairs



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II. Account- Level Presentation

A. Summary of Requirements

1.

OFFICE OF INSULAR AFFAIRS
ASSISTANCE TO TERRITORIES2013 Summary of Requirements
(Dollars in Thousands)

Activity/Subactivity	2011 Actual		2012 Enacted		Fixed Costs & Related Changes		Program Changes		2013 Request		Change from 2012 (+/-)	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
ASSISTANCE TO TERRITORIES												
1. American Samoa Operations	2	22,707	2	22,717	-	-	-	35	2	22,752	-	35
2. Covenant Grants - Mandatory												
Northern Mariana Islands Construction	-	10,000	-	9,523	-	-	-	(791)	-	8,732	-	(791)
American Samoa Construction	-	10,500	-	10,089	-	-	-	(125)	-	9,964	-	(125)
Guam Construction	-	5,026	-	6,086	-	-	-	42	-	6,128	-	42
Virgin Islands Construction	-	2,194	-	2,022	-	-	-	874	-	2,896	-	874
<i>Total, Covenant Grants</i>	-	27,720	-	27,720	-	-	-	-	-	27,720	-	-
3. Territorial Assistance												
Office of Insular Affairs	38	9,262	38	9,465	-	142	-	(345)	38	9,262	-	(203)
General Technical Assistance	1	15,271	1	18,774	-	-	-	(6,274)	1	12,500	-	(6,274)
<i>Compact Impact Disc.</i>				[4,992]								
Maintenance Assistance Fund	-	2,443	-	2,237	-	-	-	(1,496)	-	741	-	(1,496)
Brown Tree Snake Control	-	2,994	-	2,995	-	-	-	5	-	3,000	-	5
Coral Reef Initiative	-	998	-	998	-	-	-	2	-	1,000	-	2
Water and Wastewater Projects	-	791	-	790	-	-	-	(790)	-	-	-	(790)
Empowering Insular Communities	-	1,996	-	2,205	-	-	-	766	-	2,971	-	766
Compact Impact - Discretionary	-	-	-	-	-	-	-	5,000	-	5,000	-	5,000
<i>Total, Territorial Assistance</i>	39	33,755	39	37,464	-	142	-	(3,132)	39	34,474	-	(2,990)
TOTAL, ASSISTANCE TO TERRITORIES	41	84,182	41	87,901	-	142	-	(3,097)	41	84,946	-	(2,955)

2.

OFFICE OF INSULAR AFFAIRS
COMPACT OF FREE ASSOCIATION - CURRENT APPROPRIATION

2013 Summary of Requirements

(Dollars in Thousands)

	2011 Actual		2012 Enacted		Fixed Costs & Related Changes		Program Changes		2013 Request		Change from 2012 (+/-)	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
COMPACT OF FREE ASSOCIATION - CURRENT												
1. Federal Services		2,812		2,814			-	4		2,818		4
2. Palau Program Grant Assistance	-	2,000	-		-	-	-		-		-	
3. Enewetak	-	499	-	499	-	-	-	(263)	-		-	(263)
4. Palau Compact Extension	-	11,147	-	13,147	-	-	-	(13,147)		236	-	(13,147)
TOTAL, COMPACT - CURRENT		16,458		16,460				(13,406)		3,054		(13,406)

Note: The Consolidated Appropriations Act of FY 2012 (PL 112-74) provided a total of \$13.147 million in current funds for Palau. Enactment of the Palau Compact legislative proposal in 2012 would result in an additional \$16.059 million in mandatory funds being awarded to Palau. The total payment for Palau in 2012 would be \$29.206 million.

3.

OFFICE OF INSULAR AFFAIRS
COMPACT OF FREE ASSOCIATION - PERMANENT APPROPRIATION

FY 2013 Summary of Requirements

(Dollars in Thousands)

Activity/Subactivity	2011 Actual		2012 Enacted		Fixed Costs and Related Changes		Program Changes		2013 Request		Change from 2012 (+/-)	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
COMPACT OF FREE ASSOCIATION - PERMANENT												
<u>Assistance to the Marshall Islands:</u>												
Sector Grants		35,844		35,881		0		-453		35,428		-453
Audit		0		0		0		500		500		500
Trust Fund		11,798		12,474		0		797		13,271		797
Rongelap Resettlement		0		0		0		0		0		0
Kwajalein Lease Payment		16,872		17,010		0		300		17,310		300
Enewetak		<u>1,456</u>		<u>1,474</u>		<u>0</u>		<u>26</u>		<u>1,500</u>		<u>26</u>
Subtotal, Marshall Islands Assistance	-	65,970	-	66,839	-	0	-	1,170	-	68,009	-	1,170
<u>Assistance to the Federated States of Micronesia (FSM)</u>												
Sector Grants		84,162		81,397		0		75		81,472		75
Trust Fund		22,394		23,587		0		1,340		24,927		1,340
Audit		<u>500</u>		<u>0</u>		<u>0</u>		<u>500</u>		<u>500</u>		<u>500</u>
Subtotal, FSM Assistance	-	107,056	-	104,984	-	0	-	1,915	-	106,899	-	1,915
<u>Compact Impact</u>		30,000		30,000		0		0		30,000		0
<u>Judicial Training</u>		336		340		0		6		346		6
<u>Total, FSM/Marshalls Compact (Permanent)</u>	-	<u>203,362</u>	-	<u>202,163</u>	-	<u>0</u>	-	<u>3,091</u>	-	<u>205,254</u>	-	<u>3,091</u>
<u>Assistance to the Republic of Palau</u>												
Section 211 (Government Operations)		0		0		0		0		0		0
Section 215 (Inflation Adjustment)		0		0		0		0		0		0
Palau Legislative Proposal*		<u>0</u>		<u>16,059</u>		<u>0</u>		<u>17,941</u>		<u>34,000</u>		<u>17,941</u>
Subtotal, Assistance to the Republic of Palau	-	0	-	16,059	-	0	-	17,941	-	34,000	-	17,941
TOTAL, COMPACT, Permanent	-	203,362	-	218,222	-	0	-	21,032	-	239,254	-	21,032

*The Consolidated Appropriations Act of FY 2012 (PL 112-74) provided a total of \$13.147 million in current funds for Palau. Enactment of the Palau Compact legislative proposal in 2012 would result in an additional \$16.059 million in mandatory funds being awarded to Palau. The total payment for Palau in 2012 would be \$29.206 million.

4.

SUMMARY OF REQUIREMENTS BY OBJECT CLASS

(Dollars in thousands)

Appropriation: <i>Assistance to Territories</i>	2012 Enacted		Fixed Cost & Related Changes		Program Changes		2013 Request	
	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>
<u>Object Class</u>								
11.0 Personnel Compensation:								
11.1 Permanent positions - FTE-P	41	4,011		+29		0	41	4,040
11.3 Positions other than permanent		-		0		0		-
11.5 Other personnel compensation		100		0		0		100
<i>Subtotal, Personnel Compensation</i>	<i>41</i>	<i>4,111</i>	<i>0</i>	<i>+29</i>	<i>0</i>	<i>0</i>	<i>41</i>	<i>4,140</i>
12.1 Personnel benefits		1,304		+16		0		1,320
13.0 Benefits to former employees		0		0		0		0
21.0 Travel & transportation of persons		526		0		0		526
22.0 Transportation of things		0		0		0		0
23.1 Rental payments to GSA		0		0		0		0
23.2 Other rent, comm., and utilities		45		0		0		45
24.0 Printing and reproduction		15		0		0		15
25.0 Other services		6,250		+97		-2		6,345
26.0 Supplies and materials		90		0		0		90
31.0 Equipment		30		0		0		30
41.0 Grants, subsidies & contributions		75,530		0		-3,095		72,435
99.0 Total requirements	41	87,901	0	+142	0	-3,097	41	84,946

B. Fixed Costs and Related Changes

OFFICE OF INSULAR AFFAIRS

Justification of Fixed Costs and Related Changes

(Dollars in Thousands)

Pay Raise and Pay-Related Changes	2011	2012 Change	2013 Change
Calendar Year 2010 Quarter 4	[+23]		
Calendar Year 2011 Quarters 1-3	-		
Calendar Year 2011 Quarter 4		+23	
Calendar Year 2012 Quarters 1-3		+0	
Calendar Year 2012 Quarter 4			+0
Calendar Year 2013 Quarters 1-3			+14
Non-Foreign Area COLA Adjustment to Locality Pay	[+33]	+26	
Change in Number of Paid Days		-18	+15
Employer Share of Federal Health Benefit Plans	[+16]	+32	+16

Other Fixed Cost Changes and Projections	2011	2012 Change	2013 Change
<u>Worker's Compensation Payments</u>	[0]	+0	+0
The adjustment is for changes in the costs of compensating injured employees and dependents of employees who suffer accidental deaths while on duty. Costs for the BY 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.			
<u>Unemployment Compensation Payments</u>	[-1]	-1	+0
The adjustment is for projected 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.			
<u>GSA Rental Payments</u>	[+12]	+204	+120
The adjustment is for changes in the costs payable to General Services Administration (GSA) 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.			
<u>Departmental Working Capital Fund</u>	[-2]	-137	-23
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.			
TOTAL, FIXED COST CHANGE, OIA	[+81]	+129	+142

Note: Numbers in brackets represent absorbs costs.

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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 and other jurisdictions identified in section 104(e) of Public Law 108-188, [\$87,997,000]\$84,946,000, of which: (1) [\$78,517,000]\$75,684,000 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]\$9,262,000 shall be available until September 30, [2013]2014, 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).

COMPACT OF FREE ASSOCIATION

For grants and necessary expenses, [\$3,318,000]\$3,054,000, to remain available until expended, as provided for in [sections]section 221(a)(2) [and 233] 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.

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

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	2013 Budget Request (\$ in 000's)	Explanation of Authorization Requirement for FY 2013	Program Description
Republic of Palau Compact of Free Association	PL 99-658 PL 111-88 PL 111-322 PL 112-74	Republic of Palau Compact of Free Association	\$573.0 million	September 30, 2012	\$34.0 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)						
	2011 Actual	2012 Enacted	2013			Change from 2012 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
General Operations	21,854	21,863	0	+34	21,897	+34
High Court	853	854	0	+1	855	+1
Total Requirements	22,707	22,717	0	+35	22,752	+35
FTE	2	2	0	0	2	0

SUMMARY OF 2013 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
American Samoa Operations	+35	0

JUSTIFICATION OF 2013 PROGRAM CHANGES

The 2013 budget request for American Samoa Operations is \$22.752 million, a program increase of \$35,000 with no additional FTE from the 2012 enacted level.

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 18% of ASG's General Fund revenue and 22% 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.

2013 PROGRAM PERFORMANCE

American Samoa plans to accomplish the following in 2013:

- Provide financial reports for quarter ending September 30, 2012.
- Provide financial reports for quarter ending December 31, 2012.
- Provide financial reports for quarter ending March 31, 2013.
- Provide financial reports for quarter ending June 30, 2013.

The following chart reflects the ASG's operations funding priorities for 2011, 2012 and 2013:

Funding Category	2011	2012	2013
	Award	Proposed Award	Proposed Award
Basic (DOE/ASCC) Operations	\$14,212,000	\$14,218,000	\$14,240,000
LBJ Hospital Operations	\$7,642,000	\$7,645,000	\$7,657,000
High Court	\$853,000	\$854,000	\$855,000
Total	\$22,707,000	\$22,717,000	\$22,752,000

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

Activity: CNMI/Covenant Grants \$(000)						
SUMMARY TABLE						
	2011 Actual	2012 Enacted	2013			Change From 2012 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
CNMI Construction	10,000	9,523	0	-791	8,732	-791
American Samoa Construction	10,500	10,089	0	-125	9,964	-125
Guam Construction	5,026	6,086	0	+42	6,128	+42
Virgin Islands Construction	2,194	2,022	0	+874	2,896	+874
Totals	27,720	27,720	0	0	27,720	0
FTEs	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.

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.

<u>FY 2013 Baseline Covenant Funding</u>	
	(\$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 2013 request for Guam increased \$1,583,000 over the baseline funding in the competitive process because it scored 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.

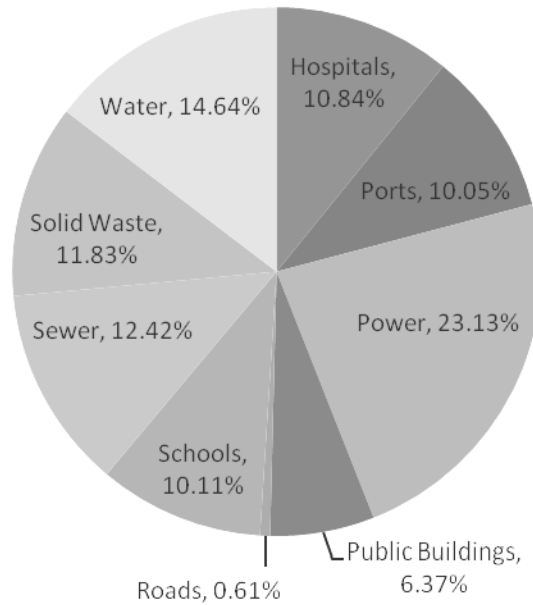
The chart below reflects the baseline distribution along with adjustments made to 2012 and 2013 requests based on each insular government's score on the competitive criteria.

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

Territory	Baseline Funding	FY 2012 +/- Baseline	FY 2013 +/- Baseline	Total FY 2012	Total FY 2013	Diff +/- 2012
CNMI	10,648	-1,125	-1,916	9,523	8,732	-791
American Samoa	10,047	+42	-83	10,089	9,964	-125
Guam	4,545	+1,541	+1,583	6,086	6,128	+42
Virgin Islands	<u>2,480</u>	<u>-458</u>	<u>+416</u>	<u>2,022</u>	<u>2,896</u>	<u>+874</u>
Total	27,720	0	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 2011 spending of CIP by category.

2011 Breakdown of CIP Expenditures



1.

Activity: CNMI/Covenant Grants						
Subactivity: CNMI Construction \$(000)						
	2011 Actual	2012 Enacted	2013			Change from 2012 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	10,000	9,523	0	-791	8,732	-791
FTEs	0	0	0	0	0	0

SUMMARY OF 2013 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
CNMI Construction	-791	0

JUSTIFICATION OF 2013 PROGRAM CHANGES

The 2013 budget request for CNMI Construction is \$8.732 million, a program decrease of \$791,000 with no additional FTE from the 2012 enacted 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 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>- \$1,916,000</u>
Programmed funding for 2013.....	\$8,732,000

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.

2013 PROGRAM PERFORMANCE

This past year saw substantial progress made on several CIP-funded infrastructure projects in the CNMI. Construction was completed on critical projects such as the Rehabilitation of the Sadog Tasi Wastewater Treatment Plant and the Marpi Public Cemetery. The CNMI Water Task Force completed the Puerto Rico Transmission and Distribution and the TP-1 Water Well and Waterline Connection projects which are intended to improve water delivery to the residents of Saipan. In addition, the Commonwealth Utilities Corporation completed several CIP-funded projects intended to comply with Stipulated Order II, as required by the U.S. EPA and the U.S. Justice Department, as well as the Rota Power Plant Generator Replacement project.

The requested \$8.732 million for 2013 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, and solid waste infrastructure. The proposed projects to be funded in 2013 are briefly explained below.

The delivery of 24 hour potable water to Saipan continues to be a priority and \$3,175,000 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 80% of the population now has access.

In addition to the delivery of potable water, the CNMI has put an emphasis on developing solid waste infrastructure in recent years. In 2013, \$1.1 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 \$3 million to continue drainage improvements in Saipan's largest village as well as to make visual enhancements intended to make it a more tourist friendly locale.

Finally, \$374,000 which would be used to address the routine maintenance needs of CNMI's infrastructure.

The following chart reflects the CNMI's funding priorities for 2011, 2012 and 2013:

Funding Category	2011	2012	2013
	Award	Proposed Award	Proposed Award
Economic Development	\$586,000		\$3,000,000
Solid Waste	\$3,874,375	\$3,640,750	\$2,183,000
Wastewater		\$1,350,000	
Maintenance	\$500,000		\$374,000
Water		\$4,532,250	\$3,175,000
Power	\$5,039,625		
Total	\$10,000,000	\$9,523,000	\$8,732,000

2.

Activity: CNMI/Covenant Grants						
Subactivity: American Samoa Construction \$(000)						
	2011 Actual	2012 Enacted	2013			Change from 2012 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	10,500	10,089	0	-125	9,964	-125
FTEs	0	0	0	0	0	0

SUMMARY OF 2013 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
American Samoa Construction	-125	0

JUSTIFICATION OF 2013 PROGRAM CHANGES

The 2013 budget request for American Samoa Construction is \$9.964 million, a program decrease of \$125,000 with no additional FTE from the 2012 enacted 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.....	-\$ 83,000
Proposed funding for 2013.....	\$ 9,964,000

The 2013 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.

2013 PROGRAM PERFORMANCE

Over the past year, several important Covenant CIP projects in American Samoa were substantially completed including the Obstetrics-Gynecology Ward at the LBJ Tropical Medical Center and the replacement of a water tank in Aunu'u. The Department of Education made steady progress on classroom buildings at the Lupelele, Matafao and Pavaiai Elementary Schools while the American Samoa Power Authority continued connecting homes to the main sewer system in Tualauta.

In addition, substantial progress was made in 2011 on the extension of the Tafuna Health Center and upgrading the electrical system at the LBJ Tropical Medical Center. While ongoing projects such as the gymnasium at Manu'a High School made steady progress, new projects such as classroom buildings at Leone High School and renovation of the West Substation have broken ground.

The requested \$9.964 million for 2013 will be used to continue meeting critical infrastructure needs in American Samoa similar to previous years. Approximately \$1.6 million of the 2013 request will be utilized to design and renovate the Intensive Care Unit at the LBJ Tropical Medical Center. The new facility will improve patient services and help the Medical Center meet life safety code requirements. An additional \$800,000 will help fund an ongoing project of the American Samoa Power Authority to replace antiquated asbestos and cement water distribution pipes.

The \$2 million requested for Roads will be utilized to make improvements to Mesepa and Tualauta Roads and to purchase needed Heavy Equipment for the Department of Public Works to provide proper maintenance for those roads.

Approximately \$1 million of the 2013 request will help fund the construction of a building at the overcrowded 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 2013 request includes a total of \$2.9 million 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. An additional \$1.6 million will be used to build two classroom buildings at the Tafuna High School to alleviate overcrowding. The remaining \$800,000 will fund a new classroom building at Aua Elementary School.

The following chart reflects the ASG's funding priorities for 2011, 2012 and 2013:

Funding Category	2011	2012	2013
	Award	Award	Proposed Award
Health	\$1,900,000	\$4,639,900	\$1,600,000
Education	\$2,920,000	\$900,000	\$2,900,000
Water	\$1,000,000	-	\$800,000
Wastewater	\$1,355,000	\$244,650	\$845,297
Port	\$1,945,000	\$2,300,000	\$300,000
Public Safety	\$380,000	\$1,500,000	\$1,000,000
Roads	\$380,000	-	\$1,660,000
Parks	\$95,000	-	\$360,503
O&M Set-Aside	\$525,000	\$504,450	\$498,200
Total	\$10,500,000	\$10,089,000	\$9,964,000

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.

Activity: CNMI/Covenant Grants						
Subactivity: Guam Construction \$(000)						
	2011 Actual	2012 Enacted	2013			Change from 2012 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	5,026	6,086	0	+42	6,128	+42
FTEs	0	0	0	0	0	0

SUMMARY OF 2013 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Guam Construction	+42	0

JUSTIFICATION OF 2013 PROGRAM CHANGES

The 2013 budget request for Guam Construction is \$6.128 million, a program increase of \$42,000 with no additional FTE from the 2012 enacted level. The request 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 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 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.

Guam Baseline Funding.....	\$4,545,000
Results from competitive process.....	<u>+ \$1,583,000</u>
Proposed funding for 2013.....	\$6,128,000

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.

2013 PROGRAM PERFORMANCE

CIP-funded infrastructure projects on Guam made substantial progress this past year. The Gregorio D. Perez Marina Renovation project began with a groundbreaking ceremony in May 2011. The preliminary design for a Pilot Wind Turbine was completed by the Guam Power Authority. In addition, the Southern Regional Health Center Renovation and Expansion project continues to progress with the completion of the second floor renovations this year. Finally, the Guam Community College completed its Construction Trade Facility Upgrades project which provided the facilities, equipment and tools necessary to ensure a state-of-the-art learning environment for students.

In 2013, Guam proposes to use its allocation of CIP funding to address infrastructure maintenance needs, construct a new Capitol Building, and prepare a master plan for a new Capitol Plaza. The projects to be funded are briefly explained below.

Guam has proposed to set aside \$545,000 of its 2013 CIP funding in order to address infrastructure maintenance needs. Projects to be funded include building and generator repairs at the Department of Public Works, generator replacement and roof repairs at the Government House, and generator replacement and structural repairs at the Ricardo J. Bordallo Governor's Complex.

The remainder of Guam's 2013 CIP funding would be used to begin the planning and construction of a new Capitol Building and Capitol Plaza in Hagatna which would serve as a central location for many Government of Guam departments and offices. Development of a Capitol Plaza master plan and the Capitol Building design would receive \$600,000 while \$4,983,000 would be used to begin construction of the 18,150 square foot Capitol Building. The total anticipated total cost of the Capitol Building is \$6 million and construction is expected to take 3 years. The new Capitol Building and Capitol Plaza will not only provide more adequate facilities for Government of Guam personnel, they will also complement Guam's long-range revitalization and renovations plans for its capital city of Hagatna.

The chart below reflects Guam's funding priorities for 2011, 2012 and 2013:

Funding Category	2011	2012	2013
	Award	Proposed Award	Proposed Award
Health	\$3,000,000		
Education		\$2,652,000	
Port	\$440,000	\$2,500,000	
Public Buildings	\$1,586,000		\$5,583,000
Water		\$934,000	
Maintenance			\$545,000
Total	\$5,026,000	\$6,086,000	\$6,128,000

Activity: CNMI/Covenant Grants						
Subactivity: U.S. Virgin Islands Construction \$(000)						
	2011 Actual	2012 Enacted	2013			Change from 2012 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	2,194	2,022	0	+874	2,896	+874
FTEs	0	0	0	0	0	0

SUMMARY OF 2013 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
U.S. Virgin Islands Construction	+874	0

JUSTIFICATION OF 2013 PROGRAM CHANGES

The 2013 budget request for U.S. Virgin Islands Construction is \$2.896 million, a program increase of \$874,000 with no additional FTE from the 2012 enacted 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.....	<u>+\$ 416,000</u>
Proposed funding for 2013.....	\$2,896,000

The 2013 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, previously 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.

2013 PROGRAM PERFORMANCE

The 2010 and 2011 CIP grants are dedicated to address 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.

The U.S. Virgin Islands plans to use the 2012 CIP grant to enhance 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.

In 2013, the U.S. Virgin Islands proposes to use \$1.48 million in CIP funds to continue the work of enhancing the historic district of Downtown Charlotte Amalie. In addition, \$536,000 is dedicated to the restoration of Fort Christian to improve the appearance, functionality and stability of the seminal historic structure. The project intends to restore the fort to its historic 1790 period layout along the west, south, and east curtains and the historic 1874 period along the north curtain. The renovation work will allow for the reopening of the facility which is a major tourist attraction in Charlotte Amalie.

The U.S. Virgin Islands Water and Power Authority would receive \$480,000 in 2013 to assist in the creation of a territory-wide Distribution Automation (DA) or “Smart Grid” system. The funding would be used to upgrade the currently installed pad-mounted and pole-mounted switches to more intelligent DA switches that will aid in improving system operation and reliability. DA is a proven technology that allows for the creation of a “Smart Grid” network that can perform effortlessly to isolate faulted lines and reroute power, thereby quickly restoring power to customers. This will eliminate the need to mobilize crews during emergency situations because the system can be accessed remotely. Overall, the Distribution Automation system will improve operational efficiencies and increase the performance to customers in a cost effective manner.

The Bureau of Correction’s Golden Grove Adult Correctional Facility would receive \$400,000 in CIP funds to install a Control Center equipped with all modern security, communication and life safety systems necessary for the controlling, housing and securing of inmates. The Control Center will be the central command post that will facilitate management, activation and monitoring all systems such as video, radio, fire alarm, emergency alarms, locking mechanisms, key control, restraining devices and vehicle distribution. The project will significantly improve the levels of security and control of the ever increasing number of inmates and detainees that require higher levels of safety and security.

The following chart summarizes the U.S. Virgin Islands’ funding priorities for 2011, 2012 and 2013:

Funding Category	2011	2012	2013
	Award	Award	Proposed Award
Solid Waste	\$2,194,000		
Economic Development		\$2,022,000	\$2,016,000
Power			\$480,000
Public Safety			\$400,000
Total	\$2,194,000	\$2,022,000	\$2,896,000

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C. Territorial Assistance

Activity: Territorial Assistance \$(000)						
SUMMARY TABLE						
	2011 Actual	2012 Enacted	2013			Change From 2012 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
Office of Insular Affairs	9,262	9,465	+142	-345	9,262	-203
General Technical Assistance	15,271	18,774*	0	-6,274	12,500	-6,274
Maintenance Assistance	2,443	2,237	0	-1,496	741	-1,496
Brown Tree Snake Control	2,994	2,995	0	+5	3,000	+5
Coral Reef Initiative	998	998	0	+2	1,000	+2
Water and Wastewater	791	790	0	-790	0	-790
Empowering Insular Communities	1,996	2,205	0	+766	2,971	+766
Compact Impact Disc.	0	0	0	+5,000	5,000	+5,000
Total	33,755	37,464	+142	-3,132	34,474	-2,990
FTEs	41	41	0	0	41	0

*Includes \$4.992 million for Compact Impact

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 \$560 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.

Activity: Territorial Assistance						
Subactivity: Office of Insular Affairs (OIA) \$(000)						
	2011 Actual	2012 Enacted	2013			Change from 2012 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	9,262	9,465	+142	-345	9,262	-203
FTEs	41	41	0	0	41	0

SUMMARY OF 2013 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Office of Insular Affairs	-345	0

JUSTIFICATION OF 2013 PROGRAM CHANGES

The 2013 budget request for the Office of Insular Affairs (OIA) is \$9.3 million and 41 FTE, a net decrease of \$203,000 and 0 FTE from the 2012 enacted level. The 2013 budget request for the Office of Insular Affairs includes \$142,000 for fixed costs and related changes as well as a general program decrease of \$345,000. The proposed reduction to the Office of Insular Affairs subactivity in 2013 will prevent the opening of a Guam field office and necessitate additional reductions to the Office's operating expenses. Both OIG and GAO reports have stressed that the Office of Insular Affairs needs additional resources to provide adequate oversight for the Office's financial assistance resources.

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 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 and Maintenance Assistance programs as well as payments to the U.S. Virgin Islands (rum excise taxes) and Guam (Section 30 income taxes).

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, Compact Impact grants, and infrastructure-related Territorial Assistance. The division monitors accountability issues and tracks insular area audit resolutions, including Single Audits. 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.

Providing effective and meaningful financial assistance 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 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.

2013 PROGRAM PERFORMANCE

In 2013, 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 \$560 million per year, OIA requires sufficient personnel resources to provide oversight of grants, including Compact and mandatory Covenant funding. At the 2013 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.

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
2013 Working Capital Fund Direct Bill
(Dollars in thousands)**

Activity/Program	2011 Actual	2012 Enacted	2013 Request
Ocean Coastal Great Lakes Activities	25.2	25.2	25.5
Single Audit Clearinghouse	2.6	1.0	1.0
Federal Assistance Award Data System	0.1	0.1	
e-OPF	0.0	0.0	0.0
DOI University	0.0	2.5	2.5
CFO Audit	0.0	0.0	0.0
Administrative Operations Directorate			0.6
NBC Information Technology Directorate	170.5	164.4	143.6
NBC Administrative Operations Directorate	0.6	0.6	
NBC Financial Management Directorate	154.9	156.7	137.9
Total	354.1	350.7	310.9

**Office of Insular Affairs
2013 Working Capital Fund Centralized Bill
(Dollars in thousands)**

Activity/Program	2011 Actual	2012 Enacted	2013 Request
Departmental Communications Office	0.5	0.5	0.5
Departmental Museum	1.0	0.8	0.8
Office of Policy Analysis	29.4	28.1	27.2
Office of Financial Management	11.6	7.7	9.1
Office of Property and Acquisition Management	0.2	0.2	0.9
Office of Human Resources	1.1	1.4	1.5
Office of Civil Rights			
DOI University	0.9	1.0	0.9
Office of Law Enforcement and Security	82.1	136.0	136.0
Office of Emergency Management	1.5	2.2	2.8
Office of the Chief Information Officer	344.8	143.9	147.3
Administrative Operations Directorate			95.9
CFO Financial Statement Audit	64.9	65.0	65.4
e-Government Initiatives	2.6	1.8	2.5
Office of the Solicitor	0.0	0.4	0.3
Total	540.6	388.9	491.0

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

(Total Employment)

	2011 Actual	2012 Estimate	2013 Estimate
SES	1	1	1
SL-0*	1	1	1
GS-15	6	6	6
GS-14	8	8	8
GS-13	12	13	12
GS-12	6	5	5
GS-11	3	4	4
GS-10	0	0	0
GS-9	1	1	1
GS-8	0	0	0
GS-7	0	1	2
GS-6	0	1	0
GS-5	2	0	1
GS-4	1	0	0
GS-3	0	0	0
GS-2	0	0	0
Total Employment (actual/projected) at the end of the Fiscal Year	41	41	41

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

2.

Activity: Territorial Assistance						
Subactivity: General Technical Assistance \$(000)						
	2011 Actual	2012 Enacted	2013			Change from 2012 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
General TAP	15,271	18,774	0	-6,274	12,500	-6,274
<i>Compact Impact Disc.</i>		[4,992]				
TOTAL	15,271	18,774	0	-6,274	12,500	-6,274
FTEs	1	1	0	0	1	0

SUMMARY OF 2013 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
General Technical Assistance	-6,274	0

JUSTIFICATION OF 2013 PROGRAM CHANGES

The 2013 budget request for General Technical Assistance is \$12.5 million, a decrease of \$6.274 million from the 2012 enacted level. Of this reduction, \$1.274 million will decrease the amount available for direct grant awards to the insular areas. The remaining \$5.0 million of the decrease represents discretionary Compact Impact funding being removed from the General Technical Assistance line to become an independent subactivity.

PROGRAM OVERVIEW

The Office of Insular Affairs' (OIA) Technical Assistance Program (TAP) was authorized in Section 601 of Public Law 96-597 on December 24, 1980. The law as amended reads:

"The Secretary of the Interior is authorized to extend to the governments of American Samoa, Guam, the Northern Mariana Islands, the Virgin Islands, and the Trust Territory of the Pacific Islands, and their agencies and instrumentalities, with or without reimbursement, technical assistance on subjects within the responsibility of the respective territorial governments. Such assistance may be provided by the Secretary of the Interior through members of his staff, reimbursements to other departments or agencies of the Federal Government under sections

1535 and 1536 of Title 31, grants to or cooperative agreements with such governments, agreements with Federal agencies or agencies of State or local governments, or the employment of private individuals, partnerships, or corporations. Technical assistance may include research, planning assistance, studies, and demonstration projects."

The purpose of the technical assistance program is to fund priority projects for which there are little to no funds available from other Federal agencies. The program provides the flexibility needed to respond to urgent, immediate needs in the insular areas. This flexibility is not available in any other Federal budget due to the nature of the appropriations process.

A major change that has occurred since the initial authorization of the technical assistance program is that the Administration has recognized that some programs are necessary on an ongoing basis for the insular areas; including, but not limited to: ongoing financial management, management and audit training for all insular areas. The ongoing programs were incorporated into the technical assistance program because there was no other source of funds in the Federal budget for these projects. For example, Close-Up Foundation grants, Junior Statesman grants, Pacific Basin Development Center grants, RMI 4 Atoll Healthcare Program, Prior Service Benefits program and Judicial Training are all funded through technical assistance each year. Further, the 2005 House of Representatives Report #108-542 directed that OIA continue the CNMI immigration initiative and the labor ombudsman office out of technical assistance funds.

The General Technical Assistance program provides support not otherwise available to the insular areas to meet immediate needs and 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.

OIA staff and outside experts 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.

2013 PROGRAM PERFORMANCE

In 2012 and 2013, it is anticipated that approximately \$6 million of the TAP funds will be utilized for grants provided directly to each insular area. In fiscal year 2011, the four U.S. territories and the three freely associated states submitted technical assistance requests totaling \$66 million. OIA technical assistance funds were not sufficient to meet these requests, approximately \$20 million was awarded based upon availability of funding. Please see the table on the following page.

**Technical Assistance
Grant Awards 2011/Estimate for 2012 & 2013**

Recipient	2011 Awards	2012 Estimate	2013 Estimate
Direct Grants to Insular Areas			
American Samoa	\$1,565,980	TBD	TBD
Northern Mariana Islands (CNMI)	\$1,820,603	TBD	TBD
Guam	\$2,411,891	TBD	TBD
U.S. Virgin Islands	\$2,646,135	TBD	TBD
Federated States of Micronesia (FSM)	\$357,169	TBD	TBD
Republic of the Marshall Islands (RMI)	\$915,112	TBD	TBD
Republic of Palau	\$668,910	TBD	TBD
Total, Direct Grants to Insular Areas	\$10,385,800	\$6,307,297	\$6,029,000
Other TAP (Provides Benefits to Multiple Insular Areas)	2011 Awards	2012 Estimate	2013 Estimate
Grad. School PITI VITI www.pitiviti.org	\$1,700,000	\$1,700,000	\$1,800,000
Micronesian Center for Sustainable Future UoG	\$451,218	TBD	TBD
U.S. Bureau of Commerce, BEA (for GDP data)	\$500,000	\$750,000	\$600,000
Close Up Foundation	\$1,050,000	\$1,050,000	\$1,100,000
U.S. Department of Energy (NREL)	\$750,000	TBD	TBD
Junior Statesman	\$306,000	\$356,500	\$360,000
Pacific Basin Development Council	\$199,153	TBD	TBD
4 Atoll Health Care Program (RMI)	\$986,926	\$990,203	\$991,000
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)	\$1,569,400	\$1,000,000	TBD
COMPACT IMPACT	\$0	\$5,000,000	See New Line Item
Total, Multiple Jurisdiction Programs	\$9,132,697	\$12,466,703	\$6,471,000
Total, Technical Assistance Appropriation	\$15,271,000	\$18,774,000	\$12,500,000
Funding Available from Close Out of Completed TAP Grants and MCI Funds	\$4,247,497		
Total, Technical Assistance Projects Awarded	\$19,518,497	\$18,774,000	\$12,500,000

In November 2010, OIA changed the manner in which General Technical Assistance grant requests were received in order to comply with revised 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.

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, cultural preservation, health, immigration, labor, and law enforcement.

Direct Grants to Insular Areas

In 2011, \$10.9 million in Technical Assistance funds were provided as direct grants to the seven insular areas. Examples of awarded grants include:

- \$1,125,000 for the U.S. Virgin Islands – Funds to address deficiencies in collections, audit and computer services as noted by the Internal Revenue Service and Office of Inspector General. Includes automation of federal tax information transmitted to IRS to eliminate possible fraud, program for detection of non-filers and under-reporters to reduce tax gap, and procurement of officials with IRS experience to develop standards for revenue agents and to teach revenue agents.
- \$600,000 for American Samoa Air Transport Market Study - Funding to quantify and document the market demand for expanded air cargo and passenger transportation services at the territory's Pago Pago International Airport.
- \$400,000 for American Samoa LBJ for Practitioner training - Funds will be used to train LBJ practitioners, by 4 board certified physicians, in order to improve healthcare services.
- \$105,260 for Commonwealth of the Northern Mariana Islands Public Auditor training - Funds will allow the OPA to secure additional and relevant training and equipment for existing and future audit/investigative staff that will enable them to continue to produce professional and timely audit and investigative products.
- \$220,000 for the Commonwealth of the Northern Mariana Islands Department of Public Health – Funding to enhance the Financial Management of the Department of Public Health by purchasing an archiving/digitizing system.
- \$194,000 for University of Guam's Regional Workforce project – The grant will be used to fund a number of projects to develop site-based opportunities for education, training, energy, sustainability and economic development in the FAS all of which are intended to develop regional capacity.
- \$500,000 for procurement of ambulances in Guam (Guam had only one working ambulance) - Funding will be used for purchase of three new Ambulances and repair of existing ones.

- \$525,000 for Palau's Revision of Labor Code project - These funds will be used by the Office of the President's Labor Task Force to develop the Palau National Labor Code, formulate occupational standards, develop comprehensive economic and labor policies, and create implementation frameworks all of which is intended to facilitate economic progress.
- \$197,612 for Kili, Marshall Islands freshwater project - To purchase and install two reverse osmosis units for Kili and Ejit islands.
- \$138,450 for establishment of Criminal Investigations Division in FSM - Funding to hire a full-time experienced investigator, purchase an electronic case management system, create a Hotline telephone number for use by concerned private citizens, build a segregated area for the CID office, purchase two laptop computers, and acquire office furniture.

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 \$600,000 per year.

To calculate U.S. GDP, the BEA collects all the data it needs from other Federal agencies such as the Census Bureau, the Bureau of Labor Statistics (a DOL agency), 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 and not as readily available, it takes more work, time and resources to put them together in the format consistent with the BEA's framework for U.S. GDP.

The first set of GDP estimates for the four territories was released on May 5, 2010, which covered the period of 2002-2007. Estimates for 2008 and 2009 were released in the spring and summer of 2011 and estimates for 2010 will be released in the spring and summer of 2012. With the 2009 estimates released in 2011, the territories are now on the same schedule as the 50 states and the District of Columbia (DC). Additional details are available at the BEA web site which can be reached through the link below:

http://www.bea.gov/national/gdp_territory.htm

Moving forward, the agreement between OIA and BEA will extend and improve the estimates of GDP. 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.

In 2012, additional funds will be provided to begin expanding the Territorial GDP Accounts to include additional information that would be useful for gauging the economic performance of the island economies. BEA has identified a number of new statistics that would provide valuable insight into the dynamics of the territorial economies. These new statistics would be of great value to both the territorial governments and to the OIA. Examples of new statistics for which additional funding will be provided in 2012 include:

- **GDP by Industry Statistics**—These new statistics would provide an industry-by-industry break-out of economic activity and would show the share of each industry, or sector, in the economy and how much that industry, or sector, contributed to overall real GDP growth or decline. The new measures would also show how much each industry contributed to the overall inflation rate for the economy.
- **Compensation of Employees by Industry**—These new statistics would provide estimates of wages and salaries, as well as estimates of supplements to wages and salaries (employer contributions to social security, employer contributions to health insurance, employer contributions to unemployment insurance, etc.) for each industry, or sector, in the economy. These new measures would be particularly useful for tracking wage and salary trends for key industries, or sectors, within the territorial economies.
- **Detailed Consumer Spending**—These new statistics would provide additional information on the components of “Personal Consumption Expenditures” and would be available on both a nominal and a real basis. The new measures would show how household spending patterns have changed over time and how the composition of products, or commodities, purchased by households has changed.

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 2011, the Technical Assistance program funded \$986,926 for medical professionals and needed medical supplies for the population of the 4 Republic of the Marshall Islands Atolls of Kili/Bikini – 1,198 people; Enewetak/Ujelang - 612 people; Rongelap/Mejatto – 551 people; Utrik- 425 people and Ejit – 245 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.
- The goals of the program include:
 - Improve access to quality and specialty care services;
 - Reduce inter-island referrals for secondary care;
 - Improve overall health of the communities served;
 - Utilize the full potential of our doctors for better delivery of service; and
 - Conduct drinking water quality test for presence of pathogens.

- Through these goals they were able to replace one primary care physician; begin visual impairment screening by primary care physicians; increase access to specialty clinics for diabetes, hypertension, well baby, and reproductive health; and improve maternal and child care programs.

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 2011 to support the Prior Service Trust Fund Administration (PSTFA). In fiscal year 2011, there were 351 beneficiaries in the Commonwealth of the Northern Mariana Islands, 711 in the Federated States of Micronesia, 234 in the Republic of the Marshall Islands, and 307 in the Republic of Palau.

In the last days of the Second World 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 2011, \$419,400 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 funding awarded by OIA provides food, housing and medical assistance to 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 2011, \$150,000 in total was requested and 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.

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 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 provided a grant of \$1 million from its existing General Technical Assistance funding. 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 \$1.05 million in funds in 2011 and conducted 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 multi-day island-based student civic education programs and travel and participate on Close Up Washington civic education programs.

The principal components of the Close-Up Insular Areas Program in 2011 were:

- High school student participation in a week-long Close Up Washington High School civic education program;
- Participation by high school students and teachers from the Pacific Islands on additional study visits to Williamsburg, Virginia; Philadelphia, PA and New York, NY;
- Middle school student participation in a Close Up Washington Middle School civic education program which included a Philadelphia study visit component;
- Teacher participation in a parallel Close Up Washington Program for Educators;
- Student and teacher participation in three-day Close Up Youth Summit civic education programs held in October 2011 in American Samoa, Commonwealth of the Northern Mariana Islands, Guam, and in December 2011 in the U.S. Virgin Islands;
- Financial and technical support of locally organized "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 June 2011. In all, 265 students and teachers from the Insular Areas travelled to Washington D.C. and other cities to participate in Close Up

programs. High School Groups from the Pacific Islands participated in June 8-23 Washington program with additional visits to Williamsburg, Philadelphia and New York. High School and Middle Groups from the U.S. Virgin Islands participated on Close Up Washington Programs during June 2011 as did a Middle School group from Guam.

Insular areas students and teachers participate on Close Up Washington 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.

In 2011 Close Up expanded its local based three-day Youth Summit civic education programs to four jurisdictions. Programs were held in American Samoa, Commonwealth of the Northern Mariana Islands and Guam in October 2011 and the U.S. Virgin Islands in December 2011. The Youth Summit programs allow students to examine public policy issues and community concerns and develop a consensus based "Agenda for Policy Action" which is presented to local officials.

Close Up also financially or administratively supported local programming in the Federated States of Micronesia and Palau. The Federated States of Micronesia Department of Education coordinated a January 2011 program that brought 35 students from all students to the Capital and included a meeting with President Mori. In Palau 250 students and 9 teachers participated in December 2010 and April 2011 program at the Capitol Building.

Close Up civic education programs provide young people with an understanding of the United States Government and the role that each individual plays in our democratic system. They return home inspired and possessing skills and confidence to become 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 \$306,000 in 2011 for Junior Statesmen Foundation (JSF) scholarships for twenty-eight high school students from the insular areas to attend the 2011 Junior Statesmen Summer Schools. That was the 21th 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. All seven insular areas will participate in the 2011 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' staffs play an integral role in PBDC. Formal policy and project decisions are determined by the PBDC Board of Directors. Pacific Island culture 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 2011, PBDC was granted \$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 2011 (a detailed report is available upon request).

Technical Assistance Energy Assessment

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 (see Subactivity: Empowering Insular Communities).

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 include 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 include 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.

Fiscal year 2011 accomplishments:

- Islands met with senior staff at NREL facilitated by Assistant Secretary Babauta, Office of Insular Affairs
- Executive Orders and Charters developed, signed, executed
- Energy Task Force established
- Mission and Vision induction
- NREL on-island site assessment and follow-up visits
- Various stakeholder interviews and meetings
- Energy Task Force Subcommittees established
- Monthly Energy Task Force meetings
- Initial Technical Assessment Reports published
- Energy plans outlined; first drafts developed
- Project tracking spreadsheets developed
- Progress reporting tools completed
- Energy wedge analysis; demonstrating two scenarios for fossil fuel reduction

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

The mission of the U.S. Department of the Interior's Office of Insular Affairs (DOI/OIA) is to assist the U.S.-affiliated islands in "developing more efficient and effective government by providing financial and technical assistance, and help manage Federal islands relations by promoting appropriate Federal policies". As part of DOI/OIA's Technical Assistance program, the International Institute of the Graduate School USA (GS/USA) provides training and related services through the Island Training Program (ITP) to assist the insular governments to improve the financial management and program performance of the Pacific and Virgin Islands insular governments.

The Virgin Islands Training Initiative (VITI) and the Pacific Islands Training Initiative (PITI) programs were established in 1991 with the GS/USA to assist DOI/OIA in fulfilling their mission by providing training and consultative services to the U.S. Virgin Islands, American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau to assist the insular governments in improving their financial management and program performance. The programs are designed and delivered in a manner that complements and supports insular efforts to implement and maintain sound financial management and program performance practices.

Strategic Planning and Implementation

As part of its yearly planning process the GS/USA Program Managers responsible for managing PITI-VITI review accomplishments, develop training plans for the next year, and budget for the planned activities. Periodically PITI-VITI management also revises its strategic plans to focus its efforts and resources on the most critical issues facing the insular governments and DOI/OIA.

In November 2011, PITI-VITI Program Managers, key DOI/OIA Technical Assistance managers and several key PITI-VITI instructors and consultants conducted a thorough review of the PITI-VITI program, its vision and mission statement, and its strategic goals. To guide them, the review team utilized the Department of Interior's "*Strategic Plan for Fiscal years 2011-2016*" and DOI/OIA's "*Budget Justification and Performance Information for Fiscal Year 2012.*" Using these documents as the drivers for PITI-VITI activities, the team then reviewed and revised the PITI-VITI's program's vision statement, mission statement, and strategic goals to better align them with DOI/OIA's goals and measures.

PITI-VITI's vision is to "provide the services that enable insular governments to use resources efficiently and effectively to promote economic growth, achieve fiscal stability, and fulfill citizens' needs."

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. PITI-VITI works to build trust in insular governments by fostering responsible leadership and financial stewardship of the highest standard."

Based on these vision and mission statements, PITI-VITI works to achieve the following five strategic goals:

1. Improve leadership and management capacity to effectively perform;
2. Improve financial management systems and practices;
3. Increase effectiveness and program results;
4. Institutionalize regional professional organizations and communities of practice;

5. Improve the capacity and capabilities of the public sector work force in critical positions and functions.

For each of these strategic goals PITI-VITI has developed sets of activities and performance measures. These activities, when completed, will lead to the accomplishment of the strategic goals. The performance measures are the means by which PITI-VITI can assess progress towards the goals and through which PITI-VITI can be held accountable by its stakeholders.

II. MAJOR REGIONAL PROGRAM INITIATIVES

A. Audit Improvement Project

- *Strategic Goal 1: Improve Leadership and Management Capacity to Perform Effectively*
- *Strategic Goal 2: Improve Financial Management Systems and Practices*

Audit resolution has become a cornerstone of the financial management improvement efforts launched more than a decade ago by DOI-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. Between 2003 and 2009, audit qualifications within the insular areas dropped from 159 to 19, with an even lower number of audit qualifications expected with the 2010 single audits. Since 2007, ten of the eleven insular governments have submitted their audited financial statements on time while six governments – the Republic of Palau, Pohnpei State, Kosrae State, Yap State, Guam, and the Republic of the Marshall Islands have received unqualified audit opinions. Although it has yet to be released, the Commonwealth of the Northern Mariana Islands (CNMI) is expected to receive an unqualified opinion for their 2010 Single Audit.

B. Executive Leadership Development Program

- *Strategic Goal 1: Improve leadership and management capacity to effectively perform*
- *Strategic Goal 5: Improve the capacity and capabilities of the public sector work force in critical positions and functions*

All of the insular governments have a difficult time attracting and retaining qualified individuals to work in core functions of island governments. Many young, educated and promising employees are trained by local governments and are then offered higher paying jobs by component units or within the private sector. The Executive Leadership Development Program (ELDP) was designed to assist the insular governments with developing and retaining qualified and 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, and project management. Twenty-One (21) participants from throughout the insular areas completed the first year of the program in September 2009. An additional twenty-five (25) participants completed the second year of the program in May 2011. The selection process for the third ELDP cohort will be completed by mid-May, 2012, with the first session beginning in July, 2012.

C. Island Government Finance Officers Association (IGFOA)

- *Strategic Goal 3: Increase effectiveness and program results*
- *Strategic Goal 4: Institutionalize regional professional organizations and communities of practice*

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 key financial managers within each government. 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 2011. The first 2011 IGFOA conference was held during the week of May 22 - 27 in San Antonio, Texas in conjunction with the 2011 Government Finance Officers' Association (GFOA) annual conference. The theme for both conferences was "Navigating the New Normal in Government Finance." One component of the 'New Normal' is GASB-54 (Fund Balance and Governmental Fund Type Reporting) and its application in government finance. Another component of the "New Normal" is to ensure that the operations of the government are efficiently utilizing scarce resources. This IGFOA meeting focused on implementing GASB-54 and performance measures in the finance office operations.

The second IGFOA conference was held December 6 - 8, 2011 in Wailea, Maui. The Maui IGFOA Conference concentrated on the implementation of GASB 54 (Fund Balance Reporting); best practices in finance office performance improvement and single audit; fraud prevention, risk/vulnerability assessment, and internal controls; and the development of government specific plans to implement GASB 54, enhance performance measures and process improvement, and initiate fraud prevention/risk assessment/internal control practices.

D. Association of Pacific Islands Public Auditors (APIPA)

- ***Strategic Goal 3: Increase effectiveness and program results***
- ***Strategic Goal 4: Institutionalize regional professional organizations and communities of practice***

The Association of Pacific Islands Public Auditors (APIPA) is an association made up of public auditors from each of the insular areas. APIPA holds annual conferences to discuss issues related to the field of auditing and to provide practitioners an opportunity to attain continuing professional education training opportunities 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.

PITI-VITI provided five (5) Graduate School USA auditing and financial management specialists who combined to deliver sixteen (16) courses for the 299 participants that attended the 22nd annual APIPA conference held on Majuro, Republic of the Marshall Islands, during the week of July 4 – 8, 2011. A total of 1,433 course certificates were awarded to conference participants. In addition, PITI-VITI also provided forty (40) hours of customized CPE training to each of the public audit offices in the U.S.-affiliated Pacific region and the U.S. Virgin Islands during 2011.

E. Development of Insular Government *Performeters* and *AFTER* Analysis

- *Strategic Goal 1: To improve leadership and management capacity to effectively perform.*
- *Strategic Goal 3: Increase effectiveness and program results*

The *Perfometer* 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 nine years of *Perfometer* data with which to measure financial trends—both positive and negative. New *Performeters* were developed for all eleven (11) entities in 2011 based on information in each government's 2010 audited financial statements (the USVI is one year behind in their single audit requirements so their most recent *Perfometer* was for FY 2009). Many of the insular governments use the *Perfometer* results to explain their financial status to their Legislatures and Governors, ultimately leading to better-informed fiscal decisions. The accompanying *AFTER* analysis included at the end of each *Perfometer* details the government's efforts to develop timely and accurate financial statements.

F. Training and Technical Assistance Support

- *Strategic Goal 1: Improve Leadership and Management Capacity to Perform Effectively*
- *Strategic Goal 2: Improve Financial Management Systems and Practices*
- *Strategic Goal 3: Increase effectiveness and program results*
- *Strategic Goal 5: Improve the capacity and capabilities of the public sector work force in critical positions and functions.*

Forty-four (44) classroom training courses were delivered in 2011 for 2,055 course participants. These totals include twenty-eight classroom courses that were delivered on site for 622 participants and sixteen courses that were delivered during the 2011 APIPA conference on Majuro for 1,433 course participants. Classroom training courses were delivered in Procurement and Contract Management, Human Resource Management, Supervision and Management, Governmental Accounting, Auditing, Ethics, Leadership, Fraud, Grants Management, Indirect Costs, Management and Internal Controls, and Strategic Planning. In addition, twenty-eight (28) consult-training activities were provided that 525 insular government employees took part in support of various government-specific initiatives.

G. FSM and RMI Compact Support

- *Strategic Goal 1: Improve leadership and management capacity to effectively perform*
- *Strategic Goal 3: Increase effectiveness and program results*

PITI-VITI provides technical support to both the FSM and RMI on issues relating to Compact implementation. PITI-VITI assisted both countries with preparation for technical meetings, as well as preparation for annual JEMCO & JEMFAC meetings. A long-term senior advisor was fielded in the FSM through the majority of 2011 to provide on-site technical support to the FSM towards the goal of improving Compact implementation.

For the FSM, Compact-specific activities have included:

- Fiscal Reforms in Chuuk & Kosrae, including a recent Kosrae Leadership Conference in April, 2011;
- Mediation of Compact Infrastructure issues, including facilitation of a bilateral meeting between the FSM and US in June, 2011;

- Development and maintenance of a Compact Tracking Tool, which tracks Compact expenditures by distribution formula across FSM states;
- Review of the role and effectiveness of the Chuuk Financial Control Commission (CFCC);
- Support to the project-based proposal processes for environment, private sector and capacity building grant sectors, including template development and on-site, state-specific support in advance of US budget consultations;
- Creation of a new Compact sector for “Enhanced Reporting and Accountability,” which funds some core reporting functions of government;
- Initial work towards establishing eminent domain as a process through which Compact funding can be used for land purchased in Chuuk.

For the RMI, Compact specific activities have included:

- Support towards a Development Partner Meeting, through which the RMI government presented their reform commitments to the international donor partner community, including the United States;
- Review of the Ministry of Foreign Affairs’ Cost of Living Allowance (COLA) policy as part of internal reform initiatives;
- Technical and budgetary support to the RMI in advance of JEMFAC meetings.

H. Statistical and Economic Reporting for the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau

- *Strategic Goal 1: Improve leadership and management capacity to effectively perform*
- *Strategic Goal 3: Increase effectiveness and program results*

The Graduate School has assisted the FSM and RMI with the maintenance of annual government finance statistics, the development and analysis of key economic indicators (growth, income, employment, outmigration, external debt), and an analysis of fiscal policy. These updates are captured in annual reports that help fulfill Compact mandates and help JEMCO and JEMFAC direct Compact implementation. High-level briefings are arranged for US, FSM and RMI JEMCO and JEMFAC members to provide background analysis prior to annual meetings. Initial work has begun to expand this activity to include Palau in 2012, and to position a long-term regional advisor in Palau to provide regular support to the three governments for eight months of the calendar year.

I. Financial Management Improvement Program (FMIP)

- *Strategic Goal 1: Improve leadership and management capacity to effectively perform*
- *Strategic Goal 2: Improve financial management systems and practices*

Since 1998, PITI-VITI has worked with the insular governments to develop Financial Management Improvement Plans (FMIPs). The planning process has used the same basic formats, and a methodology that focuses on: 1) improving business processes, practices, and procedures; 2) improving innovation and utilization of information technology; and 3) developing and enhancing human resource development. In developing the FMIP plans, interdisciplinary teams are established. These teams include both a core team of government technical experts and PITI-VITI consultants who are responsible for the intensive field work required of the plan for improving innovation and utilization of information technology and a strategic planning team of senior government officials who provides leadership and direction to the core team.

J. Finance and Audit Office Assessments

- *Strategic Goal 1: Improve leadership and management capacity to effectively perform*
- *Strategic Goal 2: Improve financial management systems and practices*
- *Strategic Goal 3: Increase effectiveness and program results*

PITI-VITI has developed diagnostic tools to measure each insular government's audit and finance offices against a standard, broad set of criteria. PITI-VITI did not conduct any Finance or Audit Office Assessments during 2011.

Other Projects Managed by the Graduate School USA during 2011**Third Party Fiduciary Agent for the Government of Guam's Department of Education**

- *Strategic Goal 1: Improve leadership and management capacity to effectively perform*
- *Strategic Goal 2: Improve financial management systems and practices*

The Graduate School USA provided technical assistance to Guam's Department of Education (GDOE) to assist with the development of a contract with the selected provider of third party fiduciary agent services, pursuant to the imposition of special conditions on the receipt of federal funds by the US Department of Education. This work was the natural follow up to assistance provided in the evaluation of responses to GDOE's request for proposals from firms qualified to provide these services. Services provided included assisting GDOE with negotiating a statement of the contractor's tasks, activities, and deliverables to be included in the contract as the basis for GDOE's oversight and management of the contract. The GS also assisted GDOE with a review its options for the implementation of a new financial management information system.

Micronesia Center for a Sustainable Future

- *Strategic Goal 1: Improve leadership and management capacity to effectively perform*
- *Strategic Goal 3: Increase effectiveness and program results*

At the request of the Department of the Interior, the Graduate School USA assisted with the creation of a Micronesia Center for a Sustainable Future (MCSF), designed to support the Micronesia Chief Executives' Summits (MCES). The MCES' vision for the MCSF was twofold: first, to serve as a Secretariat to the MCES, and second, to undertake programmatic activities in support of MCES committee initiatives where appropriate value can be added.

As Secretariat to the MCES, the MCSF's role was to prepare for and facilitate MCES meetings, including agenda items, resolutions, communiqués, and documentation of proceedings. In addition, the MCSF aspired to ensure that committee commitments made through Summit communiqués are followed through between Summits and over time. Institutionally, the MCSF was intended to provide technical support and assistance to MCES committee initiatives. This includes such things as pursuing and administering grant awards, implementing activities consistent with MCES and committee priorities, recruiting consultant expertise, and providing financial support as available.

Through an inception contract award from DOI OIA, the Graduate School USA established a group of "Designated Representatives" to each jurisdiction, appointed by the each jurisdiction's chief executive,

through which procedures and protocols for all activities and expenditures were coordinated. The Graduate School USA supported two Summits, four meetings of Designated Representatives, and various committee-related activities through the initial year of the inception award. An online archive of Meeting and Outcome Documents, Project Documents, MCSF Inception Award Administration, and MCSF Pre-Inception Award Archived Documents, remains online at <http://www.pitiviti.org/mcsf>.

Island Business Opportunities Missions

➤ ***Strategic Goal 1: Improve leadership and management capacity to effectively perform***

The Graduate School has provided management, logistics and consulting expertise in support of DOI-OIA's Business Opportunities Conferences. These conferences are designed to stimulate private sector led economic development, and further develop linkages between investors from the fifty states, select Asian Nations, Australia, and New Zealand. Specific support services include management and production support to the outreach and registration phases of the conference, and finalization of logistical arrangements with conference partners and DOI-OIA staff.

➤ ***Strategic Goal 3: Increase effectiveness and program results***

The Government Performance Results Accountability Act (GPRA) requires DOI-OIA to develop measures that both assess the effectiveness of programs and inform management actions, budget requests, and legislative proposals directed at achieving results. In support of this effort, the Graduate School USA has provided support to DOI-OIA's GPRA reporting responsibilities by completing activities intended to align performance measures with DOI-OIA's new strategic goals. Extensive research was conducted on approximately 40 measures to identify potential performance measures that were centrally located and available to DOI-OIA. Data were collected and reported for several measures, along with an assessment of the reliability and validity of those and other measures under consideration.

Reviews of Financial Statements and Compliance with Federal Grant Program Requirements

OIA continues to work with each insular government to help develop and implement processes designed to result in more reliable financial data and improvements in the administration of Federal grant programs, many that provide funding for critical public services in the insular areas. A prime tool for identifying weaknesses in governmental processes are the Single Audit Reports completed by independent certified public accounting firms contracted by insular governments in 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. The Single Audit Reports provide assurances of the reliability of the data presented by the insular governments in their annual financial statements and also identify instances of the insular governments' noncompliance with Federal grant program requirements.

OIA reviews the Single Audit Reports and the insular governments' annual financial statements to help determine the financial position of the insular government and the actions taken to correct any identified noncompliance with Federal grant programs, i.e. the corrective action plan. 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 is able to identify specific areas in which assistance such as technical advice, training and outside expertise is needed.

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. To date, 9 of the 11 insular governments (territories of Guam and the Northern Mariana Islands, and the Freely Associated States of the Republic of Palau, the Republic of the Marshall Islands, and the governments of the Federated States of Micronesia's, i.e. the National Government and the respective state governments of Chuuk, Kosrae, Pohnpei and Yap) have consistently received unqualified (clean) opinions from their respective independent auditors who review their financial statements. Moreover, with each passing year, the 11 insular governments have reduced the number of material 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 more successfully identify and investigate fraud, waste and abuse of Federal funds.

3.

Activity: Territorial Assistance						
Subactivity: Maintenance Assistance \$(000)						
	2011 Actual	2012 Enacted	2013			Change from 2012 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	2,443	2,237	0	-1,496	741	-1,496
FTEs	0	0	0	0	0	0

SUMMARY OF 2013 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Maintenance Assistance	-1,496	0

JUSTIFICATION OF 2013 PROGRAM CHANGES

The 2013 budget request for Maintenance Assistance is \$741,000, a general program decrease of \$1,496 million from the 2012 enacted level. Grants to the insular areas will be reduced by this amount.

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 Program (MAP) was created to stimulate and support the development of maintenance practices 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 maintenance assistance fund can also provide funding to address general regional training needs and allows the insular governments to share expertise and develop maintenance practices appropriate to the region. The maintenance assistance program has proven to be an effective method of institutionalizing better maintenance practices throughout the U.S. affiliated islands.

Maintenance assistance generally uses grants as the primary means to provide insular assistance. However, grants to individual island areas sometimes require a local financial match. This strategy emphasizes the importance of local buy-in to maintenance assistance as a means of building and sustaining local institutions.

2013 PROGRAM PERFORMANCE

In 2011, the Maintenance Assistance Program awarded grants for programs to enhance operation and maintenance efforts within each insular area.

MAP funded 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 \$305,000 for the PLT program in 2011 to provide 38 weeks of professional linemen training. Training includes the Basic Lineman Training Course as well as advanced training courses in Hot Line Work. The linemen will continue working towards U.S. Department of Labor Certification.

MAP funds were used in 2011 to engage the Army Corps of Engineers, and its contractor Helber Hastert & Fee, to create a brief inventory and general assessment of the schools in the territories. The report is entitled *U.S. Insular Areas Education Facility Inventory and Condition Assessment Study (Phase I)*, and is available upon request. The Phase I report estimates that there are approximately 1,561 school buildings at 125 campuses. Of particular interest, the report states that the average age of these school buildings is in the range of 40 years and identifies common problems involving moisture penetration, structural problems, inadequate electrical systems, failing on-site infrastructure and functional obsolescence due to the age of the facilities.

Funding was provided through MAP to begin *Phase IIA, Insular Schools: Assessment of Buildings and Classrooms (Insular A, B, C's)* Initiative. This project will be a partnership between the territories and OIA to conduct a thorough baseline inventory and assessment of all elementary, middle and high school buildings over 14 months. The baseline assessment will be updated annually through the reassessment of one third of total school facilities (Phase IIB). To maximize capacity building, the assessment teams will pair OIA contracted subject matter experts with local school facility maintenance personnel.

The *Insular A, B, C's* Initiative will produce valuable insights for leadership decision-making including the overall physical condition of all school facilities; an accounting of deferred maintenance and replacement values to assist in capital investment decisions; and, indentifying trends in maintenance practices and requirements to pinpoint opportunities for efficiencies.

In 2012 and 2013, the Maintenance Assistance Program plans to continue funding immediate needs for maintenance in the insular areas.

The table on the following page identifies the allocation of Maintenance Assistance funding from FY 2009 – 2011.

MAINTENANCE ASSISTANCE

FY 2009-2011

Grant Award Amounts

<u>Insular Area</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>
American Samoa	\$319,000	\$200,000	\$283,000
Guam	\$325,000	\$319,623	\$60,000
U.S. Virgin Islands	\$0	\$0	\$0
Commonwealth of the Northern Mariana Islands	\$98,040	\$141,062	\$159,486
Republic of Palau	\$279,500	\$0	\$0
Republic of the Marshall Islands	\$250,000	\$340,000	\$381,000
Federated States of Micronesia			
Chuuk	\$0	\$0	\$0
Kosrae	\$0	\$0	\$0
Pohnpei	\$505,000	\$125,000	\$0
Yap	\$99,500	\$143,000	\$504,942
Other Grants (Regional Programs)	<u>\$1,019,336</u>	<u>\$1,423,923</u>	<u>*\$2,820,747</u>
Total amount appropriated, MAP	\$2,241,000	\$2,241,000	\$2,443,000
Amount Available Due to Completion/Closure of MAP grants	\$654,376	\$451,608	\$1,766,175
TOTAL MAP Grants Awarded	\$2,895,376	\$2,692,608	\$4,209,175

* Includes Regional Programs which benefit the islands such as: Lineman Training, Pacific Islands Power Utility Board Members Workshop & Engineers Workshop and Insular Schools: Assessment of Buildings and Classrooms (Insular A, B, C's).

4.

Activity: Territorial Assistance						
Subactivity: Brown Treesnake Control \$(000)						
	2011 Actual	2012 Enacted	2013			Change from 2012 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	2,994	2,995	0	+5	3,000	0
FTEs	0	0	0	0	0	0

SUMMARY OF 2013 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Brown Treesnake Control	+5	0

JUSTIFICATION OF 2013 PROGRAM CHANGES

The 2013 budget request for Brown Treesnake Control is \$3.0 million, a program increase of \$5,000 with no additional FTE from the 2012 enacted level.

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). An additional \$500,000 is being funded through USGS for FY 2013 to conduct additional basic and applied research on brown tree snakes.

2013 PROGRAM PERFORMANCE

Although OIA has not yet received the 2013 BTS funding proposals, it is anticipated that the funds will be used in similar manner to what is planned for 2012 which is detailed below:

- Guam will maintain approximately 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 regain 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 by skilled and trained canine handler teams.
- 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 improving capture success with small snakes. The USGS Rapid Response Team (RRT) will continue to respond to snake sightings 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 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.

Performance Measures:	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
1. Number of products tested and evaluated.	6	9	12	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.

Performance Measures:	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
1. Number of detection and monitoring methods evaluated.	1	3	3	3
2. Number of BTS captured on CNMI.	1	0	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)	1,400	1,470	1,839	1,800

Strategy 3

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

Performance Measures:	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
1. Number of enclosed acres where BTS barriers have been constructed and are being maintained.	12.5	12.5	147.5	147.5
2. Number of traps maintained in areas in order to protect endangered species from predation.	635	550	550	475

5.

Activity: Territorial Assistance						
Subactivity: Coral Reef Initiative (CRI) \$(000)						
	2011 Actual	2012 Enacted	2013			Change from 2012 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	998	998	0	+2	1,000	+2
FTEs	0	0	0	0	0	0

SUMMARY OF 2013 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Coral Reef Initiative	+2	0

JUSTIFICATION OF 2013 PROGRAM CHANGES

The 2013 budget request for the Coral Reef Initiative is \$1.0 million, a program increase of \$2,000 with no additional FTE from the 2012 enacted level. An additional \$500,000 is being funded through the USGS to conduct additional research on coral reef in the Insular Areas.

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 watershed restoration and the establishment of marine protected areas. 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, support for the Micronesia Challenge, 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 facility in St. Croix, USVI, which 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.

2013 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 regional heads of government. 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, which 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. The MREC will incorporate some of the most advanced concepts for sustainable building design, making it a model for island communities. Design concepts for the MREC, developed by an architecture firm in consultation with the partners, were approved by NPS's Development Advisory Board in 2011. OIA is meeting regularly with the partners to complete the design phase and build institutional capacity to address the National Park Service's requirements for a project of this scope and complexity. 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.
- 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)						
	2011 Actual	2012 Enacted	2013			Change from 2012 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	791	790	0	-790	0	-790
FTEs	0	0	0	0	0	0

SUMMARY OF 2013 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Water & Wastewater	-790	0

JUSTIFICATION OF 2013 PROGRAM CHANGES

The Office of Insular Affairs (OIA) is not requesting funds for the Water and Wastewater program in 2013, a reduction of \$790,000 and 0 FTE from the 2012 enacted level. 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 2013, 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. 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. The water and wastewater subactivity provides support to the territories to address such deficiencies.

2013 PROGRAM PERFORMANCE

Although project proposals for 2012 Water & 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 as in previous years. The \$791,000 in water and wastewater funding made available in 2011 is being used to address critical projects in Guam and the CNMI. They are briefly described below.

The Guam Waterworks Authority was awarded \$525,200 to replace two sets of pumps and motors at the Barrigada Sewer Pump Station in Barrigada, Guam. The Pump Station, a critical part of Guam's wastewater system, transports sewage from neighboring communities to the Hagatna Sewer Treatment Plant. The existing pumps had failed and the Authority lacked the resources to purchase replacements. Instead, salvaged parts were being used as a temporary fix but those parts were an imperfect fit and their use increased the risk of additional mechanical failure.

The CNMI's Commonwealth Utilities Corporation was awarded \$265,800 in 2011 to acquire additional professional services; including an electrical engineer and two engineering technicians, to assist the Utility comply with U.S. EPA water and wastewater standards and improve its water and wastewater programs.

7.

Activity: Territorial Assistance						
Subactivity: Empowering Insular Communities \$(000)						
	2011 Actual	2012 Enacted	2013			Change From 2012 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
Empowering Insular Communities	1,996	2,205	0	+766	2,971	+766
FTEs	0	0	0	0	0	0

SUMMARY OF 2013 PROGRAM CHANGES

Request Component		
	Amount	FTE
Empowering Insular Communities	+766	0

JUSTIFICATION OF 2013 PROGRAM CHANGES

The 2013 budget request for the Empowering Insular Communities (EIC) program is \$2.971 million and 0 FTE, a program increase of \$766,000 with 0 additional FTE from the 2012 enacted 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 \$2.971 million to implement the Empowering Insular Communities program. Funding will be used in 2013 to 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 with guidance will be sent each year inviting the insular areas to apply for Empowering Insular Communities funding. When determining the selection of activities for EIC program funding, proposals will be reviewed 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?*

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?*

2013 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 \$1.08 million for the implementation of sustainable energy strategies will be competitive.

Guam Military Realignment

Of the \$2.2 million appropriated 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. In 2010, OIA entered into an Inter-Agency Agreement (IAA) with the U.S. Department of Energy, National

Renewable Energy Laboratory (NREL) to help develop long-term Strategic Energy Plans in American Samoa, Commonwealth of the Northern Mariana Islands, and Guam (see Subactivity: General Technical Assistance Energy Assessment). In 2011, NREL provided the results of initial energy efficiency and renewable energy (EE/RE) assessments and a strategic plan for EE/RE implementation and deployment. OIA plans to use the amounts requested in 2012 and 2013 for Empowering Insular Communities to help the territories implement actions identified in these Strategic Energy Plans.

NREL's "Commonwealth of the Northern Mariana Islands Initial Technical Assessment Report" identified the development of geothermal energy as a potential source of renewable energy if geothermal resources are discovered. The 2011 Empowering Insular Communities grant will be used to perform a geophysical survey in parallel with the Commonwealth Utilities Corporation's drilling of geothermal gradient holes. The geophysical survey will be useful in guiding geothermal gradient drilling and will shorten the time-table to exploration and development if results are favorable by facilitating the identification of exploration targets.

The American Samoa Power Authority plans to use Empowering Insular Communities funding for various energy efficiency and conservation projects, such as a recycling rebate program and prepaid meters, to reduce the territory's high energy costs and extend the useful life of the landfills in American Samoa.

The University of Guam plans to use \$900,000 in 2011 Empowering Insular Communities funding to install wind turbines and rooftop solar arrays to reduce the University's reliance on fossil fuels by 2-5%. This would represent a significant cost-savings for the University and the government of Guam. We hope to collect energy results from the project in 2014.

8.

Activity: Territorial Assistance						
Subactivity: Compact Impact - Discretionary \$(000)						
	2011 Actual	2012 Enacted	2013			Change from 2012 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	0	0	0	+5,000	5,000	+5,000
FTEs	0	0	0	0	0	0

SUMMARY OF 2013 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Compact Impact - Discretionary	+5,000	0

JUSTIFICATION OF 2013 PROGRAM CHANGES

The 2013 budget request for discretionary Compact Impact funding is \$5.0 million, a program increase of \$5.0 million with no additional FTE from the 2012 enacted level. The joint statement of managers that accompanied the Consolidated Appropriations Act of FY 2012 (PL 112-74) set aside \$5.0 million within General Technical Assistance “to fund discretionary grants to jurisdictions that are affected by Compact migration, as authorized by section 104(e) of Public Law 108-188.” Discretionary Compact Impact grants funds will be awarded in conjunction with “other currently authorized mandatory grants to help offset educational costs incurred by these jurisdictions.” In order to more easily account for discretionary Compact Impact funding, OIA is beginning to track it as a separate subactivity beginning in 2013.

PROGRAM OVERVIEW

Discretionary Compact Impact grants supplement the \$30.0 million permanently appropriated for Compact Impact as authorized by Section 104(e) of Title One of the amended Compacts of Free Association. However, discretionary Compact Impact funding can only be used to offset educational service and infrastructure costs incurred by the affected jurisdictions due to the residence of qualified nonimmigrants from the Republic of the Marshall Islands, the Federated States of Micronesia, or the Republic of Palau.

Description of Compact Impact - Permanent

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.

2013 PROGRAM PERFORMANCE

Like permanently appropriated Compact Impact, discretionary Compact Impact funding will be distributed amongst the affected jurisdictions based on a ratio allocation to the government of each affected jurisdiction on the basis of the results of the most recent enumeration, that of 2009. Compact Impact funding can only be used to offset educational service and infrastructure costs incurred by the affected jurisdictions due to the residence of qualified nonimmigrants from the Republic of the Marshall Islands, the Federated States of Micronesia, or the Republic of Palau.

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

Activity: Compact of Free Association (Current Appropriation)						
Subactivity: Federal Services Assistance \$(000)						
	2011 Actual	2012 Enacted	2013			Change from 2012 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	2,812	2,814	0	+4	2,818	+4
FTEs	0	0	0	0	0	0

SUMMARY OF 2013 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Federal Service Assistance	+4	0

JUSTIFICATION OF 2013 PROGRAM CHANGES

The 2013 budget request for Federal Services Assistance is \$2.8 million, a program increase of \$4,000 with no additional FTE from the 2012 enacted level.

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.

2013 PROGRAM PERFORMANCE

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

2.

Activity: Compact of Free Association (Current Appropriation)						
Subactivity: Palau Program Grant Assistance \$(000)						
	2011 Actual	2012 Enacted	2013			Change from 2012 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	2,000	0	0	0	0	0
FTEs	0	0	0	0	0	0

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.

2013 PROGRAM PERFORMANCE

Continuing Palau Program Grant Assistance is accounted for under the Palau Compact Extension subactivity in 2012 and 2013. 2011 program funding was administered as it was under the Compact in section 221(b) according to the Fiscal Procedures Agreement for the Republic of Palau.

3.

Activity: Compact of Free Association (Current Appropriation)						
Subactivity: Enewetak \$(000)						
	2011 Actual	2012 Enacted	2013			Change from 2012 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	499	499	0	-263	236	-263
FTEs	0	0	0	0	0	0

SUMMARY OF 2013 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Enewetak	-263	0

JUSTIFICATION OF 2013 PROGRAM CHANGES

The 2013 budget request for the Enewetak program is \$236,000 and 0 FTE, a program decrease of \$263,000 and 0 FTE from the 2012 enacted level. At the 2013 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.

2013 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 2013 to continue these activities.

4.

Activity: Compact of Free Association (Current Appropriation)						
Subactivity: Palau Compact Extension \$(000)						
	2011 Actual	2012 Enacted	2013			Change from 2012 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	11,147	13,147	0	-13,147	0	-13,147
FTEs	0	0	0	0	0	0

SUMMARY OF 2013 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Palau Compact Extension	-13,147	0

JUSTIFICATION OF 2013 PROGRAM CHANGES

The 2013 budget request does not fund another Palau Compact Extension, a decrease of \$13.2 million and 0 FTE from the 2012 enacted level.

Economic assistance provisions under Palau's Compact of Free Association (P.L. 99-658) expired 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 continuing appropriations acts have continued to extend economic assistance to Palau.

On February 14, 2011, S. 343 was introduced in the Senate seeking to continue the U.S. Compact relationship with the Republic of Palau. The proposed bill would provide \$250 million in financial assistance to the Republic of Palau through 2024. The bill has not been enacted by the U.S. Congress to date. 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.

As a result of the Senate introducing S. 343, OIA is not seeking current funds for the Palau Compact Extension in 2013.

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 continuing appropriations acts have continued to extend economic assistance to Palau within OIA current budget authority.

2013 PROGRAM PERFORMANCE

2012 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.

Account: Compact of Free Association (Permanent and Indefinite)						
Activity: Economic Assistance						
Subactivity: Federated States of Micronesia and Republic of the Marshall Islands \$(000)						
	2011 Actual	2012 Enacted	2013			Change from 2012 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
RMI	65,970	66,839	0	+1,170	68,009	+1,170
FSM	107,056	104,984	0	+1,915	106,899	+1,915
Judicial Training	336	340	0	+6	346	+6
Total	173,362	172,163	0	+3,091	175,254	+3,091
FTEs	0	0	0	0	0	0

SUMMARY OF 2013 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
RMI	+1,170	0
FSM	+1,915	0
Judicial Training	+6	0

JUSTIFICATION OF 2013 PROGRAM CHANGES

The 2013 budget request for Compact of Free Association - Economic Assistance to the Marshall Islands and Federated States of Micronesia is \$175.254 million, an increase of \$3.091 million with no additional FTEs from the 2012 enacted 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.

2013 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 2013 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 2013 are not submitted by the FSM and RMI until 90 days before the start of the fiscal year. However, a brief summary of 2012 program performance information for the FSM and RMI sector grants is provided on the next few pages.

i. Fiscal Year 2012 Sector Allocations for the FSM

The following is a breakdown of grant allocations to the FSM by sector.

Sector	Funds Allocated
Education	\$27,229,001
Health	\$19,799,593
Capacity Building	\$2,661,097
Private Sector	\$2,580,211
Environment	\$1,752,226
Enhanced Reporting & Accountability	\$908,830
Infrastructure	\$24,222,240

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 2012, the FSM received a Compact health sector grant of \$19.8 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 2012. 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 50% complete with a targeted completion date in November 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.

Public Sector Capacity Building

In 2012, the FSM received \$2.66 million for the capacity building sector. Fiscal year 2012 continued the successful articulation regarding the uses of funding started in 2011. 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 2012, the FSM received an allocation of approximately \$1.7 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 2012, the FSM received an allocation of \$2.58 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.

Enhanced Reporting and Accountability

In 2012, the FSM received a grant of \$908,830 for the newly created sector entitled "Enhanced Reporting and Accountability." This sector is intended to address the additional complexities and costs of compliance inherent in the Compact, as amended, specifically those related to budgeting, financial accountability, and expanded financial and performance reporting requirements.

Priorities are given to achieving and maintaining full and timely compliance with Articles V and VI of this Agreement, the development and operation of a Financial Management Information System that is capable of accurately and efficiently accounting for and reporting on the use of Compact and all other funds available to the national and state governments of the Federated States of Micronesia; the development and operation of a performance-based budgeting and reporting system for the planned use and expenditure of Compact and all other funds available to each of the national and state governments of the Federated States of Micronesia; and including the development and operation of financial

management procedures, practices and internal controls that ensure timely revenue collections, accurate and timely payments, and accurate and timely submission of all required quarterly and annual reports by each of the national and state governments of the Federated States of Micronesia.

ii. Fiscal Year 2012 Allocations for the RMI

The following is a breakdown of \$33,015,493 of grant allocations to the RMI by sector and Compact of Free Association, Section 211-mandated funding:

Sector	Funds Allocated
Education	\$11,839,151
Health	\$6,834,858
Capacity Building	\$300,000
Infrastructure	\$9,958,191
Environment	\$325,000
Ebeye Special Needs	\$3,515,400
Kwajalein Environmental Impact	\$242,893

Education

In 2012, 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 2012, 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 2013.

Health

In 2012, 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.

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 2012, 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 2012 and the RMI leadership is currently examining whether or not to proceed with this project due to cost constraints.

Public Infrastructure

The RMI allocated approximately \$9.98 million for infrastructure improvements and maintenance in 2012. 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 2012, the RMI received \$300,000 in Compact funds to support performance based budgeting efforts. This was the final year of Compact support for the performance based budgeting initiative. The initiative was successful in terms of the Government of the RMI being able to annually produce performance-oriented budgets that fully met the terms of the Fiscal Procedures Agreement required under the Amended Compact.

Environment

In 2012, the RMI received an allocation of \$242,893 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 \$300,000 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 \$340,000. 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.

Account: Compact of Free Association (Permanent and Indefinite)						
Activity: Compact Impact \$(000)						
	2011 Actual	2012 Enacted	2013			Change from 2012 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
Hawaii	11,229	11,229	0	-129	11,100	-129
Guam	16,827	16,827	0	-194	16,633	-194
CNMI	1,930	1,930	0	-23	1,907	-23
American Samoa	14	14	0	0	14	0
Census	0	0	0	+346	346	+346
Total	30,000	30,000	0	0	30,000	0
FTEs	0	0	0	0	0	0

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 2013 has been reduced by \$346,000 and the distribution adjusted accordingly, in order to fund the next U.S. Census Bureau enumeration in 2014.

2013 PROGRAM PERFORMANCE

The following FY 2013 grants will be made to each eligible jurisdiction based on the population of qualified migrants:

- Hawaii: \$11,100,000
- Guam: \$16,633,000
- CNMI: \$ 1,907,000
- American Samoa: \$ 14,000

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 2013 spending plans, it is anticipated that the funds will be used in a manner similar to 2012 as detailed below.

In 2012, 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 has proposed to use its 2012 Compact Impact grant of \$16.8 million in the following manner:

- DPW Schools Leaseback \$7,100,000
- GMHA Vendor Payables and Financial Study \$4,142,026
- GFD Ambulance and Fire Apparatus Procurement \$1,560,000
- DOC Improvements and Equipment \$1,525,000
- DISID Individualized Budget Program \$ 200,000
- BSP Centralized Data Center Project \$ 300,000
- RevTax Real Property Project \$2,000,000

Although OIA has not yet received a 2012 spending plan from the CNMI, it is anticipated that the funds will be used in a manner similar to 2011 as detailed below:

- 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 has proposed to use its 2012 Compact Impact funds in the amount of \$13,789 for the operational needs of the Nursing Program at the American Samoa Community College. The bulk of the funding will be used for training materials and equipment to assist in the education of nursing students at the college.

7.

Account: Compact of Free Association (Permanent and Indefinite)						
Activity: Economic Assistance						
Subactivity: Republic of Palau Compact \$(000)						
	2011 Actual	2012 Enacted	2013			Inc (+) Dec(-) From 2012
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
Palau Compact*	0	16,059	0	+17,941	34,000	+17,941
FTEs	0	0	0	0	0	0

* Republic of Palau Legislative Proposal

SUMMARY OF 2013 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Palau Compact	+17,941	0

JUSTIFICATION OF 2013 PROGRAM CHANGES

The 2013 budget request includes \$34.0 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). The results of the review were introduced by the U.S. Senate as S. 343.

The Consolidated Appropriations Act of FY 2012 (PL 112-74) provided a total of \$13.147 million in current funds for Palau. Enactment of the Palau Compact legislative proposal in 2012 would result in an additional \$16.059 million in mandatory funds being awarded to Palau. The total payment for Palau in 2012 would be \$29.206 million.

PROGRAM OVERVIEW

On February 14, 2011, S. 343 was introduced in the Senate seeking to continue the U.S. Compact relationship with the Republic of Palau. The proposed bill would provide \$250 million in financial assistance to the Republic of Palau through 2024. The bill has not been enacted by the U.S. Congress to date. 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.

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		2011	2012	2013
14-0412-0-1-806		Actual	Estimate	Estimate
Obligations by program activity:				
0009	Office of Insular Affairs	6	9	9
0010	Technical assistance	20	19	12
0014	Insular management controls	2	0	0
0015	Coral reef initiative	1	1	1
0016	Water and wastewater projects	1	1	0
0017	Maintenance assistance fund	4	2	1
0018	American Samoa operations grants	23	23	23
0019	Brown Treesnake	3	3	3
0020	Guam Infrastructure	2	0	0
0021	Empowering Insular Communities	2	2	3
0031	Compact Impact Discretionary	0	0	5
0091	Direct subtotal, discretionary	64	60	57
0101	Covenant grants, mandatory	35	28	28
0900	Total new obligations	99	88	85
Budgetary Resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	22	10	10
1021	01 Recoveries of prior year unpaid obligations	4	0	0
1050	Unobligated balance (total)	26	10	10
Budget authority:				
Appropriations, discretionary:				
1100	01 Appropriation	57	60	57
1160	Appropriation, discretionary (total)	57	60	57
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	0	0
1701	01 Change in uncollected payments, Federal sources	-1	0	0
1750	Spending auth from offsetting collections, disc (total)	0	0	0
1900	Budget authority (total)	85	88	85
1930	Total budgetary resources available	111	98	95
Memorandum (non-add) entries:				
1940	Unobligated balance expiring	-2	0	0
1941	Unexpired unobligated balance, end of year	10	10	10
Change in obligated balance:				
Obligated balance, start of year (net):				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	139	158	155
3010	Uncollected pymts, Fed sources, brought forward, Oct 1	-4	-3	-3
3020	Obligated balance, start of year (net)	135	155	152
3030	Obligations incurred, unexpired accounts	99	88	85
3040	Outlays (gross)	-76	-91	-107
3050	Change in uncollected pymts, Fed sources, unexpired	1	0	0
3080	Recoveries of prior year unpaid obligations, unexpired	-4	0	0
Obligated balance, end of year (net):				
3090	Unpaid obligations, end of year (gross)	158	155	133
3091	Uncollected pymts, Fed sources, end of year	-3	-3	-3
3100	Obligated balance, end of year (net)	155	152	130
Budget authority and outlays, net:				
Discretionary:				
4000	Budget authority, gross	57	60	57
Outlays, gross:				
4010	Outlays from new discretionary authority	35	39	37
4011	Outlays from discretionary balances	23	26	33
4020	Outlays, gross (total)	58	65	70
Offset against gross budget authority and outlays:				
Offsetting collections (collected) from:				
4030	01 Federal sources	-1	0	0
Additional offsets against gross budget authority only:				
4050	Change in uncollected pymts, Fed sources, unexpired	1	0	0
4070	Budget authority, net (discretionary)	57	60	57
4080	Outlays, net (discretionary)	57	65	70
Mandatory:				
4090	Budget authority, gross	28	28	28
Outlays, gross:				
4100	Outlays from new mandatory authority	2	1	1
4101	Outlays from mandatory balances	16	25	36
4110	Outlays, gross (total)	18	26	37
4160	Budget authority, net (mandatory)	28	28	28
4170	Outlays, net (mandatory)	18	26	37
4180	Budget authority, net (total)	85	85	85
4190	Outlays, net (total)	75	91	107

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		2011	2012	2013
14-0415-0-1-808		Actual	Estimate	Estimate
Obligations by program activity:				
0001	Federal services assistance	5	3	3
0101	Program grant assistance, mandatory	2	0	0
0192	Subtotal	7	3	3
0201	Assistance to the Marshall Islands	66	67	68
0202	Assistance to the Federated States of Micronesia	109	105	107
0203	Assistance to the Republic of Palau	12	13	0
0204	Compact Impact	30	30	30
0205	RMI FSM Judicial Training	1	0	0
0291	Subtotal, permanent indefinite	218	215	205
0799	Total direct obligations	225	218	208
0801	Reimbursable program	18	18	18
0900	Total new obligations	243	236	226
Budget resources available for obligation:				
1000	Unobligated balance carried forward, start of year	63	82	82
1021	01 Recoveries of prior year unpaid obligations	24	0	0
1050	Unobligated balance (total)	87	82	82
Budget authority:				
Appropriations, discretionary:				
1100	01 Appropriation	3	3	3
1160	Appropriation, discretionary (total)	3	3	3
Appropriations, mandatory:				
1200	01 Appropriation	215	215	205
1200	02 Appropriation	2	0	0
1260	Appropriations, mandatory (total)	217	215	205
Spending authority from offsetting collections, discretionary:				
1700	01 Collected	0	18	18
1701	01 Change in uncollected payments, Federal sources	18	0	0
1750	Spending auth from offsetting collections, disc (total)	18	18	18
1900	Budget Authority (total)	238	236	226
1930	Total budgetary resources available	325	318	308
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	82	82	82
Change in obligated balance:				
Obligated balance, start of year (net):				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	148	134	128
3010	Uncollected pymts, Fed sources, brought forward, Oct 1	-24	-23	-23
3020	Obligated balance, start of year (net):	124	111	105
3030	Obligations incurred, unexpired accounts	243	236	226
3040	Outlays (gross)	-231	-242	-244
3050	Change in uncollected pymts, Fed sources, unexpired	-18	0	0
3051	01 Change in uncollected pymts, Fed sources, expired	19	0	0
3080	Recoveries of prior year unpaid obligations, unexpired	-24	0	0
3081	01 Recoveries of prior year unpaid obligations, expired	-2	0	0
Obligated balance, end of year (net):				
3090	Unpaid obligations, end of year (gross)	134	128	110
3091	Uncollected pymts, Fed sources, end of year	-23	-23	-23
3100	Obligated balance, end of year (net):	111	105	87
Budget authority and outlay, net:				
Discretionary:				
4000	Budget authority, gross	21	21	21
Outlays, gross:				
4010	Outlays from new discretionary authority	3	5	5
4011	Outlays from discretionary balances	21	17	17
4020	Outlays, gross (total)	24	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)	5	4	4
Mandatory:				
4090	Budget authority, gross	217	215	205
Outlays, gross:				
4100	Outlays from new mandatory authority	173	183	174
4101	Outlays from mandatory balances	34	37	48
4110	Outlays, gross (total)	207	220	222
4160	Budget authority, net (mandatory)	217	215	205
4170	Outlays, net (mandatory)	207	220	222
4180	Budget authority, net (total)	220	218	208
4190	Outlays, net (total)	212	224	226

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

Program and Financing (in millions of dollars)

OMB ACCOUNT ID: 010-85-0415-4		2011	2012	2013
14-0415-4		Actual	Estimate	Estimate
Obligations by program activity:				
0001	Assistance to Republic of Palau	0	29	34
0192	Subtotal, Permanent Indefinite	0	29	34
0900	Total new obligations (object class 41.0)	0	29	34
Budget authority:				
Appropriations, mandatory:				
1200	01 Appropriation	0	29	34
1260	Appropriations, mandatory (total)	0	29	34
1930	Total budgetary resources available	0	29	34
Change in obligated balance:				
Obligated balance, start of year (net):				
3000	Unpaid obligations, brought forward, Oct 1 (€	0	0	0
3030	Obligations incurred, unexpired accounts	0	29	34
3040	Outlays (gross)	0	-29	-34
Obligated balance, end of year (net):				
3090	Unpaid obligations, end of year (gross)	0	0	0
3100	Obligated balance, end of year (net)	0	0	0
Budget authority and outlays, net:				
Mandatory:				
4090	Budget authority, gross	0	29	34
Outlays, gross:				
4100	Outlays from new mandatory authority	0	29	34
4160	Budget authority, net (mandatory)	0	29	34
4170	Outlays, net (mandatory)	0	29	34
4180	Budget authority, net (total)	0	29	34
4190	Outlays, net (total)	0	29	34

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		2011	2012	2013
14-0418-0-1-806		Actual	Estimate	Estimate
Obligations by program activity:				
0001	Advance payments to Guam of estimated U.S. income tax collections	53	53	53
0002	Advance payments to the Virgin Islands of estimated U.S. excise tax	155	195	195
0900	Total new obligations (object class 41.0)	208	248	248
Budgetary resources:				
Budget authority:				
Appropriations, mandatory:				
1200	01 Appropriation	208	248	248
1260	Appropriations, mandatory (total)	208	248	248
1930	Total budgetary resources available	208	248	248
Change in obligated balance:				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	0	0	0
3030	Obligations incurred, unexpired accounts	208	248	248
3040	Outlays (gross)	-208	-248	-248
3090	Unpaid obligations, end of year (gross)	0	0	0
3100	Obligated balance, end of year (net)	0	0	0
Budget authority and outlays, net:				
Mandatory:				
4090	Budget authority, gross	208	248	248
Outlays, gross:				
4100	Outlays from new mandatory authority	208	248	248
4160	Budget authority, net (mandatory)	208	248	248
4170	Outlays, net (mandatory)	208	248	248
4180	Budget authority, net (total)	208	248	248
4190	Outlays, net (total)	208	248	248

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		2011	2012	2013
14-0414-0-1-806		Actual	Estimate	Estimate
Obligations by program activity:				
0001	Technical Assistance	1	0	0
0002	Brown Treesnake	1	0	0
0900	Total new obligations (object class 25.2)	2	0	0
Budgetary Resources:				
Unobligated balance:				
1000	Unobligated balance brought forward, Oct 1	3	1	1
Budget authority:				
Appropriations, discretionary:				
1160	Appropriation, discretionary (total)	0	0	0
1930	Total budgetary resources available	3	1	1
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	1	1	1
Change in obligated balance:				
Obligated balance, start of year (net):				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	2	3	2
3030	Obligations incurred, unexpired accounts	2	0	0
3040	Outlays (gross)	-1	-1	-1
Obligated balance, end of year (net):				
3090	Unpaid obligations, end of year (gross)	3	2	1
3100	Obligated balance, end of year (net)	3	2	1
Budget authority and outlays, net:				
Discretionary:				
Outlays, gross:				
4011	Outlays from discretionary balances	1	1	1
4080	Outlays, net (discretionary)	1	1	1
4180	Budget authority, net (total)	0	0	0
4190	Outlays, net (total)	1	1	1

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		2011	2012	2013
14-4163-0-3-806		Actual	Estimate	Estimate
Obligations by program activity: Credit program obligations				
0713	Payment of interest to treasury	1	1	1
0900	Total new obligations	1	1	1
Budgetary resources: Unobligated balance				
1000	Unobligated balance brought forward, Oct 1	1	1	0
1023 01	Unobligated balance applied to repay debt	-1	0	0
1050	Unobligated balance (total)	0	1	0
Financing authority: Borrowing authority, mandatory				
1440	Borrowing authority, mandatory (total)	0	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	-2	-1
1850	Spending auth from offsetting collections, mand (total)	2	0	1
1900	Financing authority (total)	2	0	1
1930	Total budgetary resources available	2	1	1
Memorandum (non-add) entries:				
1941	Unexpired unobligated balance, end of year	1	0	0
Change in obligated balance:				
Obligated balance, start of year (net):				
3000	Unpaid obligations, brought forward, Oct 1 (gross)	0	0	1
3030	Obligations incurred, unexpired accounts	1	1	1
3040	Financing disbursements (gross)	-1	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	2	1	2
Financing disbursements:				
4110	Financing disbursements, gross	1	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)	0	-2	-1
4170	Financing disbursements, net (mandatory)	-1	-2	-2
4180	Financing authority, net (total)	0	-2	-1
4190	Financing disbursements, net (total)	-1	-2	-2

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
Republic of Marshall Islands (RMI)	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001		2002	2003
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
TOTAL - RMI	199,035	54,116	52,268	72,620	68,739	64,341	65,438	46,170	50,791	43,803	63,811	40,533	40,918	40,747	41,372	944,702	49,719	47,448
Federated States of Micronesia (FSM)																		
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
TOTAL - FSM	92,747	102,773	92,711	102,649	101,212	91,347	89,066	91,233	93,342	92,957	77,569	78,907	78,907	79,353	80,245	1,345,018	97,730	97,729
Federal Services - FSM/RMI/Palau	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
GRAND TOTAL, RMI & FSM	310,532	174,209	157,739	185,429	177,611	163,498	161,798	144,931	150,647	143,724	148,344	126,794	127,179	127,220	128,955	2,428,610	154,803	152,483

**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	
Federated States of Micronesia																
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>
Republic of the Marshall Islands																
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>
Compact-Other																
Compact Impact Section 104 (e)	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	29,700	(26)	29,674	149,674
Compact Impact Enumeration Section 104 (e)(4)	-	-	-	-	-	-	-	-	-	-	-	-	300	26	326	326
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>
GRAND TOTAL	182,000	-	182,000	183,780	3,020	186,800	183,760	6,569	190,329	183,760	10,087	193,847	182,000	12,956	194,956	947,931

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	11.96%	Total	Base	13.40%	Total	Base	15.40%	Total	
Federated States of Micronesia																
Annual Grant Section 211	73,800	7,756	81,556	73,000	7,986	80,986	72,200	8,635	80,835	71,400	9,568	80,968	70,600	10,872	81,472.40	405,818
Audit Grant Section 212 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500.00	2,500
Trust Fund Section 215	18,400	1,934	20,334	19,200	2,100	21,300	20,000	2,392	22,392	20,800	2,787	23,587	21,600	3,326	24,926.40	112,540
<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>11,027</i>	<i>103,727</i>	<i>92,700</i>	<i>12,355</i>	<i>105,055</i>	<i>92,700</i>	<i>14,199</i>	<i>106,899</i>	<i>520,858</i>
Republic of the Marshall Islands																
Annual Grant Section 211	32,700	3,437	36,137	32,200	3,523	35,723	31,700	3,791	35,491	31,200	4,181	35,381	30,700	4,728	35,428	178,159
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	1,256	11,756	11,000	1,474	12,474	11,500	1,771	13,271	59,093
Kwajalein Impact Section 212	15,000	1,577	16,577	15,000	1,641	16,641	15,000	1,794	16,794	15,000	2,010	17,010	15,000	2,310	17,310	84,332
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	155	1,455	1,300	174	1,474	1,300	200	1,500	7,309
<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>6,997</i>	<i>65,997</i>	<i>59,000</i>	<i>7,839</i>	<i>66,839</i>	<i>59,000</i>	<i>9,009</i>	<i>68,009</i>	<i>331,393</i>
Compact-Other																
Compact Impact Section 104 (e)	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	29,700	(46)	29,654	149,654
Compact Impact Enumeration Section 104 (e)(4)	-	-	-	-	-	-	-	-	-	-	-	-	300	46	346	346
Judicial Training	300	32	332	300	33	333	300	36	336	300	40	340	300	46	346	1,687
<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>36</i>	<i>30,336</i>	<i>30,300</i>	<i>40</i>	<i>30,340</i>	<i>30,300</i>	<i>46</i>	<i>30,346</i>	<i>151,687</i>

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

(In thousands of dollars)

	2014			2015			2016			2017			2018			Subtotal 2014-2018
	Base	Inflation 17.40%	Total	Base	Inflation 19.40%	Total	Base	Inflation 21.40%	Total	Base	Inflation 23.40%	Total	Base	Inflation 25.40%	Total	
<u>Federated States of Micronesia</u>																
Annual Grant Section 211	69,800	12,145	81,945	69,000	13,386	82,386	68,200	14,595	82,795	67,400	15,772	83,172	66,600	16,916	83,516	413,814
Audit Grant Section 212 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500	2,500
Trust Fund Section 215	22,400	3,898	26,298	23,200	4,501	27,701	24,000	5,136	29,136	24,800	5,803	30,603	25,600	6,502	32,102	145,840
<i>Total FSM Compact</i>	<i>92,700</i>	<i>16,043</i>	<i>108,743</i>	<i>92,700</i>	<i>17,887</i>	<i>110,587</i>	<i>92,700</i>	<i>19,731</i>	<i>112,431</i>	<i>92,700</i>	<i>21,575</i>	<i>114,275</i>	<i>92,700</i>	<i>23,419</i>	<i>116,119</i>	<i>562,154</i>
<u>Republic of the Marshall Islands</u>																
Annual Grant Section 211	32,200	5,603	37,803	31,700	6,150	37,850	31,200	6,677	37,877	30,700	7,184	37,884	30,200	7,671	37,871	189,284
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	2,088	14,088	12,500	2,425	14,925	13,000	2,782	15,782	13,500	3,159	16,659	14,000	3,556	17,556	79,010
Kwajalein Impact Section 212	18,000	3,132	21,132	18,000	3,492	21,492	18,000	3,852	21,852	18,000	4,212	22,212	18,000	4,572	22,572	109,260
Rongelap Resettlement Section 103 (f)(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Enewetak Section 103 (f)(2)(c)(i)	1,300	226	1,526	1,300	252	1,552	1,300	278	1,578	1,300	304	1,604	1,300	330	1,630	7,891
<i>Total RMI Compact</i>	<i>64,000</i>	<i>11,049</i>	<i>75,049</i>	<i>64,000</i>	<i>12,319</i>	<i>76,319</i>	<i>64,000</i>	<i>13,589</i>	<i>77,589</i>	<i>64,000</i>	<i>14,859</i>	<i>78,859</i>	<i>64,000</i>	<i>16,129</i>	<i>80,129</i>	<i>387,945</i>
<u>Compact-Other</u>																
Compact Impact Section 104 (e)	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	29,700	(76)	29,624	149,624
Compact Impact Enumeration Section 104 (e)(4)	-	-	-	-	-	-	-	-	-	-	-	-	300	76	376	376
Judicial Training	300	52	352	300	58	358	300	64	364	300	70	370	300	76	376	1,821
<i>Total Compact-Other</i>	<i>30,300</i>	<i>52</i>	<i>30,352</i>	<i>30,300</i>	<i>58</i>	<i>30,358</i>	<i>30,300</i>	<i>64</i>	<i>30,364</i>	<i>30,300</i>	<i>70</i>	<i>30,370</i>	<i>30,300</i>	<i>76</i>	<i>30,376</i>	<i>151,821</i>
GRAND TOTAL	187,000	27,144	214,144	187,000	30,264	217,264	187,000	33,384	220,384	187,000	36,504	223,504	187,000	39,624	226,624	1,101,920

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

	2019			2020			2021			2022			2023			Subtotal 2019-2023	Total 2004- 2023
	Base	Inflation 27.40%	Total	Base	Inflation 29.40%	Total	Base	Inflation 31.40%	Total	Base	Inflation 33.40%	Total	Base	Inflation 35.40%	Total		
Federated States of Micronesia																	
Annual Grant Section 211	65,800	18,029	83,829	65,000	19,110	84,110	64,200	20,159	84,359	63,400	21,176	84,576	62,600	22,160	84,760	421,634	1,636,142
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	7,234	33,634	27,200	7,997	35,197	28,000	8,792	36,792	28,800	9,619	38,419	29,600	10,478	40,078	184,120	528,548
<i>Total FSM Compact</i>	<u>92,700</u>	<u>25,263</u>	<u>117,963</u>	<u>92,700</u>	<u>27,107</u>	<u>119,807</u>	<u>92,700</u>	<u>28,951</u>	<u>121,651</u>	<u>92,700</u>	<u>30,795</u>	<u>123,495</u>	<u>92,700</u>	<u>32,639</u>	<u>125,339</u>	<u>608,254</u>	<u>2,174,690</u>
Republic of the Marshall Islands																	
Annual Grant Section 211	29,700	8,138	37,838	29,200	8,585	37,785	28,700	9,012	37,712	28,200	9,419	37,619	27,700	9,806	37,506	188,459	734,184
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	3,973	18,473	15,000	4,410	19,410	15,500	4,867	20,367	16,000	5,344	21,344	16,500	5,841	22,341	101,935	281,876
Kwajalein Impact Section 212	18,000	4,932	22,932	18,000	5,292	23,292	18,000	5,652	23,652	18,000	6,012	24,012	18,000	6,372	24,372	118,260	390,093
Rongelap Resettlement Section 103 (f)(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,300
Enewetak Section 103 (f)(2)(c)(i)	1,300	356	1,656	1,300	382	1,682	1,300	408	1,708	1,300	434	1,734	1,300	460	1,760	8,541	30,522
<i>Total RMI Compact</i>	<u>64,000</u>	<u>17,399</u>	<u>81,399</u>	<u>64,000</u>	<u>18,669</u>	<u>82,669</u>	<u>64,000</u>	<u>19,939</u>	<u>83,939</u>	<u>64,000</u>	<u>21,209</u>	<u>85,209</u>	<u>64,000</u>	<u>22,479</u>	<u>86,479</u>	<u>419,695</u>	<u>1,451,975</u>
Compact-Other																	
Compact Impact Section 104 (e)	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	29,700	(106)	29,594	149,594	598,546
Compact Impact Enumeration Section 104 (e)(4)	-	-	-	-	-	-	-	-	-	-	-	-	300	106	406	406	1,454
Judicial Training	300	82	382	300	88	388	300	94	394	300	100	400	300	106	406	1,971	7,043
<i>Total Compact-Other</i>	<u>30,300</u>	<u>82</u>	<u>30,382</u>	<u>30,300</u>	<u>88</u>	<u>30,388</u>	<u>30,300</u>	<u>94</u>	<u>30,394</u>	<u>30,300</u>	<u>100</u>	<u>30,400</u>	<u>30,300</u>	<u>106</u>	<u>30,406</u>	<u>151,971</u>	<u>607,043</u>
GRAND TOTAL	187,000	42,744	229,744	187,000	45,864	232,864	187,000	48,984	235,984	187,000	52,104	239,104	187,000	55,224	242,224	1,179,920	4,233,708

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
Subtotal Sec. 211	108,948	12,781	16,781	12,781	7,781	7,781	7,781	7,781	7,781	7,781	6,781	6,781	6,781	6,781	6,781	231,882
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
SUBTOTAL	186,167	18,623	22,856	19,221	11,571	11,642	11,785	11,857	12,071	12,143	10,656	10,779	10,902	11,025	11,148	372,442
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
<u>DIRECT PAYMENTS</u>	192,467	23,523	26,356	21,221	13,571	13,642	13,785	13,857	14,071	14,143	12,656	12,779	12,902	13,025	13,148	411,142
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
GRAND TOTAL, PALAU	246,807	23,523	122,356	21,221	13,571	13,642	13,785	15,396	15,610	15,682	14,195	14,318	14,441	14,564	14,687	573,794

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

FY 2013 Budget Justification

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

Sec. ACTIVITY (Revised Agreement)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	TOTALS 1/	
1 Trust Fund Contributions				3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	250	0	30,250
2a Infrastructure Maintenance Fund 2/			2,000	4,000	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 - Discretionary			441														441
Fiscal Consolidation Fund - Mandatory			4,559	5,000													9,559
4a Economic Assistance -Discretionary	13,147	13,147	12,706														39,000
Economic Assistance -Mandatory				12,500	12,000	11,500	10,000	8,500	7,250	6,000	5,000	4,000	3,000	2,000			81,750
5 Infrastructure Projects			8,000	8,000	8,000	6,000	5,000	5,000									40,000
Direct Assistance to Palau - Discretionary	13,147	13,147	13,147														39,441
Direct Assistance to Palau - Mandatory			14,559	32,500	25,000	22,500	20,000	18,500	12,250	11,000	10,000	9,000	8,000	4,250	2,000		189,559
Total, Direct Assistance to Palau	13,147	13,147	27,706	32,500	25,000	22,500	20,000	18,500	12,250	11,000	10,000	9,000	8,000	4,250	2,000		229,000
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		19,500
ANNUAL FUNDING, PALAU COMPACT	13,147	13,147	29,206	34,000	26,500	24,000	21,500	20,000	13,750	12,500	11,500	10,500	9,500	5,750	3,500		248,500
PALAU ANNUAL WITHDRAWAL FROM TRUST FUND 3/	5,000	5,000	5,000	5,000	5,250	5,500	6,750	8,000	9,000	10,000	10,500	11,000	12,000	13,000	15,000		126,000

1/Discretionary appropriations provided by the Congress in 2010, 2011 and 2012 Italicized

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.