



BUDGET The United States
Department of the Interior
JUSTIFICATIONS

and Performance Information
Fiscal Year 2009

**OFFICE OF
INSULAR AFFAIRS**

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I. Bureau-Level Presentation

A. General Statement

1. Introduction

The proposed fiscal year 2009 budget is \$401.6 million, of which \$79.9 million is requested in current appropriations, a decrease of \$3.3 million below the FY 2008 enacted amount.

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

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

The budget request for FY 2009 continues to promote implementation of the management reform initiatives advanced by the President. Developed within the framework of the Department of the Interior's 4 C's Vision – consultation, cooperation and communication – all in the service of conservation – the request reflects the ongoing effort of OIA to adapt to the changing needs of the insular areas. Although the budget request is focused primarily on the upcoming fiscal year, it is framed by long-term security interests of the United States in the western Pacific and Caribbean and serious economic and fiscal problems impacting the U.S. territories: American Samoa, the Commonwealth of the Northern Mariana Islands (CNMI), Guam, and the United States Virgin Islands (USVI).

National security issues related to the relocation thousands of U.S. military personnel and their dependents from Okinawa, Japan to Guam will create huge challenges for the island's infrastructure in coming year and will be an important consideration for FY 2009 and subsequent budgets. Guam's population is expected to grow by 20% by 2014. Although financial resources are available for on-base military construction, a funding strategy to improve the inadequate port, roads, power, water, wastewater, and solid waste systems shared by the military and the civilian community have not been decided upon. Guam also faces a need to improve its healthcare and educational facilities, and to improve its public sector management. Guam will be forever changed by the military's build-up and its increased strategic visibility. Community support for this endeavor may be undermined if civilian facilities remain inadequate to meet the growing resource needs of the larger population.

The three other U.S. territories are facing economic and fiscal difficulties. In American Samoa, the continued operation of two tuna canneries that account for 80 percent of the private sector economy is threatened by changes in international trade and tariff policies. The CNMI economy

has been struck by a change in regional tourism patterns and by the diminishment of its garment industry brought on by free trade agreements affecting clothing and textiles. Both territories face devastating impacts to their economies and to the local governments' tax bases.

Although the USVI has a relatively more diversified economy than the other territories, it too faces difficulties in providing infrastructure that meets U.S. standards. The USVI is under consent decrees to improve water, wastewater and solid waste facilities. It too must improve its public sector administrative capacities.

Although each territory's situation is unique, there are challenges they face in common. Each has very limited land and resources. Each has a small population and a limited pool of expertise to address the community's critical needs. Each is located in an area that is highly prone to destructive typhoons, cyclones, or hurricanes. Each faces constraints that mainland communities generally do not have, and they face those constraints in geographically isolated areas.

The territories need imaginative solutions, and OIA will continue to work to provide them. We will continue to promote economic development efforts and will refine our efforts to allow existing Federal loan programs to be directed to islands projects. Not all the solutions require grant funds, but the private sector financial markets may require a Federal commitment to support infrastructure investment.

2. Budget Highlights

The proposed FY 2009 budget is \$401.6 million, of which \$79.9 million is requested in current appropriations, a decrease of \$3.3 million below the FY 2008 Enacted. The request for current appropriations includes \$227,000 for fixed cost increases and a decrease of \$3.5 million for program changes and earmarks. The entire budget request falls within the mission goal of *Serving Communities – Increase Self-Sufficiency of Insular Areas (Goal 5 of the Department of the Interior's Strategic Plan)*.

2009 Budget Request by Interior Mission Goal (Dollars in Thousands)

Mission Goal	2007 Actual	2008 Enacted	2009 Request	2009 Request Change from 2008
Serving Communities	415,527	411,189	401,590	-9,599
Total	415,527	411,189	401,590	-9,599

The current appropriations request includes \$50.2 million in discretionary funding and \$29.7 million in mandatory funding. In addition, \$321.7 million for permanent and indefinite appropriations is estimated for FY 2009, including \$113 million estimated for fiscal payments to Guam and the USVI and \$208.7 million for payments under the Compact of Free Association. The table on the following page shows the fiscal year 2007 actual, 2008 enacted, and 2009 request figures.

Total 2008 Budget Request
(Dollars in Thousands)

Budget Authority	2007 Actual	2008 Enacted	2009 Request	2009 Request Change from 2008
Discretionary/Mandatory	81,510	83,129	79,872	-3,257
Permanent	334,017	328,060	321,718	-6,342
Total	415,527	411,189	401,590	-9,599
<i>FTEs</i>	36	36	39	+3

The FY 2009 OIA budget continues to focus on strategies that contribute to increasing the self-sufficiency of insular areas. OIA will continue to provide support to help develop more efficient and effective government in the insular areas through the various Assistance to Territories programs. This assistance includes grant funding to meet a variety of needs, including resources for critical infrastructure like wastewater systems, hospitals, and schools. In FY 2007, OIA received over \$81 million in assistance to territories funding, providing over 90 percent of these funds to insular areas in the form of grants to provide financial assistance. OIA plans to continue this effort in FY 2009.

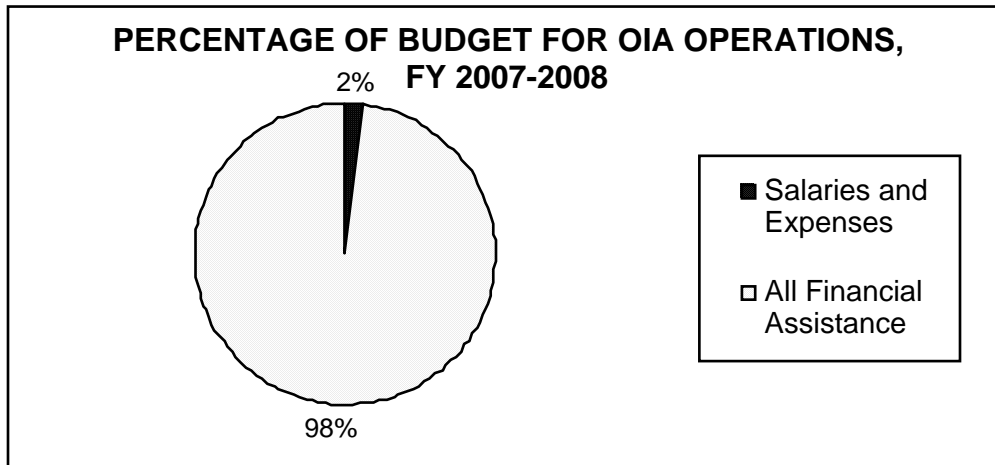
OIA's budget is divided into two major categories of funding – permanent or mandatory and current discretionary. Most of OIA's budget reflects mandatory commitments to U.S.-affiliated insular areas and is permanently appropriated (\$321.7 million). Within current appropriations, two activities are considered mandatory, Covenant grants (\$27.7 million) that provide for Capital Improvement Projects (CIP) in U.S. territories and an annual Health and Education Block Grant given to the Republic of Palau (\$2 million).

American Samoa Operations (\$22.8 million), the second largest budget activity is considered discretionary but is a directed appropriation that provides essential assistance to help the American Samoa Government provide basic services of health care, education, public safety, and support for the judiciary.

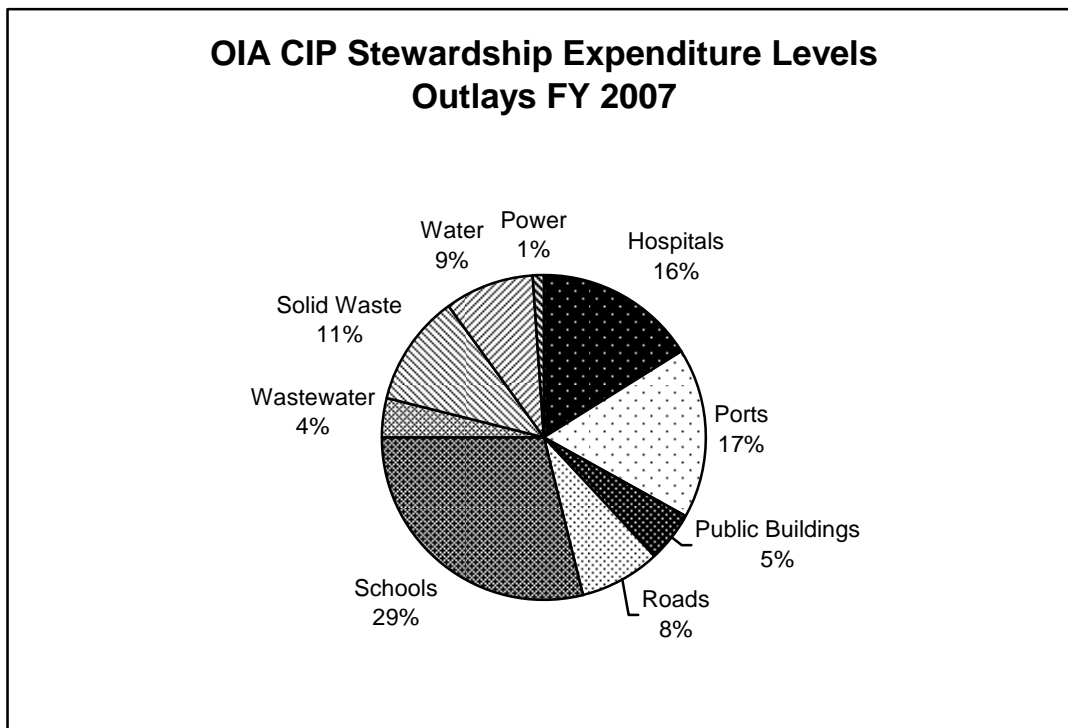
While not officially considered a mandatory program, Federal Services assistance (\$2.8 million) is comprised of two subactivities that were negotiated and are defined in law. The first is reimbursement to the U.S. Postal Service for continuation of mail service to the FAS. Failure to provide this service would be a breach of the negotiated Compact. The second activity provides funding for the Republic of Palau to conduct an annual financial audit. Public Law 99-658 provides that the Republic of Palau's single audit, in accordance with the Single Audit Act of 1984, will be conducted at no cost to Palau through FY 2009.

The only true discretionary programs are the OIA Salaries and Expenses account (\$8.4 million) and the Technical Assistance activity (\$16.1 million) which account for \$24.5 million out of a total OIA budget of \$401.6 million in Fiscal Year 2009.

OIA’s current appropriation history shows an increase in permanent funding for Compact areas, due to required inflation increases, and a relative decline in current levels for all insular areas. As seen in the chart on the next page, all but two percent of the total funding received by OIA goes toward assistance to the territories.



High priority projects such as those identified as stewardship expenditures make up a large portion of OIA’s discretionary funding. Stewardship expenditures are investments OIA makes in insular area capital infrastructure (see table below). The total expended in FY 2006 was \$34.3 million. In FY 2007, the islands expended \$22.6 million on capital infrastructure.



3. 2009 Performance Summary

OIA is the principal office responsible for achieving the Department's mission of building quality communities for insular areas. The Department's end outcome goal for this part of the mission is to increase the self sufficiency of insular areas. This goal is measured by examining Federal assistance as a percentage of Gross Domestic Product (GDP) for insular economies. At this time, OIA is unable to gather the appropriate data for the above measure. Instead, the following proxy measure is used: Ratio of Federal revenue to total revenues in insular areas. OIA also has three intermediate outcomes and performance measures:

1. Increase Economic Development
Private Sector Employment: Ratio of private sector jobs to total employment.
2. Improve Insular Governments Financial Management Practices
Timeliness of Financial Statements: Total average months late for all insular general fund financial statements.
3. Increased Federal Responsiveness to Unique Needs of Island Communities Striving for Economic Self-Sufficiency
Satisfaction and Confidence Rating: Numerical improvement in insular areas' satisfaction with and confidence in Interior responsiveness to their needs.

The first intermediate outcome is to increase economic development. Most of the economies of the insular areas are dominated by the public sector, and cannot be sustained without significant subsidy from the Federal Government. OIA's top priority is to help the insular areas expand and strengthen their private sectors, building more sustainable economies to meet the needs and aspirations of their citizens. OIA has historically provided financial and technical assistance for a number of activities that can help strengthen the foundations for economic development, such as developing public infrastructure, improving health care, improving education and providing expert analysis on issues affecting the economy.

More recently, however, OIA has recognized a need to more directly facilitate private sector economic development. The insular area economies are heavily oriented around the public sector, and some insular area officials have become complacent about their ability to continue to use substantial financial support from the Federal Government as a substitute for private sector economic development. Therefore, OIA perceived a need to educate insular area officials about the importance of promoting private sector economic development, and to provide technical assistance to help them identify and implement the necessary steps to make their economies more sustainable. Specifically, technical assistance is required to help the insular areas to:

- Identify competitive advantages;
- Identify industries that have the most potential for success in bringing prosperity to the insular areas;
- Identify companies in those industries that might consider investing in the insular areas;
- Identify specific investment opportunities for those companies;
- Reach out to as many of those companies as possible, to educate them on the competitive advantages offered by the insular areas;

- Help foster strategic alliances between potential off-island investors and local businesses to ensure that outside investment supports, rather than supplants, the existing insular area business communities;
- Assist insular area businesses and government officials in following up on contacts made with potential investors, including coordinating trips by such potential investors to the insular areas and meetings with such businesses and officials; and
- Assist insular area governments to identify and implement ways to make the insular areas more attractive to private sector investment.

In order to facilitate this process, OIA is working with the insular areas to address their needs. OIA will organize a Business Opportunities Conference in Hawaii. This will be the fifth such Conference since 2003, continuing OIA's effort to focus on increasing awareness in the United States and around the world of business and other opportunities in all seven insular areas. The format will be similar, though the content and outreach will be somewhat different, reflecting the experiences of the last four years' work. Also, OIA will work actively to assist insular area officials with following up on contacts made at the conferences and missions. We will also ensure that each of the potential investors—which included companies involved in tourism, information technology, environmental technology, defense systems, financial services, health care, education, agriculture and construction—has a full schedule of site tours and meetings with government officials and potential local business partners. The local governments and business communities will be active participants in both the planning and execution of the missions.

OIA has worked to find ways to make progress on economic development without the need for a large commitment of resources. In fact, less than 1% of the Assistance to Territories appropriations is spent on private sector development, due to the fact that many of the costs for the major events spearheaded by OIA are borne by participants. This effort is proving to be successful, with business opportunities in the insular areas having been fostered with the help of OIA's facilitation efforts.

One measure of success is to look at the ratio of private sector jobs to total employment with anticipated increases in private sector jobs. OIA's emphasis on economic development is geared to assist the private sector with an anticipated result in the long term of increased private sector job availability to lessen dependence on Federal and local government employment. Increases in local business and income tax revenue are also potential measures.

Despite these successes, it will take patience and sustained commitment in order for our private sector economic development efforts to achieve their full potential.

The second intermediate outcome is to improve insular governments' financial practices. OIA is planning several strategies to accomplish this goal. One is to use budget resources as an incentive for financial improvements. Beginning with the FY 2005 budget, OIA established a competitive process by which Covenant grant funding is allocated in accordance with competitive criteria. 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. Criteria for evaluation include the government's performance on recent audits, financial management practices, and

ability to meet established timelines in response to OIA queries and deadlines. OIA continues to review the criteria to ensure items are valid, collectable, and applicable to all insular areas, and the data provided is comparable.

OIA works with all of the territories and freely associated states to help the island governments improve financial policies and procedures, upgrade automated financial management systems (FMS), train staff, complete accurate financial statements, and meet the Single Audit Act requirements. At the start of this comprehensive approach all of the areas were several years behind in completing financial statements and annual audits. Currently, the insular areas are only an average of one month late in submitting annual audits which is an improvement of one month over last years submissions. OIA will continue to assist the areas in obtaining the resources necessary to comply with the Single Audit Act and, when necessary, will impose sanctions if it is deemed to persuade the grantee to prioritize their efforts.

The chart on the following page identifies the progress the insular areas have made in completing delinquent audits, current status, and estimated compliance with the statutory deadlines. The first column lists each of the seven insular areas. The second column refers which fiscal year period was reviewed, the third column lists the date the audit was due, and the fourth column records the date the audit was actually submitted. Finally, the last column displays the number of months late the audit was submitted past the deadline. Over the past four years, the insular areas have decreased the number of months late the financial audits were submitted from an average of nine months late in FY 2003 to just one month late in FY 2006.

Timeliness of Annual Audits - as of 10/31/2007

Insular Area	Year Ended Audit Period	Timely - per OIA within 1 yr of fiscal year end	Completed Audit	# of Months over Timely
American Samoa	2003	09/30/04	08/16/05	11
	2004	09/30/05	02/28/06	5
	2005	09/30/06	06/30/06	0
	2006	09/30/07	10/09/07	1
Commonwealth of the Northern Marianas Islands	2003	09/30/04	07/06/05	10
	2004	09/30/05	03/15/06	6
	2005	09/30/06	07/19/06	0
	2006	09/30/07	06/30/07	0
Guam	2003	09/30/04	12/03/04	3
	2004	09/30/05	08/05/05	0
	2005	09/30/06	06/30/06	0
	2006	09/30/07	06/30/07	0
US Virgin Islands	2003	09/30/04	05/31/05	8
	2004	09/30/05	06/26/06	9
	2005	09/30/06	None-est 04/08	19
	2006	09/30/07	None-est 09/08	12
Federated States of Micronesia	2003	09/30/04	08/14/06	23
	2004	09/30/05	08/25/06	11
	2005	09/30/06	09/05/06	0
	2006	09/30/07	08/08/07	0
Republic of the Marshall Islands	2003	09/30/04	07/06/04	0
	2004	09/30/05	07/08/05	0
	2005	09/30/06	06/30/06	0
	2006	09/30/07	06/30/07	0
Republic of Palau	2003	09/30/04	06/06/05	9
	2004	09/30/05	12/23/05	3
	2005	09/30/06	06/30/06	0
	2006	09/30/07	06/30/07	0
All Governments: Fiscal Year under review (fiscal year prior to Departmental Audit)	2003	2004	2005	2006
Average Number of Months Late	9	5	3	2

A second approach to achieve the goal of improving financial practices is to provide technical assistance to carry out specific plans for financial management improvements. To help accomplish this goal, OIA's Technical Assistance Program has contracted with the USDA Graduate School. The Graduate School provides training in a wide variety of financial disciplines. It also provides technical expertise through on-site assistance and advisory services, including development and implementation of long term improvement plans.

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

To help appraise the effectiveness of these approaches to improving the financial practices of the insular areas OIA is planning to use the following performance indicator: "(Targeted reduction) in the total average months late for all insular general fund financial statements."

The third intermediate outcome is to increase Federal responsiveness to unique needs of island communities. OIA has developed a number of approaches to advance this goal. The first was the creation, by Presidential Executive Order, of the Interagency Group on Insular Areas (IGIA). This group meets periodically under the Chairmanship of the Secretary to bring together Federal agencies to hear the concerns of the insular governments, identify problems and develop solutions, and create a forum for sharing information. OIA is also a key partner with the State Department in the Interagency Group on Freely Associated States. This group meets periodically to resolve problems and coordinate efforts in the Federated States of Micronesia, the Republics of Palau and the Marshall Islands. Major efforts over the last two years have focused on alternative sources of financing for large-scale infrastructure needs and health data collection. OIA is also making a strong effort to improve communications with the insular areas and those who do business with them. Particular attention has been placed on improving electronic communications. This is extremely important to the territories and FAS because of their remote locations. Technical assistance and capital funding has been provided to improve undersea cabling, satellite communications, video conferencing, distance learning facilities, and website innovations.

During fiscal year 2007, OIA conducted a focus group on customer satisfaction. During the session, previous survey questions were asked and information was obtained from the group on which delivery method participants felt would receive the highest response rate. In fiscal year 2008 and 2009, OIA will strive to implement a new customer satisfaction survey based on the results ascertained from the focus group.

4. Key Budgetary Changes

The fiscal year 2009 OIA budget request continues to support economic development efforts. The total budget request of \$401.6 million decreases discretionary funding by \$3.3 million, increases permanent funding under the Compacts of Free Association by \$3.7 million, and decreases fiscal payments by \$10.0 million.

The discretionary request of \$79.9 million includes a fixed cost increase of \$227,000 and a travel reduction of \$138,000. The discretionary request also includes a \$229,000 increase for the American Samoa Operations grants with a corresponding decrease in the Coral Reef Initiative. The Technical Assistance request is decreased by \$2.9 million due to the elimination of earmarks for judicial training in the ninth circuit, the Marshall Islands Health Care program, prior service trust benefits, and a CNMI population and workforce survey.

The increases in permanent funding under the Compacts of Free Association are due to formula inflation adjustments.

FY 2009 Budget at a Glance					
Office of Insular Affairs					
(Dollars in Thousands)					
	2007	2008	Fixed	Program	2009
	Actual	Enacted	Costs	Changes	President's
			Changes		Budget
<u>Assistance to Territories</u>					
Office of Insular Affairs	7,305	8,344	+227	(138)	8,433
General Technical Assistance	10,381	8,098	0	0	8,098
Maintenance Assistance	2,277	2,241	0	0	2,241
Brown Treesnake Control	2,673	2,631	0	0	2,631
Coral Reef Initiative	495	979	0	(229)	750
Insular Management Controls	1,476	1,453	0	0	1,453
Water and Wastewater	990	976	0	0	976
American Samoa Operations	22,880	22,523	0	229	22,752
Covenant Grants	27,720	27,720	0	0	27,720
<i>Judicial Training US Territories</i>	0	295	0	(295)	0
<i>RMI Health Care Program</i>	0	984	0	(984)	0
<i>Prior Service Benefits Trust Fund</i>	0	837	0	(837)	0
<i>CNMI Population and Workforce Survey</i>	0	738	0	(738)	0
Total, Assistance to Territories	76,197	77,819	227	-2,992	75,054
Total Compact (Current)	5,313	5,310	0	-492	4,818
Total Current Discretionary/Mandatory	81,510	83,129	227	-3,484	79,872
<u>Compact of Free Association</u>					
Marshall Islands Compact	63,854	63,639		+1,346	64,985
Federated States of Micronesia Compact	97,577	100,011		+2,121	102,132
Palau Compact	10,902	11,086		+185	11,271
Compact Impact	30,000	30,000		+0	30,000
Judicial Training	316	324		+6	330
Total Compact (Permanent)	202,649	205,060		+3,658	208,718
Guam Section 30 Income Taxes	51,909	40,000		0	40,000
VI Rum Excise Taxes	79,459	83,000		(10,000)	73,000
Total, Fiscal Payments (Permanent)	131,368	123,000		(\$10,000)	113,000
Grand Total - Office of Insular Affairs	415,527	411,189	+227	(\$9,826)	401,590

Office of Insular Affairs
2007 Funding by Activity and Insular Area
\$(000)

Activity	Am Sa	CNMI	Guam	US VI	FSM	RMI	Palau	Hawaii	DC	Colorado	California	Total
Compact - FSM					\$ 97,577							\$ 97,577
Compact - RMI						\$ 63,854						\$ 63,854
Compact - Federal Services					\$ 1,623	\$ 406	\$ 791					\$ 2,820
Compact - Palau							\$ 12,902					\$ 12,902
Enewetak Support						\$ 493						\$ 493
Compact Impact	\$ 15	\$ 5,172	\$ 14,242					\$ 10,571				\$ 30,000
Compact Judicial Training					\$ 212	\$ 104						\$ 316
Technical Assistance	\$ 2,573	\$ 1,079	\$ 1,240	\$ 1,334	\$ 304	\$ 147	\$ 545	\$ 98	\$ 800		\$ 173	\$ 8,293
Judicial Program 9th Circuit	\$ 79	\$ 79	\$ 79				\$ 79					\$ 315
Prior Service Trust Fund		\$ 788										\$ 788
Maintenance Assistance	\$ 73	\$ 1,195	\$ 17		\$ 585		\$ 407					\$ 2,277
Insular Management Controls	\$ 138				\$ 1,338							\$ 1,476
Coral Reef Initiative	\$ 197				\$ 224							\$ 421
Office of Insular Affairs	\$ 127	\$ 307			\$ 143	\$ 79		\$ 1,278	\$ 5,371			\$ 7,305
Article II Compact Healthcare						\$ 985						\$ 985
Brown Treesnake		\$ 279	\$ 283					\$ 892		\$ 1,219		\$ 2,673
Am. Samoa Ops	\$ 22,880											\$ 22,880
CIP Grants	\$ 10,543	\$ 10,629	\$ 3,331	\$ 3,217								\$ 27,720
Water & Waste Water		\$ 74		\$ 990								\$ 1,064
Payments to US Territories			\$ 61,401	\$ 65,330								\$ 126,731
Total	\$ 36,625	\$ 19,602	\$ 80,593	\$ 70,871	\$ 102,006	\$ 66,068	\$ 14,723	\$ 12,839	\$ 6,171	\$ 1,219	\$ 173	\$ 410,889

5. President's Management Agenda

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

- Performance Improvement Initiative;
- Strategic Management of Human Capital;
- Competitive Sourcing;
- Improved Financial Performance;
- Expanded e-Government; and
- Real Property.

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

Performance Improvement Initiative

With the advent of the new Interior Strategic Plan and several measures under its results-focused approach, OIA is working with the insular governments on accountability and other measures to ensure that performance data collection and reporting yields reliable information for decision-making.

Additionally, OIA is beginning to review internal processes in order to institutionalize performance measurement and reporting processes. In the first quarter of fiscal year 2008, OIA held an internal meeting with senior staff to review and update our strategic plan. The outcome of this meeting is enhanced by the parallel effort to develop program level performance measures that roll up to department strategic goals. We anticipate this first stage of this effort will be complete in fiscal year 2008. Once the strategic plan has been updated and program performance measures have been developed, OIA plans to share this information with the insular areas and solicit comments and feedback.

OIA is still working to develop consistent and appropriate methods to cost performance measures. OIA will use the performance measurement model currently being developed to implement methodologies which are in line with the Department's standard approach to costing performance measures. From this activity, the focus will turn towards developing integrated systems to collect data to be utilized in performance reporting and costing activities.

Program Assessment Rating Tool: OIA programs have been exempted from PART evaluations. OIA programs, such as those under the Compact of Free Association which constitutes the bulk of its funding, however, have on-going evaluation processes built in to them.

Strategic Management of Human Capital

As an office under the Assistant Secretary for Policy, Management and Budget, OIA is part of a larger plan for management of human capital and has limited strategic capability. However, OIA is taking advantage of those opportunities it has control over.

Competitive Sourcing

Because of the inherently governmental nature of its program, OIA has not been selected for competitive sourcing studies.

Improving Financial Performance

Based fiscal year 2007 Financial Statement Audit recommendations, OIA is working to standardize the grant award formats, including technical assistance grants.

OIA continues to make strides in assisting the insular governments to meet their Single Audit responsibilities, reducing the average number of months late for a single opinion from two to one.

Accountability: OIA's most important efforts in the financial performance area are those designed to improve financial performance and accountability in the territories and freely associated states. Among these efforts is the aforementioned paradigm procedures that allocates Capital Improvement Project (CIP) funding based on competitive financial performance criteria. An increased focus is now being placed on bringing the insular governments in full compliance with the requirements of the Single Audit Act.

Expanding Electronic Government

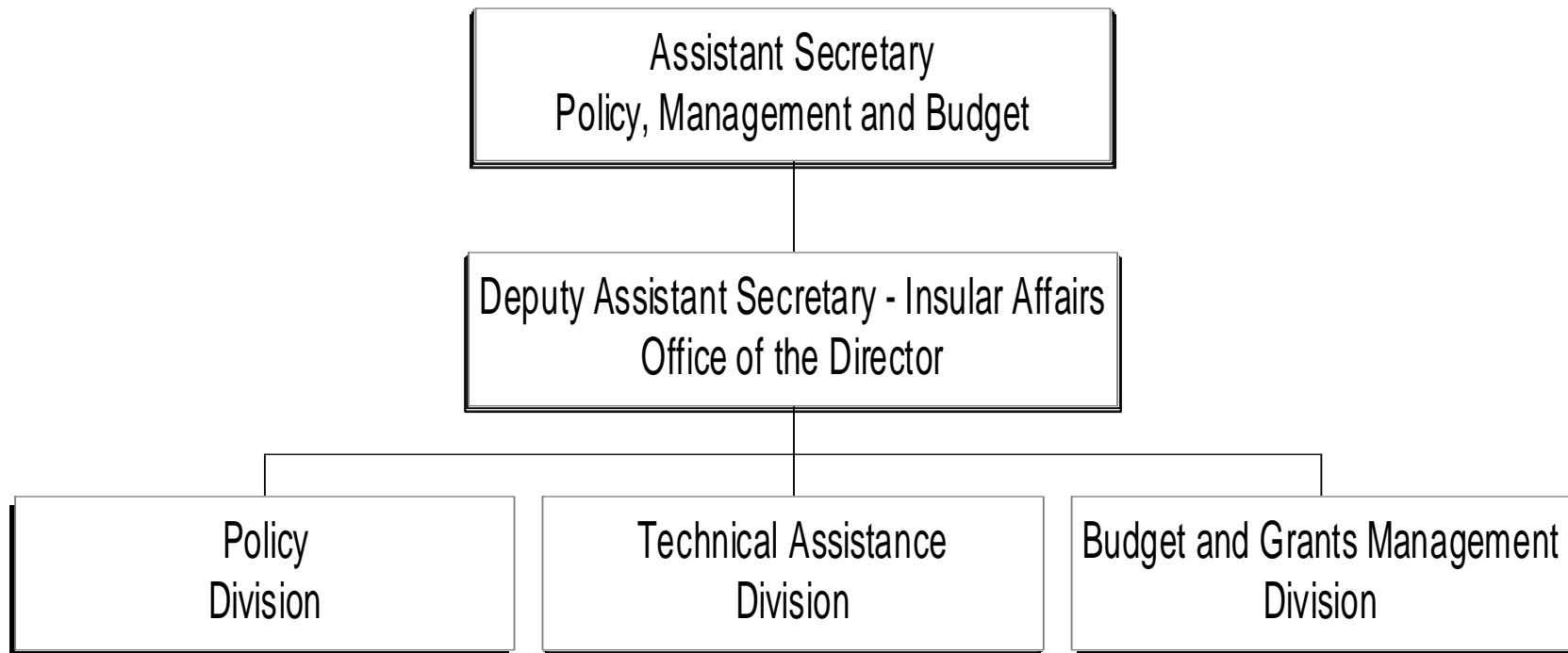
OIA contributes \$1,500 to support the President's E-Government initiatives. This amount is paid into the Department's Working Capital Fund Account, and costs are distributed based upon relative benefits received by each bureau. The Departmental Management budget justification included amounts for each initiative and describes the benefits received from each E-Government activity. E-Government is extremely important to OIA because its constituents are remotely located in the Pacific Ocean and the Caribbean. OIA has funded both technical assistance and capital acquisitions for programs and projects to increase E-Government capacity in the islands. OIA uses the internet to electronically publish business opportunities in the islands and thus increase competition and improve the quality of procurements funded by OIA.

B. Bureau-Level Tables

1. Goal Performance Table

End Outcome Goal 5 Serving Communities: Increase Economic Self Sufficiency of Insular Areas										
End Outcome Goal End Outcome Measure / Intermediate or PART Measure / PART Efficiency or other Outcome Measure	Type	2004 Actual	2005 Actual	2006 Actual	2007 Plan	2007 Actual	2008 Plan	2009 President's Budget	Change from 2008 Plan to 2009	Long-term Target 2012
End Outcome Measures										
Federal assistance as a percentage of GDP for insular economies – Annual proxy measure: “ratio of Federal Revenue to Total revenues in insular areas.” (SP)	A	26%	25%	28%	28% (\$673m/ \$2,391m)	30% (\$718m/ \$2,406m)	30% (\$715m/ \$2,420m)	30% (\$715m/ \$2,420m)	0	28%
Comments:		This was a new goal in FY 2004. The 2004 Actual and 2005 Actual figures were based on estimates from the CIA World Fact Book. Data in the CIA World Fact Book is inconsistently available and inaccurate for all insular areas. As a result of OIA’s Single Audit compliance efforts, more accurate and consistent data is now available from the insular areas’ annual financial statements. This data is now reflected beginning in the 2006 Actual column of this chart.								
Intermediate Outcomes and Performance Measures										
Improve Insular Governments Financial Management Practices - Timeliness of Financial Statements: Total average months late for all insular general fund financial statements.	A	8	19	12	5	2	2	1	-1	0
Increase Economic Development – Private Sector Employment: Ratio of private sector jobs to total employment.	A	0.76	0.72	NR	0.71 (138,149/ 193,283)	0.72 (142,060/ 197,973)	0.72 (142,160/ 198,100)	0.71 (140,722/ 198,200)	0	0.72
Increased Federal Responsiveness to Unique Needs of Island Communities Striving for Economic Self-Sufficiency - Satisfaction and Confidence Rating: Numerical improvement in insular areas satisfaction with and confidence in Interior responsiveness to their needs.	A	70%	72%	NR	74% (74/100)	84% (84/100)	80% (80/100)	80% (80/100)	0	76%
Comments:		The performance measure for Private Sector Employment was new in FY2004. The 2004 Actual figure was based on an estimate from the four U.S. Territories. The insular areas do not consistently collect this data annually. OIA is now using information reported in the insular area single audits to obtain employment statistics. At this time, OIA is working to receive OMB approval for the Customer Satisfaction Confidence Rating Survey.								

**ORGANIZATION CHART
OFFICE OF INSULAR AFFAIRS**



II. Assistance to Territories
A. Summary of Requirements Table

Activity/Subactivity	2007 Actual		2008 Enacted		Fixed Costs & Related Changes		Program Changes (+/-)		2009 Request		Inc. (+)/Dec. (-) from 2008	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
ASSISTANCE TO TERRITORIES												
(1) American Samoa Operations	2	22,880	2	22,523	0	0	0	229	2	22,752	0	229
(2) Covenant Grants - Mandatory												
Northern Mariana Islands Construction		10,629		10,286		0		1,044		11,330		1,044
American Samoa Construction		10,543		10,429		0		-1,049		9,380		-1,044
Guam Construction		3,331		4,169		0		671		4,840		671
Virgin Islands Construction		3,217		2,836		0		-666		2,170		-666
Sub-Total, Covenant Grants	0	27,720	0	27,720	0	0	0	0	0	27,720	0	0
(3) Territorial Assistance												
Office of Insular Affairs	33	7,305	33	8,344	0	227	3	-138	36	8,433	3	89
General Technical Assistance	1	10,381	1	8,098	0	0	0	0	1	8,098	0	0
Judicial Training		0		295		0		-295		0		-295
RMI Health Care Program		0		984		0		-984		0		-984
Prior Service Trust Benefits		0		837		0		-837		0		-837
CNMI Population and Workforce Survey		0		738		0		-738		0		-738
Maintenance Assistance Fund		2,277		2,241		0		0		2,241		0
Brown Treesnake Control		2,673		2,631		0		0		2,631		0
Insular Management Controls		1,476		1,453		0		0		1,453		0
Coral Reef Initiative		495		979		0		-229		750		-229
Water and Wastewater Projects		990		976		0		0		976		0
Sub-Total, Territorial Assistance	34	25,597	34	27,576	0	227	3	-3,221	37	24,582	3	-2,994
TOTAL ACCOUNT	36	76,197	36	77,819	0	227	3	-2,992	39	75,054	3	-2,765

COMPACT OF FREE ASSOCIATION - CURRENT APPROPRIATION

FY 2009 Summary of Requirements

Comparison by Activity / Subactivity	2,007 Actual	2,008 Enacted	Fixed Cost & Related Changes	Program Changes	FY 2009 Budget Request	Inc. or Dec. from 2008
COMPACT OF FREE ASSOCIATION - CURRENT						
Federal Services Assistance <i>Includes Postal services reimbursable for FSM/RMI Palau, along with single audit funds for Palau</i>	2,820	2,818	0	0	2,818	0
<u>Program Grant Assistance</u>						
Section 221(b) (Education/Health Care)	2,000	2,000	0	0	2,000	0
Military Use and Operating Rights Grant	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal, Program Grant Assistance	2,000	2,000	0	0	2,000	0
<u>Other Programs</u>						
Enewetak Support	493	492	0	-492	0	-492
Subtotal, Other Programs	493	492	0	-492	0	-492
TOTAL, COMPACT, Current	5,313	5,310			4,818	

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

OFFICE OF INSULAR AFFAIRS
 COMPACT OF FREE ASSOCIATION - PERMANENT APPROPRIATION
 FY 2008 Summary of Requirements

Comparison by Activity/Subactivity	2007 Actual	2008 Enacted	Fixed Costs and Related Changes	Program Changes	FY 2009 Budget Request	Inc. or Dec. from 2008
COMPACT OF FREE ASSOCIATION - PERMANENT						
Assistance to the Marshall Islands:						
Sector Grants	35,482	35,833	0	212	36,045	212
Audit	500	500	0	0	500	0
Trust Fund	8,950	9,714	0	758	10,472	758
Rongelap Resettlement	1,760	0	0	0	0	0
Kwajalein Lease Payment	15,793	16,190	0	345	16,535	345
Enewetak	<u>1,369</u>	<u>1,403</u>	<u>0</u>	30	1,433	<u>30</u>
Subtotal, Marshall Islands Assistance	63,854	63,639	0	1,345	64,985	1,345
<u>Assistance to the Federated States of Micronesia (FSM)</u>						
Sector Grants	79,388	80,516	0	834	81,350	834
Trust Fund	17,689	18,996	0	1,286	20,282	1,286
Audit	500	500	0	0	500	0
Subtotal, FSM Assistance	97,577	100,011	0	2,120	102,132	2,120
<u>Compact Impact</u>	30,000	30,000	0	0	30,000	0
<u>Judicial Training</u>	316	324	0	6	330	6
<u>Total, FSM/Marshalls Compact (Permanent)</u>	<u>191,747</u>	<u>193,974</u>	<u>0</u>	<u>3,471</u>	<u>197,447</u>	<u>3,471</u>
Assistance to the Republic of Palau						
Section 211 (Government Operations)	6,781	6,781	0	0	6,781	0
Section 215 (Inflation Adjustment)	<u>4,121</u>	<u>4,305</u>	<u>0</u>	185	<u>4,490</u>	185
Subtotal, Assistance to the Republic of Palau	10,902	11,086	0	185	11,271	185
TOTAL REQUIREMENTS, COMPACT, Permanent	202,649	205,060	0	3,656	208,718	3,656
GRAND TOTAL, COMPACT, Permanent & Current	207,962	210,370			213,536	

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

Appropriation:	Assistance to Territories	2008 Estimate		Uncontrollable and Related Changes		Program Changes		2009 Request	
		FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Object Class									
11.0 Personnel Compensation:									
11.1	Permanent positions - FTE-P	36	3,498		63		0	39	3,561
11.3	Positions other than permanent		-				0		-
11.5	Other personnel Compensation		100		0		0		100
			<u>100</u>		<u>0</u>		<u>0</u>		<u>100</u>
	Total personnel compensation	36	3,598		63		0	39	3,661
<u>Other Object Classes</u>									
12.1	Personnel benefits		1,064		35		0		1,099
13.0	Benefits to former employees		0		0		0		0
21.0	Travel & transportation of persons		685		0		-130		555
22.0	Transportation of things		0		0		0		0
23.1	Rental payments to GSA		38		0		0		38
23.2	Other rent, comm., and utilities		0		0		0		0
24.0	Printing and reproduction		15		0		0		15
25.0	Other services		2,650		129		-8		2,771
26.0	Supplies and materials		67				0		67
31.0	Equipment		40		0		0		40
41.0	Grants, subsidies & contributions		<u>69,662</u>		<u>0</u>		<u>(2,854)</u>		66,808
99.0	Total requirements	36	77,819		227		(2,992)	39	75,054

B. Fixed Costs and Related Changes

	2008 Budget	2008 Revised	2009 Fixed Costs Change
Additional Operational Costs from 2008 and 2009 January Pay Raises			
1. 2008 Pay Raise, 3 Quarters in 2008 Budget <i>Amount of pay raise absorbed</i>	+\$64	+\$63 [11]	
2. 2008 Pay Raise, 1 Quarter (Enacted 3.5%)	NA	NA	+\$23 [\$4]
3. 2009 Pay Raise (Assumed 2.9%)	NA	NA	+\$67
<p>These adjustments are for an additional amount needed to fund estimated pay raises for Federal employees.</p> <p>Line 1, 2008 Revised column is an update of 2008 budget estimates based upon an enacted 3.5% and the 1.56% across the board reduction.</p> <p>Line 2 is the amount needed in 2009 to fund the enacted 3.5% January 2008 pay raise from October through December 2008.</p> <p>Line 3 is the amount needed in 2009 to fund the estimated 2.9% January 2009 pay raise from January through September 2009.</p>			
Other Fixed Cost Changes			
One Less Pay Day <i>This adjustment reflects the decreased costs resulting from the fact that there is one less pay day in 2009 than in 2008.</i>	NA	NA	-\$12
Employer Share of Federal Health Benefit Plans <i>Amount of health benefits absorbed</i>	+\$54	+\$53 [\$1]	+\$20
<p>The adjustment is for changes in the Federal government's share of the cost of health insurance coverage for Federal employees. For 2009, the increase is estimated at 3.0%, the average increase for the past few years.</p>			
Worker's Compensation Payments <i>Amount of workers compensation absorbed</i>	NA	NA	NA
<p>The adjustment is for actual charges through June 2006 in the costs of compensating injured employees and dependents of employees who suffer accidental deaths while on duty. Costs for 2009 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.</p>			
Unemployment Compensation Payments <i>Amount of unemployment compensation absorbed</i>	NA	NA	NA
<p>The adjustment is for estimated changes in the costs of unemployment compensation claims to be paid to the Department of Labor, Federal Employees Compensation Account, in the Unemployment Trust Fund, pursuant to Public Law 96-499.</p>			
Rental Payments <i>Amount of rental payments absorbed</i>	+\$60	+\$59 [\$1]	+\$58
<p>The adjustment is for changes in the costs payable to General Services Administration and others resulting from changes in rates for office and non-office space as estimated by GSA, as well as the rental costs of other currently occupied space. These costs include building security; in the case of GSA space, these are paid to DHS. Costs of mandatory office relocations, i.e., relocations in cases where due to external events there is not alternative but to vacate the currently occupied space, are also included.</p>			

	2008 Budget	2008 Revised*	2009 Fixed Costs Change
Departmental Working Capital Fund	+\$136	+\$134	+\$71
<i>Amount of WCF payments absorbed</i>		[\$2]	
The change reflects expected changes in the charges for Department services and other services through the Working Capital Fund. These charges are displayed in the Budget Justification for Department Management.			
TOTAL, FY 2009 Fixed Costs Change, OIA			+\$227

C. Language Citations

1. Appropriations Language

For expenses necessary for assistance to territories under the jurisdiction of the Department of the Interior, [\$78,613,000] \$75,054,000 of which: (1) [\$70,137,000] \$66,621,000 shall remain available until expended for technical assistance, including maintenance assistance, disaster assistance, insular management controls, coral reef initiative activities, and brown tree snake control and research; grants to the judiciary in American Samoa for compensation and expenses, as authorized by law (48 U.S.C. 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) [\$8,476,000] \$8,433,000 shall be available until September 30, [2009] 2010 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 3 I, United States Code: *Provided further*, That Northern Mariana Islands Covenant grant funding shall be provided according to those terms of the Agreement of the Special Representatives on Future United States Financial Assistance for the Northern Mariana Islands approved by Public Law 104-134: [*Provided further*, That of the amounts provided for technical assistance, sufficient funds shall be made available for a grant to the Pacific Basin Development Council: *Provided further*, That of the amounts provided for technical assistance, sufficient funding shall be made available for a grant to the Close Up Foundation:] *Provided further*, That the funds for the program of operations and maintenance improvement are appropriated to institutionalize routine operations and maintenance improvement of capital infrastructure with territorial participation and cost sharing to be determined by the Secretary based on the grantee's commitment to timely maintenance of its capital assets: *Provided further*, That any appropriation for disaster assistance under this heading in this Act or previous appropriations Acts may be used as non-Federal matching funds for the purpose of hazard mitigation grants provided pursuant to section 404 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5170c). (*Department of the Interior, Environment, and Related Agencies Appropriations Act, 2008.*)

Compact of Free Association

For grants and necessary expenses, [\$5,362,000] \$4,818,000, to remain available until expended, as provided for in sections 221(a)(2), 221(b), and 233 of the Compact of Free Association for the Republic of Palau; 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. (*Department of the Interior, Environment, and Related Agencies Appropriations Act, 2008.*)

2. 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 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 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 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.

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

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III. Activity/Subactivity-Level Presentation

Activity: American Samoa						
Subactivity: Operation Grants \$(000)						
	2007 Actual	2008 Enacted	2009			Change from 2008 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
General Operations	22,023	21,551	0	+229	21,780	+229
High Court	857	972	0	0	972	0
FTE	2	2	0	0	2	0
Total Requirements	22,880	22,523	0	+229	22,752	+229
FTE	2	2	0	0	2	0

PROGRAM OVERVIEW

Each fiscal year, the Office of Insular Affairs provides grant funds to American Samoa for the operation of the local government, including the judiciary. The American Samoa Government (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 American Samoan Government and the Department, new programs are funded from local revenues.

A secondary objective of this program activity is to promote self-sufficiency (DOI Strategic Plan Outcome Goal 5 for Serving Communities). In this regard, the Department’s policy is to maintain the operations grant at a constant level, thus requiring American Samoa to absorb the costs of inflation or costs associated with the growing population. Over the years, American Samoa has assumed an increasing percentage of the total costs of government operations.

Fiscal Year 2000 Tobacco Loan and Fiscal Reform Plan: In response to a proposal from the ASG, Congress enacted legislation authorizing American Samoa to receive a direct Federal loan up to \$18.6 million, to be repaid from their share of the Tobacco Settlement Escrow Fund for the purpose of paying debts (\$14.3 million) and implementing financial reforms (\$4.3 million). American Samoa identified a list of creditors who were willing to accept less than full dollar on the money they were owed. These creditors have now been paid. As a condition to the loan and requirement of the 1980 legislation, ASG submitted an Initial Fiscal Reform Plan (FRP) on July

30, 2001. Subsequent to discussions and meetings between ASG and OIA, a Memorandum of Agreement (MOA) was signed by Governor Tauese P. Sunia and Deputy Assistant Secretary David B. Cohen on August 2, 2002. The MOA defined the implementation of the fiscal reform plan designed to bring the ASG annual operating expenses into balance with projected revenues for the years 2003 and beyond as required under Public Law 106-113 (H.R. 2466) Part 5, Section 125(b)(3). As authorized by the MOA, OIA released \$4.3 million for expenses incurred by ASG under the Fiscal Reform Plan. The MOA requires ASG to submit quarterly reports, substantiated by an independent auditor, that provide updated revenue and expenditure information.

Revised Fiscal Reform Plan: OIA has been monitoring the ASG's progress on its Fiscal Reform Plan (Revised July 2004) that was submitted in compliance with the 2002 MOA between the ASG and the Department of the Interior. ASG has continued to provide information as required under the MOA and Plan. The fiscal position of the ASG was greatly improved from FY 2002 through FY 2004. However, the major sources of revenue were from nonrecurring activities such as insurance payments, loans, and collections of outstanding taxes and other amounts owed to ASG. Although the ASG has reported a cumulative surplus for FY 2005 (audited) and FY 2006 (unaudited), indications are that problems still exist due to unrealistic budget projections and collection shortfalls. Although the ASG has implemented many of the steps in the Plan, an insufficient impact on the reduction of operational costs will cause the ASG to deplete its cumulative surpluses. It is OIA's goal to assist the ASG in developing and implementing fiscal reforms that will have a long-term effect on ASG's financial management practices and result in a more responsive and accountable government. OIA will continue to monitor the activities of the ASG and will provide technical assistance as necessary. The willingness of the ASG to implement recommendations that are designed to help ensure a healthy financial position is taken into account in OIA's process of allocating grant funds.

2009 PROGRAM PERFORMANCE

American Samoa plans to accomplish the following in FY 2009:

- Provide financial reports for quarter ending September 30, 2008.
- Provide financial reports for quarter ending December 31, 2008.
- Provide financial reports for quarter ending March 31, 2009.
- Provide financial reports for quarter ending June 30, 2009.

The chart on the following page reflects the ASG's operations funding priorities for FY 2007, FY 2008, and FY 2009:

Funding Category	2007	2008	2009
	Award	Award	Proposed Award
Basic (DOE/ASCC) Operations	\$8,759,000	\$8,611,217	\$8,712,000
LBJ Hospital Operations	\$11,264,000	\$13,039,906	\$13,068,000
LBJ Pharmaceuticals & Medical Supplies	\$2,000,000	-	-
High Court	\$857,000	\$971,877	\$972,000
Total	\$22,880,000	\$22,623,000*	\$22,752,000

*Included carry-over funding.

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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Activity: CNMI/Covenant Grants \$(000)						
SUMMARY TABLE						
	2007 Actual	2008 Enacted	2009			Change From 2008 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
CNMI Construction	10,629	10,286	0	+1,044	11,330	+1,044
American Samoa Construction	10,543	10,429	0	-1,049	9,380	-1,049
Guam Construction	3,331	4,169	0	+671	4,840	+671
Virgin Islands Construction	3,217	2,836	0	-666	2,170	-666
Totals	27,720	27,720	0	0	27,720	0
FTEs	0	0	0	0	0	0

Covenant funding addresses a variety of infrastructure needs in the U.S. territories including critical infrastructure like hospitals, schools and wastewater systems. Improvements to critical infrastructure not only benefit the current population and businesses, but lay the groundwork to attract new investment to the territories thereby promoting economic development and self-sufficiency.

Beginning with FY 2005, OIA implemented a new competitive allocation system for the \$27,720,000 in mandatory Covenant Capital Improvement Project (CIP) grants. It is based on a premise that all funds will be used for capital needs in the U.S. territories. The territories are asked to submit CIP requests in a range both above and below base (target). The base-level funding amounts were established on the basis of current historic trends with respect to the Commonwealth of the Northern Mariana Islands and American Samoa. With respect to base level funding amounts for Guam and the U.S. Virgin Islands, OIA divided equally the balance of the funding since these two governments have a greater capacity to locally finance infrastructure and the historical trends are not as clear. In the case of the U.S. Virgin Islands, funding has only been available on an intermittent basis. The new process offers both governments an opportunity to compete each year for a greater portion of the guaranteed funding in addition to other assistance or local funding that might be available. The OIA capital improvement request for each government will be within a range \$2,000,000 above and below these base-levels:

Baseline Covenant Funding
 FY 2005 – FY 2010
 (\$000)

CNMI	11,000
American Samoa	10,000
Guam	3,360
Virgin Islands	<u>3,360</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. In addition to the application of these criteria to the allocation of capital improvement assistance, the Office of Insular Affairs considers the capacity of each insular government to absorb the amount of capital assistance it would otherwise qualify for and any special or extenuating conditions that might require adjustments to the allocation. The competitive criteria measure the governments' demonstrated financial and administrative capabilities. The competitive criteria are listed below:

Competitive Criteria for the Proposed Allocation of Mandatory Covenant Funding

1. The extent to which the applicant is in general compliance with 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, is solvent, and is current in paying outstanding obligations.
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 provides timely and comprehensive responses to any follow-up inquiries that OIA and other Federal agencies may have regarding single audits, including those related to questioned costs and those related to internal control deficiencies.
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 grant reporting requirements in an accurate manner.
9. The extent to which the applicant has properly functioning internal controls, including the presence of a qualified independent auditor, with an adequately funded office and strong safeguards to ensure the independence of the office.
10. The extent to which the applicant has complied with OIA information requirements resulting from issues outside of single audits.

While the total available for funding stays constant (\$27.7m), 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 FY 2009 request for Guam increased \$1,480,000 over the baseline funding in the competitive process because it scored above the average of the insular areas on the 10 criteria. However, once every five years, OIA will re-calculate base levels based on the average allocation over the five-year period. Thus, long-term good performance will be rewarded and poor performance in the long-term will be penalized.

The competitive allocation system applied to the \$27.72 million in CIP funds is based on a point method. The territories are given a various 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 FY 2008 and FY 2009 requests based on each insular government's score on the competitive criteria.

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

Territory	Baseline Funding	FY 2008 +/- Baseline	FY 2009 +/- Baseline	Total FY 2008	Total FY 2009	Diff +/- FY 2008
CNMI	11,000	-714	+330	10,286	11,330	+1044
American Samoa	10,000	+429	-620	10,429	9,380	-1,049
Guam	3,360	+809	+1,480	4,169	4,840	+671
Virgin Islands	<u>3,360</u>	<u>-524</u>	<u>-1,190</u>	<u>2,836</u>	<u>2,170</u>	<u>-666</u>
Total	27,720	0	0	27,720	27,720	0

Activity: CNMI/Covenant Grants						
Subactivity: CNMI Construction \$(000)						
	2007 Actual	2008 Enacted	2009			Inc (+) Dec(-) From 2008
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
CNMI Construction	10,629	10,286	0	+1,044	11,330	+1,044
FTEs	0	0	0	0	0	0

SUMMARY OF 2009 PROGRAM CHANGES

CNMI Construction

(+\$1,044,000) from FY 2008 funding level

(+\$330,000) from FY 2009 baseline funding level

The FY 2009 budget request for the CNMI CIP program is \$11.3 million with no additional FTE's.

Request Component		
Program Changes	Amount	FTE
CNMI Construction	+1,044	0

JUSTIFICATION OF 2009 PROGRAM CHANGES

The FY 2009 budget request for Covenant CIP funding to the CNMI is \$11.3 million. The amount was calculated utilizing the CIP selection criteria and methods below. The process is further described in the beginning of this section (see Activity: CNMI/Covenant Grants Summary Table section).

Beginning with FY 2005, OIA implemented a new competitive allocation system for the \$27.720 million in mandatory Covenant CIP grants. It is based on the premise that all funds will be used for capital improvement needs in the U.S. territories. The territories are asked to submit their requests in a range both above and below the base (target) level of funding. The base-levels were established on the basis of current historic trends with respect to the Commonwealth of the Northern Mariana Islands. The OIA capital improvement requests for each government will be within a range \$2.0 million above and below the base-level.

CNMI Baseline Funding.....	\$11,000,000
Results from Competitive Process.....	+ \$330,000
Programmed funding for FY 2009.....	\$11,330,000

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 close to \$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 and the Third Special Representatives Agreement. The US-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. This subactivity supports DOI's Serving Communities Strategic Goal, and is aimed at increasing economic self-sufficiency in the CNMI.

2009 PROGRAM PERFORMANCE

FY 2007 saw the completion of several CIP funded infrastructure projects in the CNMI including the new Dr. Jose T. Villagomez Center for Public Health and Dialysis. The new Center provides a state-of-the-art healthcare facility for the CNMI's growing population and will allow the existing Commonwealth Health Center to undergo much needed renovations. In addition, the CNMI's Water Task Force made significant strides towards its goal of bringing 24 hour potable water to the CNMI. The Task Force, which has been funded by CIP grants since FY 2004, brought 24 hour water service to portions of Saipan for the first time in the island's history this past year.

The requested \$11.3 million for FY 2009 will be used to continue meeting critical infrastructure needs in the CNMI similar to previous years. Funds will be used to continue large-scale improvements to potable water, solid waste management, and to continue promoting economic development. The proposed projects to be funded in FY 2009 are briefly explained below.

In order to comply with U.S Environmental Protection Agency regulations, the CNMI recently began the necessary steps required to ensure proper closure of the Puerto Rico Dump. The CNMI plans to use \$3 million of the proposed FY 2009 CIP funding to ensure that the dump is closed

properly. The Project, which is funded over several fiscal years by OIA, will be the site of a public park once completed.

The delivery of potable water to Saipan continues to be a main priority and would receive \$2.8 million of the proposed CIP funding. Currently, the majority of Saipan residents do not have potable water available twenty-four hours a day. The CNMI formed the Water Task Force in 2004 to coordinate this important effort and significant progress has been made.

In addition to the delivery of potable water, the CNMI has prioritized the Territory's economic development in recent years. In FY 2009, \$1.2 million would be dedicated to continue the revitalization of the downtown Garapan District, while \$750,000 would be dedicated to the Lake Susupe Educational Boardwalk Trail and another \$750,000 would be dedicated to the Kalabera Cave Development project. The island of Rota would receive \$1.4 million for the construction of a Jet Fuel Tank Facility at its airport which will allow the island to accommodate larger aircraft. All four projects are intended to enhance tourism in the CNMI.

The island of Tinian would receive \$1.4 million of the proposed \$11.3 million for the construction of the Tinian Landfill. The Project, which has received CIP funding under previous years, is currently undergoing an environmental assessment which will be completed in FY 2008.

The following chart reflects the CNMI's funding priorities for FY 2007, FY 2008, and FY 2009:

Funding Category	2007	2008	2009
	Award	Award	Proposed Award
Economic Development	\$2,500,000	1,285,750	\$4,138,750
Solid Waste	\$3,000,000	\$4,985,750	\$4,416,250
Wastewater	\$3,657,250	\$1,700,000	-
Water	\$1,471,750	\$2,314,500	\$2,775,000
Total	\$10,629,000	\$10,286,000	\$11,330,000

Activity: CNMI/Covenant Grants						
Subactivity: American Samoa Construction \$(000)						
	2007 Actual	2008 Enacted	2009			Inc (+) Dec(-) From 2008
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
American Samoa Construction	10,543	10,429	0	-1,049	9,380	-1,049
FTEs	0	0	0	0	0	0

SUMMARY OF 2009 PROGRAM CHANGES

American Samoa Construction

(-1,049,000) from FY 2008 funding level

(-620,000) from FY 2009 baseline funding level

The FY 2009, budget request for the American Samoa CIP program is \$9.38 million with no additional FTE's.

Request Component		
Program Changes	Amount	FTE
American Samoa Construction	-1,049	0

JUSTIFICATION OF 2009 PROGRAM CHANGES

The FY 2009 recommended funding level for American Samoa construction is \$9.38 million. This is a funding decrease of \$1,049,000 from FY 2008.

Beginning with FY 2005, OIA implemented a new competitive allocation system for the \$27.72 million in mandatory Covenant CIP grants. It was based on a premise that all funds would be used for capital improvement needs in the U.S. territories. The territories were asked to submit capital improvement requests in a range both above and below base (target) level funding. The base-levels were established on the basis of current historic trends with respect to American Samoa. The new process offered the U.S. insular area governments an opportunity to compete each year for a portion of the guaranteed funding in addition to other assistance or local funding that might be available. The OIA capital improvement request for each government will be within a range \$2.0 million above and below the base-level.

American Samoa Baseline Funding.....	\$10,000,000
Results from competitive process.....	- \$620,000
Proposed funding for FY 2009.....	\$9,380,000

The FY 2009 allocation for American Samoa was calculated utilizing the CIP selection criteria and methods above which is further described 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 FY 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.

2009 PROGRAM PERFORMANCE

Over the past year, several important Covenant CIP projects in American Samoa were completed resulting in new on-call staff housing and a renovated pediatric ward at the LBJ Tropical Medical Center as well as several new classroom buildings at Tafuna Elementary School and Nuuli Poly Tech. While ongoing projects such as the Tualauta Sewer System and LBJ Life Safety Improvements made steady progress, new projects such as the Tau Dispensary, Tafuna Women's Correctional Facility and the Taputimu Village Road have broken ground.

Due to the pressing need to foster economic development, \$3.0 million of the FY 2009 request will be used to help install a submarine fiber optic cable which could attract potential call centers and other telecommunication-driven industries to American Samoa. The fiber optic cable line, an economic development activity, is a top priority of both OIA as well as the current administration in American Samoa. The intent of the fiber optic cable project is to diversify American Samoa's economic base beyond the tuna canaries and government service by attracting call centers to the territory.

Approximately \$2.15 million of the FY 2009 request will be utilized to provide quality education for a growing population of students in American Samoa. Another \$1.0 million of these funds will be used to construct a new 10-classroom building at Lupelele Elementary School.

The \$1.4 million requested for Health will be utilized to allow the LBJ Tropical Medical Center to meet life safety requirements and to improve patient services and comfort. Approximately \$900,000 is slated for the renovation of both the OBG/Pediatric Clinic and Operating Room Suite.

The following chart reflects the ASG's funding priorities for FY 2007, FY 2008 and FY 2009:

Funding Category	2007	2008	2009
	Award	Award	Proposed Award
Economic Development	-	\$3,000,000	\$3,000,000
Health	\$2,415,850	\$1,807,550	\$1,400,000
Education	\$3,325,000	\$2,551,000	\$2,150,000
Water	\$1,075,000	\$600,000	\$674,000
Wastewater	\$781,500	\$435,500	\$800,000
Solid Waste	\$237,500	\$237,500	\$200,000
Port	\$1,250,000	\$900,000	\$687,000
Roads	\$380,000	-	-
Public Safety	\$475,000	\$300,000	-
Parks	\$76,000	\$76,000	-
O&M Set-Aside	\$527,150	\$521,450	\$469,000
Total	\$10,543,000	\$10,429,000	\$9,380,000

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.

Activity: CNMI/Covenant Grants						
Subactivity: Guam Construction \$(000)						
	2007 Actual	2008 Enacted	2009			Inc (+) Dec(-) From 2008
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
Guam Construction	3,331	4,169	0	+671	4,840	+671
FTEs	0	0	0	0	0	0

SUMMARY OF 2009 PROGRAM CHANGES

Guam Construction

(+\$671,000) from FY 2008 funding level

(+\$1,480,000) from FY 2009 baseline funding level

The FY 2009 budget request for the Guam CIP program is \$4.84 million with no additional FTE's.

Request Component		
Program Changes	Amount	FTE
Guam Construction	+671	0

JUSTIFICATION OF 2009 PROGRAM CHANGES

The FY 2009 recommended level for Guam construction is \$4.84 million with no additional FTE's. This is an increase of \$671,000 from FY 2008.

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. The territories are being asked to submit capital improvement requests in a range both above and below base (target) level funding. The base-levels have been established on the basis of current historic trends with respect to Guam. The new process offers the U.S. insular area governments an opportunity to compete each year for a portion of the guaranteed funding in addition to other assistance or local funding that might be available. The OIA capital improvement request for each government will be within a range \$2.0 million above and below base-levels.

Guam Baseline Funding.....	\$3,360,000
Results from competitive process.....	+ \$1,480,000
Proposed funding for FY 2009.....	\$4,840,000

The FY 2009 allocation for Guam was calculated utilizing the CIP selection criteria and methods above which are further described in the beginning of this section (see Activity: CNMI/Covenant Grants Summary Table section).

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 FY 2004, funding for impact aid for Guam is authorized and appropriated under the Compact of Free Association Amendments Act of 2003 (P.L. 108-188). Funds provided in FY 2005 and subsequent 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.

2009 PROGRAM PERFORMANCE

Over the past year, progress has been made in the effort to open a new Municipal Solid Waste Landfill on Guam. In order to satisfy a U.S. District Court order, Guam received \$1.45 million in CIP funding to secure land for the landfill site. In addition to the progress on the MSWLF, OIA issued Authorization to Proceed (ATP) for two health care projects. The Guam Community College's new Allied Health Center Building (A&E) will be used to train future healthcare professionals while building improvements, such as the replacement of a chiller, fire alarms system and roof insulation, will be undertaken at the Guam Memorial Hospital.

In FY 2009, Guam plans to prepare for the impending military buildup by allocating \$943,000 to improve the Guam Community College's Trade Program Instruction Labs as well as \$2 million to increase throughput cargo capacity at the Port Authority of Guam with the procurement of a rubber tire gantry crane. In order to displace higher cost power generation, reduce Guam's dependency on imported fossil fuels, and reduce the environmental effects of using these fossil fuels, it is proposed that the Guam Power Authority receive \$1 million for its Pilot Wind Turbine Project. In addition, \$388,000 will be used to renovate the Southern Regional Health Center, \$200,000 for the Department of Youth Affairs' Drug and Alcohol Treatment Facility, and \$260,000 to help the University of Guam make American Disability Act compliance upgrades on campus.

The chart on the following page reflects Guam's funding priorities for FY 2007, FY 2008 and FY 2009:

Funding Category	2007	2008	2009
	Award	Award	Proposed Award
Health	\$1,815,000	-	\$388,000
Education	-	-	\$1,203,000
Solid Waste	-	\$1,360,000	-
Power	-	-	\$1,000,000
Port	\$1,516,000	\$2,000,000	\$2,000,000
Public Buildings	-	\$809,000	\$249,000
Total	\$3,331,000	\$4,169,000	\$4,840,000

Activity: CNMI/Covenant Grants						
Subactivity: Virgin Islands Construction \$(000)						
	2007 Actual	2008 Enacted	2009			Inc (+) Dec(-) From 2008
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
Virgin Islands Construction	3,217	2,836	0	-666	2,170	-666
FTEs	0	0	0	0	0	0

SUMMARY OF 2009 PROGRAM CHANGES

U.S. Virgin Islands Construction

(-\$666,000) from FY 2008 funding level

(-\$1,190,000) from FY 2009 baseline funding level

The FY 2009 budget request for the Virgin Islands CIP program is \$2.2 million with no additional FTE's.

Request Component		
Program Changes	Amount	FTE
U.S. Virgin Islands Construction	-666	0

JUSTIFICATION OF 2009 PROGRAM CHANGES

The FY 2009 recommended level for U.S. Virgin Islands construction is \$2.2 million. This amount is requested for territory-wide solid waste management improvements. This is a reduction of \$666,000 from the FY 2008 amount of \$2.8 million. The FY 2009 amount was calculated utilizing the CIP selection criteria and methods below. The process is further described in the beginning of this section (see Activity: CNMI/Covenant Grants Summary Table section).

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

not as clear. In the case of the U.S. Virgin Islands, funding has only been available on an intermittent basis. The new process offers the U.S. insular area governments the opportunity to compete each year for a portion of the guaranteed funding in addition to other assistance or local funding that might be available. The OIA capital improvement request for each government will be within a range \$2.0 million above and below base-levels.

U.S. Virgin Islands Baseline Funding.....	\$3,360,000
Results from competitive process.....	-\$1,190,000
Proposed funding for FY 2009.....	\$2,170,000

PROGRAM OVERVIEW

Public Law 104-134, enacted in 1996, reduced annual funding to the CNMI and allocated other funds for use 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, Guam and the Commonwealth of the Northern Mariana Islands received set levels of funding, the U.S. Virgin Islands received irregular funding. Recently though, the needs of the 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.

2009 PROGRAM PERFORMANCE

FY 2007 saw the substantial completion of two state-of-the-art wastewater treatment plants on St. Croix and St. Thomas that are partially funded by previously awarded CIP grants. The new plants, which became operational in 2007, are the result of a U.S. Environmental Protection Agency (EPA) consent decree. The U.S. Virgin Islands was required to build the new plants in order to comply with the Clean Water Act along with various other Federal and local environmental laws. The U.S. Department of Justice, which is working closely with the U.S. Virgin Islands on resolving these violations, also mandated that territory-wide sewer system infrastructure upgrades are made to ensure that the Territory has the infrastructure to support the new wastewater treatment plants. The FY 2007 and FY 2008 CIP grants are dedicated to these upgrades which are currently undergoing environmental reviews.

The \$2.2 million proposed in FY 2009 will be used to address the U.S. Virgin Islands' solid waste problems. While wastewater infrastructure improvements continue to remain a priority, substantial progress has been made. Consequently, the U.S. Virgin Islands has requested to use its FY 2009 CIP funding to begin addressing equally critical solid waste problems that the EPA has determined pose a serious threat to human health and the physical environment. The \$2.2 million will be used bring the two operational landfills, Anguilla and Bovoni, into compliance with EPA regulations through the installation of monitoring equipment and the reshaping of slopes.

The following chart summarizes the U.S. Virgin Island's funding priorities for FY 2009, FY 2008 and FY 2007:

Funding Category	2007	2008	2009
	Award	Award	Proposed Award
Wastewater	\$3,217,000	\$2,836,000	-
Solid Waste	-	-	\$2,170,000
Total	\$3,217,000	\$2,836,000	\$2,170,000

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Activity: Territorial Assistance \$(000)						
SUMMARY TABLE						
	2007 Actual	2008 Enacted	2009			Change from 2008 (+/-)
			Fixed Costs & Related (+/-)	Program Changes (+/-)	Budget Request	
Office of Insular Affairs	7,305	8,344	+227	-138	8,433	+89
Technical Assistance	10,381	10,952	0	-2,854	8,098	-2,854
Maintenance Assistance	2,277	2,241	0	0	2,241	0
Brown Tree Snake Control	2,673	2,631	0	0	2,631	0
Insular Management Controls	1,476	1,453	0	0	1,453	0
Coral Reef	495	979	0	-229	750	-229
Water and Wastewater Projects	990	976	0	0	976	0
Total	25,597	27,576	+227	-3,221	24,582	-2,994
FTEs	34	34	---	---	37	+3

This activity involves funding for two major functions. The first is salaries and expenses of the Office of Insular Affairs. The office has oversight responsibility for nearly \$400 million in annual financial assistance. Its policy and assistance activities involve dealing with virtually every major Federal agency, as well as seven insular governments. The office has been able to attain clean audit opinions for all annual financial statements prepared under requirements of the Chief Financial Officers Act. Good financial management and effective internal controls are stressed within the office.

The second major function within this 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. Significant changes in management are being put into place, as we ask the governments and assistance providers to form partnerships with us to identify major priorities and then develop and implement long-term action plans.

Activity: Territorial Assistance						
Subactivity: Office of Insular Affairs \$(000)						
			2009			
	2007 Actual	2008 Enacted	Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	Inc (+) Dec(-) From 2008
	7,305	8,344	+227	-138	8,433	+89
FTEs	33	33	-	-	36	+3

SUMMARY OF 2009 PROGRAM CHANGES

Request Component	Amount	FTE
Travel Reduction	-138	0
Total	-138	0

JUSTIFICATION OF 2009 PROGRAM CHANGES

The request provides \$8.4 million in funding for the Office of Insular Affairs. This is a program decrease of \$138,000 with no additional FTE. The 2009 funding level provides \$227,000 to fund fixed costs.

TRAVEL REDUCTION:

The Office of Insular Affairs will continue to enhance the use of available telecommunications technology across the Pacific to reduce its reliance on travel to accomplish its mission in 2009. This includes an increased reliance on video-conferencing, cyber-seminars, telephone bridges, and electronic travel booking. The Office will also continue to consolidate meetings when possible, monitor conference planning and attendance, use local training sites when possible, and fund customer-related travel with reimbursable funding when feasible. The Office anticipates saving \$138 thousand in travel costs in 2009 through these mechanisms.

PROGRAM OVERVIEW

The Office of Insular Affairs carries out the Secretary's responsibilities with respect to U.S.-affiliated insular areas. FY 2009 estimated staffing is 39 FTEs including 2 positions for the American Samoa Justices. The office is organized into three divisions and a director's office.

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

The Policy Division performs general program, political, and economic analysis. It monitors and tracks Federal programs extended to the insular areas and handles legislative affairs, other than those related to the appropriations process. It monitors issues related to the four nuclear-affected atolls in the Marshall Islands, the CNMI Labor, Immigration, and Law Enforcement Initiative, and the Coral Reef Initiative. The division monitors accountability issues and tracks insular area audit resolutions, including Single Audits. It also performs the planning and support activities for the economic development conferences and business opportunity missions presented by OIA. The Division maintains a field presence in the CNMI and American Samoa.

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

The Budget and Grants Management Division is responsible for budget formulation and presentation, chief financial officer activities, and performance planning. It manages financial assistance under the Compacts of Free Association, operations and capital improvement grants to U.S. territories, the Brown Tree Snake Control Program, the Operations and Maintenance Improvement Program, and Compact Impact Grants. The Division maintains an office in Hawaii for Compact oversight in the FSM and the RMI, and has a field presence in the CNMI, Palau, the FSM, and the RMI.

The primary vehicles by which OIA implements its mission goal of *Serving Communities* are its financial assistance/grant programs, including the Compact of Free Association grants. The goals of the financial assistance programs are to increase economic development in the islands and promote sound financial management practices in the insular governments. Part of promoting sound financial practices is the oversight provided by OIA staff to ensure that grants are used appropriately for their intended purposes. Sound financial practices are also dependent on OIA sustaining the high workload requirements of grantee monitoring, audit follow-up, budgeting, and performance planning.

OIA will continue to improve its capacity to monitor and administer financial assistance and Compact grants. In addition, it is extremely important that OIA have high visibility in the freely associated states during the first years of the new agreements in order to ensure that institutional structures, such as the joint economic and management committees, are properly staffed and supported and to ensure effective compliance with grant terms and conditions.

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

Compact oversight. This is a relatively new task, and it will be analyzed to develop an optimum oversight plan.

2009 PROGRAM PERFORMANCE

In FY 2009, OIA will continue to promote the Department's mission of assisting the insular areas to develop quality communities and economic self-sufficiency. OIA's top two priorities for the insular areas are promoting private sector economic development and strengthening accountability for Federal funds. Economic development is promoted in a variety of ways, including funding critical infrastructure such as schools, hospitals, roads and environmental facilities. OIA also provides assistance to the insular areas to make stateside businesses aware of the opportunities that exist in the islands, and help the islands make reforms to improve their business climates. As for accountability, technical assistance is provided to help the insular areas become better stewards of Federal funds, and a number of our grants are now awarded according to criteria that reward good fiscal management.

With financial assistance programs nearing \$400 million per year, OIA requires sufficient personnel resources to provide oversight of grants, including Compact and mandatory Covenant funding. At the FY 2009 level of funding OIA will:

- Improve out-year performance by grantees by continuing to focus on oversight.
- Reduce incidence of misuse of grant funds.
- Continue to provide site visits to grant projects in Guam and the Virgin Islands.
- Satisfy outside agencies' concern (insular governments and the GAO) of appropriate Federal involvement in grant programs.
- Hold a Business Opportunities Conference in Hawaii in April 2009.
- Spend an estimated 450 days on-site in the FSM and RMI.
- Continue to review and revise its policies related to grants management; including strengthening its policies with regard to compliance with the National Environmental Policy Act (NEPA), the Endangered Species Act (ESA), and the National Historic Preservation Act (NHPA).
- 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.
- Continue to work on the OIA Customer Satisfaction Survey.

All of OIA's overhead and administrative costs that support departmental functions are paid from our 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 pages. The tables below identify the OIA costs by activity –broken out as centralized, fee for service and reimbursable billing.

**Office of Insular Affairs
2009 Working Capital Fund Direct Bill
(Dollars in thousands)**

Activity/Program	2007	2008 PY Collections	2008	2009
NISC - Guam Detail	25.0		25.0	25.0
OEPC - 516 DM Chapters	0.0		20.0	0.0
Census - Single Audit Clearing House	2.3		2.0	2.0
Census - Federal Assistance Award Data System	0.0		0.1	0.1
Facilities Reimbursable Services	0.0		0.2	0.2
Creative Communications	0.0		22.8	24.7
Reimbursable Mail Services	2.2		0.8	0.8
Accounting Operations	127.0		136.9	147.2
FY 2007 CFO Audit	12.4		0.0	0.0
FY 2004 CFO Audit	0.0	7.9	0.0	0.0
FY 2005 CFO Audit	0.0	7.9	0.0	0.0
Total	168.8	15.8	207.7	200.1

**Office of Insular Affairs
2009 Working Capital Fund Centralized Bill
(Dollars in thousands)**

Activity/Program	2007	2008	2009
Invasive Species Council	21.8	23.0	24.3
Invasive Species Coordinator	3.6	3.8	4.0
Document Management Unit			
Electronic Records Management			
Alaska Field Office			
Departmental Communications Office	2.7	0.4	0.5
Conservation Partnerships and Management Policy			
Central Services			
CPIC			
Financial Management Training			
Activity Based Costing/Management	0.5	0.5	0.6
Travel Management Center			
PFM OS Finance Branch	10.2	10.2	9.6
Interior Collections Management System			
Space Management Initiative	0.1	0.1	0.2
Renewable Energy Certificates	0.0	0.1	0.1
Planning and Performance Management			
Recreation One-Stop			
Firefighter and Law Enforcement Retirement Team			
Department-wide OWCP Coordination			
Employee Assistance Programs	0.9	0.9	0.9
CLC - Human Resources			
OPM Federal Employment Services			
EEO Complaints Tracking System			
Special Emphasis Program			
Occupational Health and Safety			
Health and Safety Training Initiatives			
Safety Management Information System			
Security (Classified Information Facility)			
Watch Office			
Emergency Preparedness			
Law Enforcement Coordination and Training			
Enterprise Services Network			
Web & Internal/External Comm	0.3	0.3	0.4
Messaging	0.9	0.0	0.0
Information Technology Architecture			
FOIA Tracking & Reporting System			
Frequency Management Support	39.3	97.3	135.8
IT Security			
Capital Planning			

Government Paperwork Elimination Act			
Data Resource Management Program			
IT Security Certification & Accreditation			
Active Directory	0.4	0.0	0.0
Enterprise Resource Management			
HSPD-12			
National Archives and Records Administration			
NTIA Spectrum Management	72.9	186.7	200.7
Diversity Intern Program & Passport to Work			
Cultural Resources & Events Management	0.3	0.3	0.3
Partnership Schools & Commemorative Programs			
Departmental Museum	0.8	0.9	0.9
Departmental Library			
Financial Management Training			
Learning and Performance Center Management	0.4	0.4	0.4
SESCDP & Other Leadership Programs	0.1	0.1	1.1
Presidential Management Fellows			
Washington Learning & Performance Center			
Albuquerque Learning & Performance Center			
Anchorage Learning & Performance Center			
Denver Learning & Performance Center			
Online Learning	0.3	0.2	0.3
ADP Operations			
NBC IT Security Improvement Plan			
Voice/data switching	6.1	6.3	6.3
Information Mgmt. - FOIA and Records Management	0.2	0.2	0.0
Telecommunications services	24.5	25.4	26.7
Integrated Digital Voice Communications System			
Desktop Services	121.2	125.5	111.4
Helpdesk Services	24.6	24.7	25.3
UNIX System Administration (Hyperion/Momentum)			
FPPS/Employee Express - O&M			
HR LOB W-2 Surcharge			
Interior Complex Management & Svcs	12.7	10.9	11.4
Family Support Room	0.4	0.4	0.4
Property Accountability Services	11.8	12.1	12.5
Vehicle fleet			
Moving Services	2.7	2.3	2.5
Shipping and Receiving	6.3	5.4	5.7
Safety and Environmental Services			
Space Management Services	3.6	4.4	3.8
Photographic Services			
Personnel security			
Security	84.4	75.1	80.3
Accessible Technology Center	0.2	0.0	0.0

Federal Executive Board	0.1	0.2	0.2
Health Unit	4.1	3.7	3.8
Transportation Services (Household Goods)	3.6	0.0	0.0
Passport & Visa Services			
Mail and messenger services	56.2	26.9	27.6
Blue Pages			
Mail Policy	0.2	0.2	0.2
Financial Systems (incl. Hyperion)			
IDEAS			
Contingency Reserve			
CFO Financial Statement Audit	56.2	57.6	62.4
e-Government Initiatives	1.0	2.3	2.6
Ethics Training			
ALLEX Database			
FOIA Appeals			
Accessible Technology Center	0.0	0.2	0.2
e-Training (DOI LEARN)	0.0	0.1	0.0
e-Authentication			
e-Gov Travel	0.0	0.7	1.5
Audio Visual Services	0.0	0.0	4.9
Special Events Services	0.0	0.0	1.9
Chief Technology Officer Support			
Accountability Team			
SIB Cabling	0.0	0.0	7.1
Total	575.7	710.1	778.6

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

(Total Employment)

	2007 Actual	2008 Estimate	2009 Estimate
SES	2	2	2
SL-0*	1	1	1
GS-15	6	5	5
GS-14	7	7	7
GS-13	11	12	14
GS-12	5	5	5
GS-11	3	3	4
GS-10	0	0	0
GS-9	1	1	1
GS-8	0	0	0
GS-7	1	1	1
GS-6	0	0	0
GS-5	0	0	0
GS-4	2	2	2
GS-3	0	0	0
GS-2	0	0	0
Total Employment (actual/projected) at the end of the Fiscal Year	39	39	42

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

Activity: Territorial Assistance						
Subactivity: Technical Assistance \$(000)						
			2009			
	2007 Actual	2008 Enacted	Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	Inc (+) Dec(-) From 2008
	8,226	10,952	0	0	8,098	-2,854
FTEs	1	1	0	0	1	1

SUMMARY OF 2009 PROGRAM CHANGES

Technical Assistance

(-\$2,854,000) from FY 2008 funding level

The FY 2009 budget request for the Technical Assistance program is \$8.1 million with no additional FTE's.

Request Component		
Program Changes	Amount	FTE
Technical Assistance	-\$2,854	0

JUSTIFICATION OF 2009 PROGRAM CHANGES

The FY 2009 budget request is proposing a net decrease of \$2,854,000 related to the reduction of congressional earmarked increases.

PROGRAM OVERVIEW

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

The islands regularly seek technical assistance to improve the productivity and efficiency of government operations, develop local expertise, and build institutional capacity in critical areas that include: health care, education, public safety, data collection and analysis, fiscal accountability, transportation, and communication. The program is also used to help the insular

areas increase private sector economic opportunities, broaden the economic base, conserve energy, and protect fragile ecosystems. OIA and the insular governments have repeatedly found the program to be an excellent means to support policy goals, and to respond quickly and effectively to special emergent insular needs.

Another major focus of the program is training. OIA, in conjunction with the USDA Graduate School, developed a Financial Management Improvement Program, whereby an independent team of financial experts work with each insular government to identify control weaknesses and develop corrective action plans. Funds in this program are used to evaluate and implement the action plans developed through the independent evaluations.

Additionally, OIA hosts semi-annual conferences to bring together the governments to review progress, issues, and best practices. OIA staff and outside experts also provide information on a variety of topics to help improve government operations in areas such as financial management, procurement and contract management, and the administration of Federal grant programs. Additional resources may be necessary as plans are evaluated and adjusted, and to help the governments with the next level of changes.

2009 PROGRAM PERFORMANCE

In FY 2007, Technical Assistance funding was used to support a number of initiatives. Funding was dispersed through three main devices: direct grants to Insular Governments, grants to other entities for technical support, and Interagency Agreements for Technical Support.

Direct grants were provided to Insular Governments primarily to fund projects that promoted economic development and improved accountability over the use of public funds. In addition, several grants were provided to Insular Governments to help improve specific areas of public service. Projects funded to promote economic development include direct grants to the CNMI for a feasibility study for a petroleum farm facility, to the RMI for tourism marketing efforts, and to Palau to host an economic ministers meeting. Projects funded to promote improved accountability over the use of public funds include direct grants to American Samoa and the CNMI for audit services as well as funding in the US Virgin Islands to strengthen fiscal accountability. Projects funded to help improve specific public services include direct grants to Guam for an e-government initiative to improve government email capabilities, to American Samoa for a labor pool survey, and to the US Virgin Islands Social Security Administration.

Funding was granted to the following entities in FY 2007 for technical support: the Junior Statesman Program, the Pacific Business Center, the Closeup Foundation, and the Prior Service Benefits Program.

The table on the following page identifies General Technical Assistance grants and the respective amounts by category during FY 2005-2007.

**Office of Insular Affairs General Technical Assistance
FY 2005-2007 Funding History**

Recipient	2005	2006	2007
Direct Grants to Insular Governments			
American Samoa	\$669,556	\$833,911	\$1,031,771
CNMI	661,101	305,154	241,201
Federated States of Micronesia	584,091	392,231	165,000
Guam	902,236	313,672	461,959
Republic of the Marshall Islands	956,641	1,407,738	62,579
Republic of Palau	1,402,837	581,344	321,381
U.S. Virgin Islands	522,288	378,921	730,000
Subtotal	\$5,698,750	\$4,212,971	\$3,013,891
Interagency Technical Support			
National Park Service	0	0	0
USDA Graduate School	1,533,000	1,862,000	1,500,000
U.S. Census Bureau	1,016,645	700,000	527,000
U.S. Court of Appeals (9 th)	420,000	420,000	320,000
U.S. DOI – OIG	0	20,566	20,109
U.S. DOI – Bureau of Recl.	0	0	0
U.S. Army	0	0	0
Environmental Protection Agen.	119,000	0	0
Internal Revenue Service	0	0	33,323
U.S. Forest Service, USDA	0	0	0
Subtotal	\$3,088,645	\$3,002,566	\$2,400,432
Other Technical Assistance			
Junior Statesmen	145,200	145,200	173,175
Pacific Business Center	250,000	250,000	100,000
PIHOA (Pacific Health Dir.)	0	0	0
Closeup Foundation	750,000	800,000	800,000
Asian Development Bank	24,000	0	0
College - Marshall Isl Bus. Offc	136,756	0	0
Prior Service Benefits	0	1,034,108	819,848
APIPA Peer Review	0	100,686	0
Subtotal	\$1,305,956	\$2,329,994	\$1,893,023
Grand Total	\$10,093,351	\$11,875,525	\$7,307,346

Training Initiative

The Office of Insular Affairs, through an Interagency Agreement with USDA Graduate School's Virgin Islands and Pacific Islands Training Initiative programs, provides technical assistance to the insular areas to support good governance and financial management initiatives. OIA provides assistance for several general and specialized certificate programs in order to increase the capabilities of the insular governments in the area of accountability and financial management while developing local expertise at the same time. In fiscal year 2007, forty-four weeks of professional development training was provided under the Virgin Islands and Pacific Islands Training Initiative programs in the insular areas.

Below is a description of the training courses and conferences held in FY 2007.

Conferences:

Government Finance Officers Association Conference (all areas)
IGFO Conferences- Financial Management and Procurements (all areas)
APIPA Conference (all areas)
PIRC (all areas)
Federal Grants Programs Accountability and Audits Conference (AS, Guam, VI, CNMI)

Classroom Training:

Performance Management Training (VI)
Overview of Services (VI)
Procurement and Contract Management (VI, Guam, FSM)
Fixed Asset Accounting (VI)
Classification System Design and Compensation Management (VI)
Grants II: Admin. Reporting (VI, AS, Guam, CNMI)
Ethical Decision-Making for Auditors (VI)
Interviewing Techniques for Auditors (VI)
Labor Conference (VI)
Intro to Government Accounting and Reporting (Palau, FSM, CNMI)
Audit Evidence (Guam)
Conducting Performance Audits (CNMI)
Grants I: Successfully completing grants and projects (AS)
Audit Evidence and Working Papers (Palau)
Compliance Auditing (Palau)
Nuts and Bolts of Government Accounting (CNMI)
Advanced Governmental Accounting and Reporting (Palau)
Budget Formulation (Guam, CNMI)
Budget Overview (Guam, CNMI)
Managing the Audit Engagement (FSM)
Introduction to Governmental Accounting and Reporting (RMI)
Performance Measures and Budgeting (Guam)
Accounting/Audit Process Improvement (Guam, RMI)

Consult-Training:
 Procurement Consult (VI)
 Performer Consultation (VI)
 Personnel/Human Resource Assessment (VI)
 Grants Managements (VI)
 CIP Process Review (CNMI)
 FMIP Implementation (Guam)
 Grants and Indirect Cost (AS)
 Leadership Summit (FSM)
 Economic Reporting (FSM, Palau)
 Strategic Planning (Palau)

Through the training courses mentioned above, 245 federal grants managers and administrators in the territories received certificates in Planning, Obtaining, and Successfully Completing Grants.

The table below highlights enrollment from each of the insular areas in the various courses offered to improve insular government operations and build local capacity.

**Total Participants in OIA – Funded Financial Management Training
 FY 2005- 2007**

<u>Site</u>	<u>FY 2005 Participants</u>	<u>FY 2006 Participants</u>	<u>FY 2007 Participants</u>	<u>TOTALS</u>
American Samoa	12	91	55	158
Republic of the Marshall Islands	109	43	59	211
Federated States of Micronesia	148	114	239	501
Republic of Palau	80	192	160	432
Guam	194	322	234	750
Northern Mariana Islands	108	194	178	480
Virgin Islands	388	872	665	1,925
Regional (APIPA, IGFOA)	1,670	1,656	1,264	4,590
Totals	2,709	3,484	2,854	9,047

In FY 2009, Technical Assistance funding will be used to provide financial and technical advice with a focus on training programs for island participants to improve government operations in the areas of financial management, procurements and contract management; and the delivery of necessary public services in such areas as education and health. OIA will build on relationships developed in FY 2007 at the Grants Management Conference in order to increase coordination with other Federal agencies and to help resolve systemic issues to improve the island governments' administration of Federal grant programs and the accuracy and reliability of financial data. OIA will also continue to develop more efficient processes for monitoring and evaluating activities undertaken to help determine their effectiveness and to target resources.

The following is a list of ongoing activities which will continue in FY 2009:

- Reviewing current organization structure and procedures, individually for each program. As appropriate, revise current procedures and establish processes that will enhance compliance with federal regulations and increase efficiency and accountability.
- Continue accounting and management assistance related to compliance with the OIA Financial Assistance Manual and the Departmental Management Control and Audit Follow-up Manual.
- Continue development and enhancement of procedures and tracking for rating and analysis of stated eligibility factors for funding.
- Work with the insular areas to help ensure their compliance with the requirements of the Single Audit Act as stated under OMB Circular A-133 (to include the resolution of audit findings and audit opinion qualifications).
- Continue monitoring the progress of actions to resolve the recommendations made by the Office of the Inspector General, the Government Accountability Office, and other Federal governmental agencies.
- Continue to provide training to increase local capacity and to monitor island participation.
- A significant number of courses are provided annually both on-site in a specific insular area and at conferences held in Hawaii and the continental U.S. Each year over 500 island participants take the opportunity to attend courses in a variety of topics such as financial management, Federal grant reporting, general accounting, and auditing.

Financial Statement Reviews

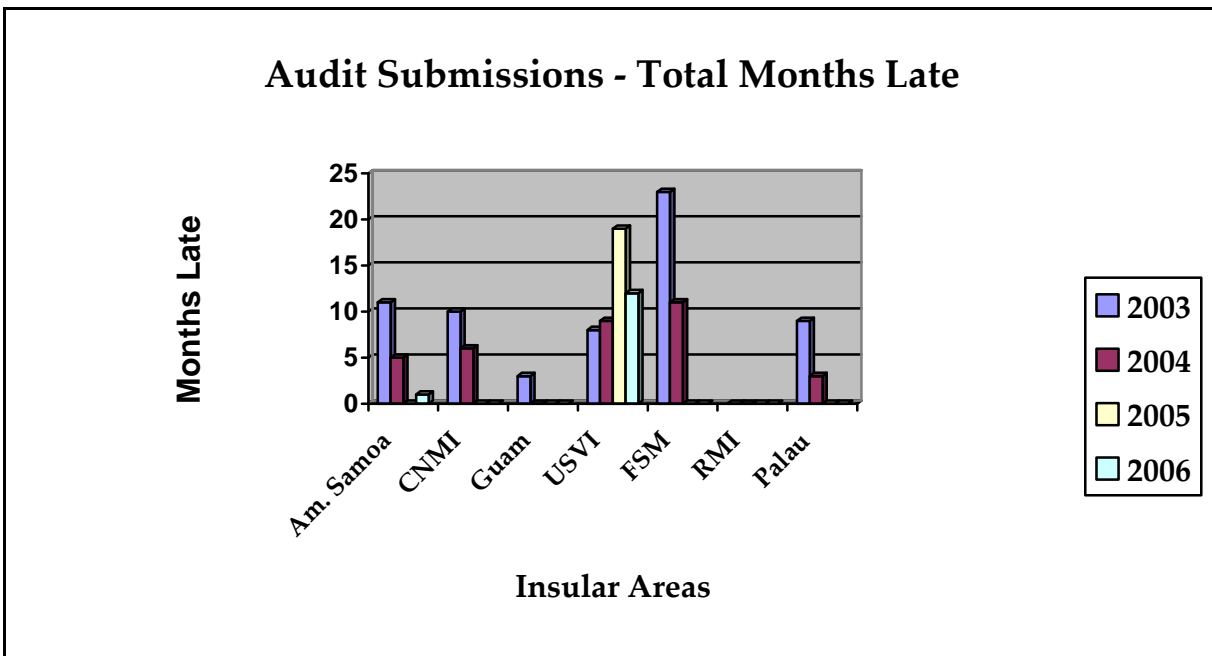
OIA continues to work with each Insular Government to assist in its compliance with the Single Audit Act of 1984, P.L. 98-502, and the Single Audit Act Amendments of 1996, P.L. 104-156 as implemented under OMB Circular A-133. Currently, with the exception of the U.S. Virgin Islands, all of the insular areas are in compliance with the single audit completion deadlines. Through efforts in FY 2007, OIA is now the cognizant agency for the U.S. Virgin Islands. In

fiscal years 2008 and 2009, OIA will work with the U.S. Virgin Islands government in submitting their single audit on time.

OIA reviews the completed single audit information (independent auditors' reports, financial statements, and Federal award audit findings) to help determine:

1. The financial position of the Insular Government and other financial data that are assessed to determine the levels of OIA funding to be awarded.
2. The extent to which OIA action is required to aid in the resolution of financial statement qualifications and Federal award audit findings.
3. The type of OIA audit follow-up activities required to comply with Federal regulations and Departmental policies.

OIA selected the Single Audits of fiscal year 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 this process, OIA can identify specific areas in which assistance is needed for technical advice, training and outside expertise. The graph below portrays the number of months late each insular area submitted the annual audit from 2003-2006.



As a result of training and consulting efforts, ten of the eleven insular governments completed their FY 2006 single audits on time, with three governments (Palau, Kosrae State, and Pohnpei State) receiving unqualified opinions.

Activity:		Territorial Assistance				
Subactivity:		Maintenance Assistance (OMIP) \$(000)				
	2007 Actual	2008 Enacted	2009			Inc (+) Dec(-) From 2008
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	2,277	2,241	0	0	2,241	0
FTEs	0	0	0	0	0	0

PROGRAM OVERVIEW

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

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

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

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

Each discretionary project is analyzed on its merits, including the extent to which the project helps achieve long-term and intermediate goals and strategies. In addition, as a pre-requisite for receiving discretionary technical assistance, OIA has developed a set of threshold criteria that must be met. These criteria have been documented in a financial assistance manual. In

addition, OIA uses a contractor-provided metric benchmark system which measures insular infrastructure once every two years and documents the relative status of the condition of infrastructure and maintenance practices.

The maintenance assistance fund also provides funding to address general regional training needs which allow the insular governments to develop maintenance practices appropriate to the region while encouraging participants to share gained expertise. The Micronesian Water and Wastewater Training Program, Pacific Lineman Training Program, Pacific Power Association, and the Pacific Water Association are examples of regional training efforts. The development of these regional organizations has been supported through the program. The maintenance assistance program has proven to be an effective method of institutionalizing better maintenance practices throughout the U.S. affiliated islands.

2009 PROGRAM PERFORMANCE

In FY 2007, the OMIP awarded a number of grants for programs to enhance operation and maintenance efforts within each insular area and to sustain a number of regional initiatives.

An example of a direct grant to an insular area was awarded to the CNMI for the second year of an Environmentally Responsible Regional Solid Waste Training Program. The five year plan incorporates regional cooperation and sharing of data and technology information. This program will continue to provide site-specific assistance and strive for innovative solutions to the solid-waste problems in the islands.

Additionally, the OMIP funded a number of grants to support regional initiatives. The Pacific Lineman Training (PLT) program taught courses for 222 students in 2007. In 2008, the PLT program plans to train 312 linemen. For the first, the PLT will be able to offer island linemen the opportunity to receive a valid industry wide professional certification. Another example of a regional effort is the Aircraft Rescue and Fire Fighting Training program. Participants in the training program will receive national level fire certification upon successfully completing certain courses.

In FY 2008 and FY 2009 the OMIP plans to continue funding immediate needs for maintenance in the insular areas while maintaining support for regional initiatives.

The table on the following page identifies the allocation of maintenance assistance funding from FY 2005 – 2007.

MAINTENANCE ASSISTANCE
FY 2005-2007
Grant Award Amounts

<u>Insular Area</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
American Samoa	\$448,527	\$66,512	\$87,000
Guam	\$0	\$115,000	\$20,000
U.S. Virgin Islands	\$0	\$16,500	\$0
Commonwealth of the Northern Mariana Islands	\$493,500	\$299,638	\$1,417,991
Republic of Palau	\$17,180	\$215,240	\$483,325
Republic of the Marshall Islands	\$10,000	\$88,500	\$0
Federated States of Micronesia	\$0	\$75,000	\$19,878
Chuuk	\$5,000	\$0	\$0
Kosrae	\$0	\$294,089	\$0
Pohnpei	\$806,323	\$31,371	\$120,000
Yap	\$0	\$49,000	\$553,824
Other Grants* (Other Regional Programs)	<u>\$678,079</u>	<u>\$1,507,934</u>	<u>\$120,381</u>
TOTAL	\$2,458,609	\$2,758,784**	\$2,822,399**

* Includes Regional Programs which benefit the islands such as Lineman Training, Aircraft Rescue and Fire Fighting Training, Solid Waste Training, and Training Needs Assessment of the Pacific Island power utilities and partial funding for the Board Members Workshop & Engineers Workshop.

** Total award amount in FY 2006 is higher than budget amount because funds were recovered from closed grants and re-granted during the same year.

Activity: Territorial Assistance						
Subactivity: Brown Treesnake Control \$(000)						
	2007 Actual	2008 Enacted	2009			Inc (+) Dec(-) From 2008
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	2,673	2,631	0	0	2,631	0
FTEs	0	0	0	0	0	0

PROGRAM OVERVIEW: Brown Treesnake (BTS) Control is a combination research and operational program designed to prevent the dispersal of this non-indigenous invasive species to other 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 in order to find a method or methods, such as toxins or biocontrols, to eradicate large populations of BTS over wide areas.

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

2009 PROGRAM PERFORMANCE

- Guam plans to maintain the current number of BTS traps at 650 in order to expand endangered species recovery efforts. Installation of electrical barriers on trees containing active Mariana Crow nests will be continued. To prevent the establishment of Coqui Frog (prey for BTS) on Guam, the government will continue to monitor high-risk areas and maintain the public awareness campaign. Starting in FY 2006, Guam began work on a restoration project on Cocos Island. This project will continue through FY 2009.
- The CNMI will maintain approximately 425 BTS traps at CNMI ports of entry, maintain 90% canine inspection of Guam-based cargo received at CNMI ports of entry, maintain the outreach and awareness campaign; and continue to send staff for USGS Rapid Response Training.
- The State of Hawaii will maintain after hours canine searches; continue rapid response training courses for personnel; and inspect a minimum of 95% of arriving flights from Guam.

- USDA Wildlife Services will maintain 800 BTS traps at the Guam International Airport, Commercial Port of Guam, and commercial warehouses in support of BTS interdiction. USDA staff, using OIA funds, will inspect 85% of commercial cargo and aircraft departing Guam; and continue to expand interdiction efforts in the Harmon Industrial Park through cooperative activities. USDA is continually modifying the Harmon Industrial Park effort to account for the dynamic nature of the commercial cargo industry.
- USGS Rapid Response Team (RRT) will continue to respond to snake sightings and will conduct training for snake searchers in the Pacific region. The team will continue to provide leadership in organized searches to detect possible incipient BTS populations on U.S. or U.S. affiliated Pacific islands.
- USGS researchers will continue data collection on snake demographics, conduct field research on the effectiveness of modified trap designs, and continue monitoring prey within the closed population area. The Dogs-in-the-Woods research program will continue to be evaluated for the efficacy of using dog teams to find BTS in non-traditional scenarios. Efforts will begin on extending snake control method research using attractants of varying sizes to control small snakes.
- USDA National Wildlife Research Center scientists will complete procedures for operational use of aerial flotation devices, continue lure/bate development, and conduct public information sessions at the research center.

The strategies and performance measures for the BTS Control program are provided on the next page. Funding for the BTS control program will allow OIA, working in partnership with the Fish and Wildlife Service, US Geological Survey, and US Department of Agriculture to achieve the strategy results identified. These strategies and performance measures were created by the BTS Workgroup of the National Invasive Species Council and are used by all government programs working on BTS Control. Target performance outcomes and base levels (when available) for the Office of Insular Affairs are provided on the next 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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
1. Number of products tested and evaluated.	11	14	14	14
2. Successful testing of wide-area application of acetaminophen-treated baits.	NA	NA	NA	NA

Strategy 2

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

Performance Measures:	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
1. Number of detection and monitoring methods evaluated.	4	6	5	5
2. Number of acres subjected to BTS monitoring and control.	92	92	97	97
3. Number of BTS captured on CNMI.	0	0	0	0
4. Number of BTS captured on Hawaii.	0	0	0	0
5. Number of BTS interceptions at ports of exit on Guam. (commercial)	3,500	3,500	3,500	3,500
6. Number of public awareness events executed.	93	106	110	110
7. Number of affected entities enrolled as involved partners.	78	92	92	92

Strategy 3

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

Performance Measures:	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
1. Number of enclosed acres where BTS barriers have been constructed and are being maintained.	NA	NA	50	50
2. Number of traps maintained in areas in order to protect endangered species from predation.	650	650	800	650

Activity: Territorial Assistance						
Subactivity: Insular Management Controls \$(000)						
	2007 Actual	2008 Enacted	2009			Inc (+) Dec(-) From 2008
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	1,476	1,453	0	0	1,453	0
FTEs	0	0	0	0	0	0

PROGRAM OVERVIEW

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

The Management Control Initiative (MCI) is a cooperative effort of the Office of Insular Affairs with each insular government, the audit community, and the USDA Graduate School to identify and implement fundamental financial management improvements. The governments, assisted by a team of experts, review the management systems and fiscal practices and develop comprehensive plans of actions. The strategy employed in grant assistance is to pay for long term changes such as new systems or contractual assistance for audits and other financial services. The strategy of using independent expertise is to make quick assessments and recommendations that can be carried out at the local level or to provide training and other short term assistance that has long-term benefits.

2008 PROGRAM PERFORMANCE

MCI funds have been used primarily to assist the island governments to identify internal control weaknesses, develop and implement corrective action plans, and improve automated financial management systems (FMS). In previous years (2002-2005), MCI funds were used to assist the island governments to complete assessments of the operations of their finance offices under the Financial Management Improvement Project (FMIP), and to assist the island governments to develop and implement controls to resolve weaknesses identified from the FMIP. More recently (fiscal years 2006 and 2007), MCI funds have been used to assist the island governments to complete FMIP assessments for other critical agencies such as the Guam Memorial Hospital and the Guam Department of Education. MCI funds have also recently been used to assist the governments of the freely associated states to implement improvements to their FMS as identified by the FMIP. During fiscal year 2008, OIA intends to evaluate the island

governments' implementation of the actions related to the FMIPs since the actions are expected to help each of the island governments improve their operations and result in: increasing the timeliness and accuracy of financial data; improvements in the administration of Federal grant programs; timely annual single audits (see page 10 for chart); and unqualified ("clean") audit opinions. During fiscal year 2009, OIA expects the focus of the MCI to remain unchanged as assistance is provided to help ensure improvements in management controls to improve governmental operations, increase accountability, and improve the delivery of public services and the administration of Federal grant programs.

**Grants for Financial Management Improvement Projects
FY 2004-2006**

Insular Area	2005	2006	2007	2007 Focus Area
American Samoa	\$208,000	\$250,000	\$158,742	Management Improvement
Guam	\$290,000			Financial Management Improvement Project (FMIP)
FSM	\$774,000	\$500,000	\$1,536,000	FMIP
Total	\$1,272,000	\$750,000	\$1,694,757	

Activity: Territorial Assistance						
Subactivity: Coral Reef Initiative \$(000)						
	2007 Actual	2008 Enacted	2009			Inc (+) Dec(-) From 2008
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	495	979	0	-229	750	-229
FTEs	0	0	0	0	0	0

SUMMARY OF 2009 PROGRAM CHANGES

Coral Reef Initiative

(-\$229,000) from FY 2008 funding level

The FY 2009 budget request for the Coral Reef Initiative is \$750 thousand with no additional FTE's.

Request Component		
Program Changes	Amount	FTE
Coral Reef Initiative	-229	0

JUSTIFICATION OF 2009 PROGRAM CHANGES

OIA will reduce or eliminate support for two initiatives: development of a marine research and education center in St. Croix in partnership with the National Park Service and a consortium of universities, and implementation of the Micronesia Challenge. The Micronesia Challenge, a bold initiative signed by the Presidents of Palau, Federated States of Micronesia, and the Marshall Islands, and the Governors of Guam and the Commonwealth of Northern Mariana Islands, commits these leaders to protect 30 percent of near-shore marine resources and 20 percent of terrestrial resources by 2020.

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. Co-chaired by the Secretaries of the Interior and Commerce, the Task Force is credited with setting the national and international agenda for long-term management and protection of coral reefs. The insular Governors, FAS Presidents, and the All Islands Coral Reef Committee provide significant guidance and direction to the Task Force.

With the majority of U.S. coral reefs located in the insular areas, the Office of Insular Affairs (OIA) plays a critical role in the national effort to develop effective programs to sustainably manage and protect U.S. coral reef resources. OIA has worked closely with the islands to identify and implement a broad scope of management actions from education and outreach to the establishment of marine protected areas and increased enforcement. Each island has established its own local advisory committee for strategic planning and priority setting. OIA has also supported the development and implementation of pioneering resource management efforts in the FAS, including the development of a blueprint for creating a national system of protected areas for the FSM, natural resource assessments of the atolls of the Marshall Islands, and protection of critical marine resources in the Republic of Palau.

OIA will continue to work with the insular areas to identify, prioritize and fund local initiatives aimed at improving coral reef management, protection, and restoration in the insular areas. Priority projects are outlined in the *All Islands Coral Reef Initiative Strategy*, the insular areas' *Local Action Strategies*, 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. Local Action Strategies 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.

2009 PROGRAM PERFORMANCE

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

Local action plans are being updated in FY 2008. OIA is meeting with local coral reef advisory groups to identify short and long-term priority needs to improve their coral reefs. Once priority needs are updated, funding will be allocated in accordance with specific goals and objectives, with measures identified within the grants.

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 FY 2005 by the region's heads of governments. The Micronesia Challenge is a bold initiative to conserve 30% of near-shore marine resources and 20% of forest resources by 2020. The challenge far exceeds current goals of international conventions and emphasizes the need for Micronesian leaders to work together to confront environmental and sustainable development issues.

Funds provided by OIA, in partnership with NOAA, have helped Guam and the CNMI develop significant plans to restore three watersheds, two on Guam and one on Saipan, that will alleviate the effects of run-off and other threats to the adjacent coral reefs. OIA has also supported development and management of marine protected areas in American Samoa, internships for outstanding students majoring in marine resource management in the territories, conservation planning for local governments, and development of resource management plans for communities in the Marshall Islands.

OIA, in cooperation with other Federal, local and international partners, supported development of "A Blueprint for Conserving the Biodiversity of the Federated States of Micronesia." In the first effort of its kind for this region of the Pacific, the Blueprint captures the collective biological knowledge of regional scientists and local experts and turns that knowledge into priority areas for biodiversity protection. 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 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:

- Support for the Governor Tauese P.F. Sunia Memorial Coral Reef Conservation Internship Award. The Award was established by the Task Force to honor the late Governor's achievements and leadership in coral reef conservation. The award supports a three-month summer internship for an outstanding student from a U.S. territory to work on coral reef issues with a Federal agency of the Task Force.
- Partnering with the National Park Service and a consortium of universities known as the Joint Institute for Caribbean Marine Studies (Rutgers, University of North Carolina at 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 would 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. With OIA's support, the feasibility study has been completed. OIA is working with the partners on the next steps, including development of the engineering designs.

- Support for Conservation Action Planning (CAP) to guide site conservation actions in Micronesia. The CAP process helps local jurisdictions identify long-term measurable conservation results at the local level; establish partnerships to support and implement conservation actions; and quantitatively and qualitatively measure conservation effects over time. CAP is being used by some jurisdictions to update their Local Action Strategies in FY 2008.
- Support for community-based marine conservation planning and management in communities of the Marshall Islands, including 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.
- Development of watershed management plans for Guam and Saipan that will mitigate impacts to adjacent reefs from sedimentation and storm water run-off.
- Development and distribution of outreach materials on the value of coral reefs in American Samoa and the Commonwealth of the Northern Mariana Islands.
- Enhancement of regulatory frameworks and enforcement to protect Coral Reefs in local jurisdictions.

Activity: Territorial Assistance						
Subactivity: Water & Wastewater \$(000)						
	2007 Actual	2008 Enacted	2009			Inc (+) Dec(-) From 2008
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	990	976	0	0	976	0
FTEs	0	0	0	0	0	0

PROGRAM OVERVIEW

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

Funding in the amount of \$976,000 is requested for water and wastewater projects in the U.S. Virgin Islands, Guam, the Commonwealth of Northern Mariana Islands (CNMI), and American Samoa for FY 2009. These territories face a myriad of water problems, including a lack of running water 24 hours a day, wastewater infrastructure deficiencies which have caused violations of Federal environmental laws, and drinking water quality which is not always up to U.S. standards. The territories are trying to address these major issues by working closely with the U.S. Environmental Protection Agency but they are desperately in need of funding to assist them in improving their water and wastewater infrastructure in order to comply with Federal regulations. The \$976,000 would be distributed among the U.S. territories to assist them in meeting their highest priority needs in these areas.

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

2009 PROGRAM PERFORMANCE

The requested \$976,000 in FY 2009 will be used to continue addressing the critical water and wastewater needs of the territories in a similar fashion to previous years.

In FY 2006, the first year of the water and wastewater subactivity, OIA received \$985,000 to distribute among the territories to address their highest priority water and wastewater needs. Upon receiving project proposals from all four territories, OIA awarded \$400,000 to the Lyndon B. Johnson (LBJ) Hospital in American Samoa and \$560,000 to the Commonwealth Utilities Corporation (CUC) in the CNMI.

LBJ, American Samoa's only hospital, lacks an independent water supply making the facility extremely vulnerable to power and water outages. Furthermore, the existing system does not provide enough water to adequately supply the fire sprinkler system and is impacting LBJ's ability to provide services, such as kidney dialysis. The \$400,000 awarded by OIA is being used to install a water storage tank and a booster pump which will ensure that the hospital has an adequate water supply at all times.

The CNMI is currently negotiating the terms of a consent decree with the U.S. Department of Justice and the Environmental Protection Agency stemming from violations of the Clean Water Act and the Safe Drinking Water Act. Among the priorities outlined in the draft decree is hiring highly qualified and experienced individuals to oversee CUC's water and wastewater activities. The \$560,000 awarded the CNMI in FY 2006 is funding 3 critical water and wastewater positions at the utility for a duration of two years.

In FY 2007, OIA received \$990,000, for the water and wastewater subactivity which was awarded to the U.S. Virgin Islands for the continuation of territory-wide sewer system improvements. The U.S. Virgin Islands has dedicated the last several years of its CIP funding to this effort which is critical to its ability to fulfill consent decree requirements imposed by the U.S. Department of Justice and the Environmental Protection Agency.

The FY 2008 allocation of \$976,000 for the water and wastewater subactivity will be similarly distributed among the territories. OIA has requested and is awaiting proposals for the funding from the four insular areas.

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Activity: Compact of Free Association (Current Appropriation)						
Subactivity: Federal Services Assistance \$(000)						
	2007 Actual	2008 Enacted	2009			Inc (+) Dec(-) From 2008
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	2,820	2,818	0	0	2,818	0
FTEs	0	0	0	0	0	0

PROGRAM OVERVIEW

The Compacts of Free Association guarantee that the freely associated states (FAS) will continue to receive certain Federal services, either at a level equivalent to what was provided in the year preceding the implementation of the Compact, as is the case for Palau; or in accordance with negotiated agreements, as is the case for the Federated States of Micronesia (FSM) and the Republic of the Marshall Islands (RMI). These services include those of the U.S. Postal Service (USPS). Public Law 99-658 also provides that the Republic of Palau's annual audits, in accordance with the Single Audit Act of 1984, will be conducted at no cost to it through fiscal year 2009. Single Audits for the FSM and RMI are cost-shared with other Compact funding and are not reflected under this activity.

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.

2009 PROGRAM PERFORMANCE

OIA will enter into a reimbursable agreement with the USPS for services provided to the freely associated states. OIA will also provide and administer a grant to the Republic of Palau in order for the government to conduct a single audit to be completed by July 1, 2009.

Activity: Compact of Free Association (Current Appropriation)						
Subactivity: Program Grant Assistance - Palau \$(000)						
	2007 Actual	2008 Enacted	2009			Inc (+) Dec(-) From 2008
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	2,000	2,000	0	0	2,000	0
FTEs	0	0	0	0	0	0

PROGRAM OVERVIEW

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

2009 PROGRAM PERFORMANCE

Administer the section 221(b) program according to the Fiscal Procedures Agreement for the Republic of Palau.

Account: Compact of Free Association (Permanent and Indefinite)						
Activity: Economic Assistance						
Subactivity: Federated States of Micronesia and Republic of the Marshall Islands \$(000)						
			2009			
	2007 Actual	2008 Enacted	Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	Inc (+) Dec(-) From 2008
RMI	63,854	63,639	0	-1,346	64,985	-1,346
FSM	97,577	100,011	0	+2,121	102,132	+2,121
Judicial Training	316	324	0	+7	331	+7
FTEs	0	0	0	0	0	0

JUSTIFICATION OF 2007 PROGRAM CHANGES

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 assures continuation of direct financial assistance through fiscal year 2023.

The long term goal of United States Compact financial support is to assist the freely associated states “in their efforts to advance the economic self-sufficiency of their peoples.” The funding provided under the first term provided the basis for meeting the two primary political goals of the compact, to (1) secure self-government for each country by ending the four decades-old Trusteeship; and (2) assure national security rights for the United States in the freely associated states. The two primary goals could not have been achieved without the stability that 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 achieve their long-term Compact goal of self-sufficiency. The U.S. believes part of the reason for poor economic performance 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 fiscal year 2023.

2009 PROGRAM PERFORMANCE

OIA will continue to monitor activities in the FSM through site-visits. It is expected office staff will:

- Conduct a minimum of 450 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 FY 2008 is not available at this time due to the nature of the Compact Agreement. As agreed to in the Compact, performance plans and budgets for FY 2009 are not submitted by the FSM and RMI until four months before the start of the fiscal year. However, a brief summary of fiscal year 2007 and 2008 program performance information for the FSM and

RMI sector grants is provided on the next few pages.

Fiscal Year 2008 Sector Allocations for the FSM

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

	Education	Health	Capacity Building	Private Sector	Environment	Infrastructure
National	\$591,331	\$247,496	\$3,305,686	\$50,000	\$50,000	\$0
COM	\$3,800,000	\$0	\$0	\$0	\$0	\$0
Chuuk	\$9,990,369	\$1,066,458	\$1,034,122	\$914,373	\$717,042	\$0
Kosrae	\$2,256,039	\$94,715	\$1,534,009	\$567,101	\$220,165	\$0
Pohnpei	\$7,565,071	\$163,472	\$709,883	\$142,754	\$481,576	\$0
Yap	\$4,220,978	\$333,757	\$621,722	\$832,117	\$421,160	\$0
Total	\$28,423,788	\$1,905,898	\$7,205,422	\$2,506,345	\$1,889,943	\$0

In FY 2007, the USDA Graduate School was awarded a contract by the FSM to establish performance measures and processes whereby budgeting will be aligned with outcomes. This effort will continue in FY 2008 and should enhance the budget development and review process for FY 2009.

Education

In FY 2007, the Compact and two other Federal programs provided the entire budget for Education in the FSM. The FSM has 228 elementary and 37 secondary schools with a total of 35,806 students enrolled. Pohnpei became the first state to administer a standards based assessment test. The FSM continued to provide performance data of varying quality.

In FY 2008, the National Standards Test will be analyzed and undergo validation by an OIA-approved consultant. The goal is to ensure that nationally administered test scores are valid and reliable, contributing to informed decision making and communication.

Most FSM states aligned their goals with the following five education goals cited in the FSM Strategic Development Plan which will continue to be used in FY 2009:

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.

Health

Overall, the health sector's emphasis in FY 2008 is maintenance of effort. The departments need to ensure that there are sufficient drugs, medical supplies, and working equipment to diagnose

and treat patients; and support and extend public health and primary care outreach services to remote and underserved populations.

The following goals will continue to be used in FY 2009:

- Decentralize primary care service
- Increase immunization coverage
- Essential drugs and supplies are available
- Biomedical equipment is functional
- Average length of hospital stays is less than seven days
- Reduce infant mortality
- Increase number of individuals enrolled in health insurance plan
- Reduce off-island referrals
- Increase dental sealants program
- Reduce incidence of diabetic hospitalization
- Conduct regular system reviews

Public Infrastructure

The FSM made little progress in using Infrastructure Sector grants for construction in FY 2007 but has taken organizational steps to improve its performance. At the urging and assistance of OIA, a professional contracting officer was hired by the national government to oversee A&E and construction contracts. The FSM now has in place several new “indefinite delivery, indefinite quantity” contracts with pre-qualified A&E firms to take advantage of the design strengths of individual companies. This will hasten the delivery of project plans leading to construction contracts.

FSM has begun the construction of two schools on Kosrae and made capital improvements to the Yap hospital. Rights-of-way to reconstruct the road system in Chuuk have been obtained and the project is under design. FSM also effectively used Infrastructure Sector funds as matching funds for FAA Airport Improvement grant projects in each state.

FSM chief executives agreed in January 2008 to expand the corps of construction professionals employed by the FSM. Professional engineers will be placed in each FSM state to oversee project design and construction management. Construction management functions at the national government have been moved to the Office of the President to increase the authority and effectiveness of the office. It is OIA’s highest priority to work with the FSM to design, contract and construct health and education projects with the approximately \$52 million available for new construction.

Public Sector Capacity Building

In FY 2008, the FSM received \$7.2 million for the capacity building sector. Although the grant supports an assortment of true capacity building initiatives, these uses still have not been well articulated by the FSM states and there is no short-term or medium-term plan to guide how the sector grant should be best used. It is anticipated that this funding will be used for similar purposes in FY 2009.

Environment

In FY 2008, the FSM received an allocation of \$1.9 million for its environment sector. The grant continued to fund government operations rather than environmental projects. 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. It is anticipated that this funding will be used for similar purposes in FY 2009.

Private Sector Development

In FY 2008, the FSM received an allocation of \$2.5 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. It is anticipated that this funding will be used for similar purposes in FY 2009.

Fiscal Year 2008 Allocations for the RMI

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

Sector	Funds Allocated
Education	\$11,336,978
Health	\$6,512,349
Capacity Building	\$300,000
Infrastructure	\$11,855,213
Total	\$30,004,540

Ebeye Special Needs	\$3,345,830
Kwajalein Environmental Impact	\$215,860
Total	\$3,561,690

Education

In FY 2007, Compact and Ebeye Special Needs funding provided just under one half of the total funds available for education in the RMI. Just 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. Unfortunately, in school year 2006 only 32% of fourth graders achieved proficiency levels on National tests in English, 43% in Marshallese, and 25% in numeracy. The RMI is working to improve these scores through a number of efforts.

During FY 2008, 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) also plans to assist the Marshall Islands High School to gain accreditation, implement testing schemes at grades three, six, and eight to measure student performance, and implement the infrastructure development plan.

Similar uses of compact funding are planned for FY 2009.

Health

In FY 2007, Compact and Ebeye Special Needs funding made up approximately one half of the health care budget in the RMI. In the same year, the RMI health care system underwent a major reorganization. The need to realign services and programs to strengthen preventive and primary care and shift emphasis away from secondary and tertiary care had been long recognized but it was only in FY 2007 that the Ministry began to undertake serious restructuring to achieve this goal. Medical referral management has undergone important changes as well. Its direct referral expenditures for off-island care have decreased.

Accessing accurate current health statistical information is difficult. Recently, the database maintained by the RMI's Ministry of Health has been called into question. In 2008, the RMI will focus efforts to improve the quantity and quality of statistics collected. Roughly 50 percent of the FY 2008 funding is programmed for personnel and utility costs to run the Ministry of Health in RMI. The RMI plans to use Compact health sector funds to make progress in meeting the following health goals:

1. To upgrade outer island health center capabilities in preventive health and primary care.
2. To provide effective preventive health and primary care on Majuro Atoll.
3. To provide effective Majuro Hospital services.
4. To provide day-to-day hospital services.
5. To improve effective hospital services for Kwajalein Atoll (Ebeye).
6. To provide efficient primary and preventive health care on Kwajalein Atoll (Ebeye).
7. To provide effective management of personnel and finances.
8. To provide timely and current health information system services.
9. To provide referral services to patients who require medical attention.

Similar uses of compact funding are planned for FY 2009.

Public Infrastructure

The RMI allocated \$11.9 million for infrastructure improvements and maintenance in fiscal year 2008. This allocation is consistent with the government's 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.

RMI IDMP projects listed below are for FY 2008 funding. Projects are mostly multi-year and include construction, maintenance, and purchasing of equipment:

- College of the Marshall Islands: Maintenance, Library, and Classroom Block 2
- Majuro Hospital Redevelopment Phase 1
- Rairok Elementary School
- Laura Elementary School
- Delap/Uliga Elementary School
- Rita Elementary School
- Outer-Island Elementary Schools
- Airport Rehabilitation
- Infrastructure Maintenance Fund

Public Sector Capacity Building

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

Environment

The RMI received an allocation of \$215,860 for Kwajalein Environmental Impact. This amount is used to support the RMI Environmental Protection Agency (EPA) activities and programs on Ebeye.

Performance Measures-Compact of Free Association Economic Assistance - FSM and RMI					
Measures	2005 Baseline	2006 Actual	2007 Estimate	2008 Estimate	2009 Estimate
Site Visits (days)	414	450	450	450	425
Education (Elementary Reading - % at Proficiency Level)					
FSM	NA	17%	26%	30%*	35%
RMI	test revised*	67%	68%	69%	69%
Health Care (Decrease infant mortality)					
FSM**	17.4/1,000	13/1,000	15/1,000	15/1,000	14/1,000
RMI**	20/1,000	24/1,000	24/1,000	24/1,000	23/1,000
Private Sector Development (Private Sector/Total Employment)					
FSM**					
RMI**	16,349	16,463	16,126	15,952	15,725
(Total Visitor Arrivals)					
FSM**	3,112	3,368	3,402	3,436	3,470
RMI***					
FSM**	18,954	19,276	20,239	21,250	22,312
RMI***	9,173	5,780	6,659	10,000	12,500
Environment (Conservation areas - acres)					
FSM	35,229	35,229	35,229	35,229	35,229
RMI	172,800	172,800	172,800	172,800	172,800
Infrastructure (% w/ 24 hr. water)					
FSM	42%	42%	46%	46%	46%
RMI	5%	5%	5%	5%	5%

*The RMI test was revised in 2005 and thus not given to the entire student population. The FSM test was revised in 2008.

**Because of the lag in reporting, numbers are actually one year behind when reported. For example, the 2005 baseline is the actual number for 2004 which was obtained in 2005.

***Air arrivals only reported for 2006 and 2007.

Account: Compact of Free Association (Permanent and Indefinite)						
Activity: Economic Assistance						
Subactivity: Republic of Palau \$(000)						
			2009			
	2007 Actual	2008 Enacted	Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	Inc (+) Dec(-) From 2008
Palau	10,902	11,086	0	+185	11,271	+185
FTEs	0	0	0	0	0	0

JUSTIFICATION OF 2008 PROGRAM CHANGES

The program changes in this account are inflation adjustments required by the Palau Compact of Free Association. The increases are based on changes in the United States Gross National Product Implicit Price Deflator.

PROGRAM OVERVIEW AND PERFORMANCE

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

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

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

OIA will continue to meet all requirements under the negotiated Compact including holding annual economic consultations in conjunction with the State Department.

Account: Compact of Free Association (Permanent and Indefinite)						
Activity: Compact Impact						
	2007 Actual	2008 Enacted	2009			Inc (+) Dec(-) From 2008
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
Hawaii	10,571,277	10,459,926	0	+111,351	10,571,277	+111,351
Guam	14,242,322	14,092,303	0	+150,019	14,242,322	+150,019
CNMI	5,171,914	5,117,437	0	+54,477	5,171,914	+54,477
American Samoa	14,487	14,334	0	-153	14,487	+153
Census	0	316,000	0	-316,000	0	-316,000
Total	30,000,000	30,000,000	0	0	30,000,000	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 by affected jurisdictions as a result of increased demands placed on health, educational, social, or public sector services or infrastructure related to such services due to the residence of qualified nonimmigrants from the Republic of the Marshall Islands, the Federated States of Micronesia, or the Republic of Palau.

The \$30.0 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. A new enumeration will take place during 2008. This allocation is in accordance with the provision in Section 104(e)(5) of Title One of the amended Compacts of Free Association.

2009 PROGRAM PERFORMANCE

The following FY 2008 grants will be made to each eligible jurisdiction based on the population of qualified migrants:

◦ Hawaii:	\$10,571,277
◦ Guam:	\$14,242,322
◦ CNMI:	\$ 5,171,914
◦ American Samoa:	\$ 14,487

*Please note that the FY 2009 award amounts above are slightly increased in comparison to FY 2008 to restore the cost of conducting the U.S. Census surveys that are necessary to review the ratio allocation as required every five years.

Grant assistance provided may be used only for health, educational, social, or public safety services, or infrastructure related to such services, specifically affected by qualified nonimmigrants. Each jurisdiction will be asked to provide a program plan to the Department of the Interior for the use of the funds prior to the awarding of the grant. Although OIA has not yet received all the FY 2008 and FY 2009 program plans, it is anticipated that the funds will be used in a manner similar to FY 2007 as detailed below:

- In FY 2007, the State of Hawaii used the full amount of its \$10.6 million to supplement state funds to support indigent health care.
- Guam used its FY 2007 grant of \$14.2 million in the following manner:

◦ DPW Schools Leaseback	\$6,100,000
◦ DMH&SA Psychotropic Medication	\$170,000
◦ DMH&SA Therapeutic Group Home Services	\$230,000
◦ DISID Permanent Injunction Projects	\$500,000
◦ DPH&SS Pharmaceutical Supplies & Equipment	\$500,000
◦ GMHA Pharmaceutical Supplies & Equipment	\$6,242,322
◦ Department of Corrections Phase II	\$500,000
- In FY 2007 The Commonwealth of the Northern Mariana Islands used its Compact Impact grant for \$5.2 million to supplement the budgets of the following operational agencies:

◦ Department of Public Health	\$1,371,914
◦ Division of Youth Services	\$100,000
◦ Department of Public Safety	\$1,000,000
◦ Department of Corrections	\$300,000
◦ Office of Public Defender	\$50,000
◦ Northern Marianas College	\$350,000
◦ Public School System	\$2,000,000
- American Samoa used its FY 2007 grant of \$14,487 to fund teacher salaries.

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DEPARTMENT OF THE INTERIOR
OFFICE OF INSULAR AFFAIRS
ASSISTANCE TO TERRITORIES

Program and Financing (in millions of dollars)

OMB ACCOUNT ID: 01085-0412-0 14-0412-0-1-806		2007	2008	2009
		Actual	Estimate	Estimate
Obligations by program activity:				
00.01	American Samoa Operations	23	23	23
00.02	(a) Office of Insular Affairs	7	8	8
00.03	(b) Technical Assistance	11	10	8
00.05	(c) Direct Loan Subsidy	1	--	--
00.06	(d) Interest on Loan Subsidy	1	--	--
00.10	(e) Brown Tree Snake Control	3	3	3
00.11	(f) Insular Management Controls	2	1	1
00.12	(g) Maintenance Assistance Fund	3	3	2
00.13	(h) Coral Reef Initiative	--	1	1
00.14	(i) Water and Wastewater Projects	1	1	1
00.91	Direct subtotal, discretionary	52	50	47
01.01	Covenant Grants (mandatory)	31	28	28
09.00	Reimbursable program	1	--	1
09.09	Reimbursable program - subtotal line	1	--	1
10.00	Total new obligations	84	78	76
Budget resources available for obligation:				
21.40	Unobligated balance carried forward, start of year	13	13	13
22.00	New budget authority (gross)	77	78	76
22.10	Resources available from recoveries of prior year obligations	7	--	--
23.90	Total budgetary resources available for obligation	97	91	89
23.95	Total New obligations	-84	-78	-76
24.40	Unobligated balance carried forward, end of year	13	13	13
New budget authority (gross), detail				
43.00	Appropriation (discretionary)	48	50	47
60.00	Appropriation (mandatory)	30	28	28
70.00	Total new budget authority (gross)	77	78	76

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		2007	2008	2009
14-0414-0-1-806		Actual	Estimate	Estimate
Obligations by program activity:				
00.01	Trust Territory	--	1	1
10.00	Total new obligations (object class 25.2)	--	1	1
Budgetary resources available for obligation:				
21.40	Unobligated balance carried forward, start of year	5	5	4
23.95	Total new obligations	--	-1	-1
24.40	Unobligated balance carried forward, end of year	5	4	3
Change in obligated balances				
73.10	Total new obligations	--	1	1
73.20	Total outlays (gross)	--	-1	-1
74.40	Obligated balance, end of year	--	--	--
Outlays (gross), detail:				
86.93	Outlays from discretionary balances	--	1	1
Net budget authority and outlays				
89.00	Budget authority	--	--	--
90.00	Outlays	--	1	1
95.02	Unpaid obligation, end of year	--	--	--

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

Program and Financing (in millions of dollars)

OMB ACCOUNT ID: 010-85-0418-0 14-0418-0-1-806	2007 Actual	2008 Estimate	2009 Estimate
Direct Program:			
Obligations by program activity			
00.01			
Advance payments to Guam of estimated U.S. income tax collections	62	40	40
00.02			
Advance payments to the Virgin Islands of estimated U.S. excise tax collections	65	83	73
09.01			
Virgin Island Loan	--	1	--
10.00			
Total new obligations	127	124	113
Budgetary resources available for obligation:			
22.00			
New budget authority (gross)	130	124	113
22.60			
Portion applied to repay debt	-2	-1	--
23.90			
Total budgetary resources available for obligation	128	123	113
23.95			
Total new obligations	-127	-124	-113
New budget authority (gross), detail			
60.00			
Appropriation (Mandatory)	127	123	113
Mandatory			
69.00			
Offsetting collections (cash)	3	1	--
70.00			
Total new budget authority (gross)	130	124	113
Change in obligated balances			
73.10			
Total new obligations	127	124	113
73.20			
Total outlays (gross)	-127	-124	-113
Outlays (gross), detail:			
86.97			
Outlays from new mandatory authority	127	124	113
Offsets against gross budget authority and outlays			
88.40			
Offsetting collections (cash) from Non-Federal sources	3	1	--
Net budget authority and outlays			
89.00			
Budget authority	127	123	113
90.00			
Outlays	124	123	113

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		2007	2008	2009
14-4163-0-3-806		Actual	Estimate	Estimate
Obligations by program activity:				
00.02	Interest paid to Treasury (6.139 percent on \$19 million)	1	1	1
10.00	Total new obligations	1	1	1
Budgetary resources available for obligation:				
22.00	New financing authority (gross)	3	1	1
23.95	Total new obligations	-1	-1	-1
24.40	Unobligated balance carried forward, end of year	--	--	--
Mandatory:				
69.00	Offsetting collections (cash)	3	1	1
Change in obligated balances:				
73.10	Total new obligations	1	1	1
87.00	Total financing disbursements (gross)	--	--	--
Offsets against gross financing authority and financing disbursements:				
Offsetting collections (cash) from				
88.00	Federal Sources	2	--	--
88.40	Non-Federal sources - interest payments from American Samoa	1	1	1
88.40	Non-Federal sources	--	--	--
88.90	Total, offsetting collections (cash)	3	1	1
Net financing authority and financing disbursements:				
89.00	Financing authority	--	--	--
90.00	Financing disbursements	-2	-1	-1

COMPACT PAYMENT PROJECTIONS
10 YEAR TOTAL - FY 2004-2014
(In thousands of dollars)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Federated States of Micronesia</u>											
Sector Grants	76,000	77,099	79,215	79,388	80,516	81,350	82,658	83,918	85,130	86,294	87,411
Trust Fund	16,000	16,189	16,442	17,689	18,996	20,282	21,740	23,246	24,800	26,402	28,052
Audit	500	500	500	500	500	500	500	500	500	500	500
<u>TOTAL</u>	<u>92,500</u>	<u>93,788</u>	<u>96,157</u>	<u>97,577</u>	<u>100,011</u>	<u>102,132</u>	<u>104,898</u>	<u>107,664</u>	<u>110,430</u>	<u>113,196</u>	<u>115,962</u>
<i>Inflation at actual for 2005-2009, then +3% for out years</i>		1.18%	2.76%	5.29%	7.93%	10.23%	13.23%	16.23%	19.23%	22.23%	25.23%
<u>Republic of the Marshall Islands</u>											
Sector Grants	35,200	35,109	35,144	35,482	35,833	36,045	36,460	36,845	37,200	37,525	40,324
Rongelap Resettlement		1,768	1,760	1,760	0	0	0	0	0	0	0
Kwajalein Lease Payments	15,000	15,177	15,414	15,793	16,190	16,535	16,985	17,435	17,885	18,335	18,440
Enewetak - Section 103 (f)(2)(c)(i)	1,300	1,315	1,336	1,369	1,403	1,433	1,472	1,511	1,550	1,589	1,628
Trust Fund	7,000	7,588	8,221	8,950	9,714	10,472	11,323	12,204	13,115	14,056	15,028
Audit Grants	500	500	500	500	500	500	500	500	500	500	500
<u>TOTAL</u>	<u>59,000</u>	<u>61,457</u>	<u>62,375</u>	<u>63,854</u>	<u>63,639</u>	<u>64,985</u>	<u>66,740</u>	<u>68,495</u>	<u>70,250</u>	<u>72,005</u>	<u>75,920</u>
<i>Inflation at actual for 2005-2008, then +3% for out years</i>		1.18%	2.76%	5.29%	7.93%	10.23%	13.23%	16.23%	19.23%	22.23%	25.23%
Grand Total FSM & RMI	151,500	155,245	158,532	161,431	163,651	167,117	171,638	176,159	180,680	185,201	191,882
<u>COMPACT IMPACT</u>											
Section 104	30,000	30,000	30,000	29,684	30,000	30,000	30,000	30,000	29,642	30,000	30,000
OIA cost reimb.				316					358		
Judicial Training	300	304	308	316	324	330	340	349	358	367	376
GRAND TOTAL	181,800	185,549	188,840	191,747	193,974	197,447	201,977	206,507	211,037	215,567	222,257
<i>(includes Compact Impact, Judicial Training)</i>											

COMPACT PAYMENT PROJECTIONS
10 YEAR TOTAL - FY 2015-2023
(In thousands of dollars)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	FY 2015-2023 10 Year <u>Total</u>
<u>Federated States of Micronesia</u>										
Sector Grants	88,479	89,499	90,471	91,395	92,271	98,829	100,899	102,969	105,039	859,850
Trust Fund	29,749	31,495	33,289	35,131	26,587	38,959	40,944	42,978	45,060	324,193
Audit	500	500	500	500	500	500	500	500	500	4,500
TOTAL	<u>118,728</u>	<u>121,494</u>	<u>124,260</u>	<u>127,026</u>	<u>119,358</u>	<u>138,287</u>	<u>142,343</u>	<u>146,447</u>	<u>150,599</u>	<u>1,188,543</u>
<i>Inflation at actual for 2005-2009, then +3% for out years</i>	28.23%	31.23%	34.23%	37.23%	40.23%	43.23%	46.23%	49.23%	52.23%	
<u>Republic of the Marshall Islands</u>										
Sector Grants	40,649	40,944	41,209	41,443	41,648	41,823	41,968	42,083	42,168	373,935
Rongelap Resettlement	0	0	0	0	0	0	0	0	0	0
Lease Payments	23,081	23,621	24,161	24,701	25,241	25,781	26,321	26,861	27,401	227,173
Enewetak - Section 103 (f)(2)(c)(i)	1,667	1,706	1,745	1,784	1,823	1,862	1,901	1,940	1,979	16,407
Trust Fund	16,029	17,060	18,121	19,212	20,333	21,485	22,666	23,877	25,118	183,900
Audit Grants	500	500	500	500	500	500	500	500	500	4,500
TOTAL	<u>81,926</u>	<u>83,831</u>	<u>85,736</u>	<u>87,641</u>	<u>89,546</u>	<u>91,451</u>	<u>93,356</u>	<u>95,261</u>	<u>97,166</u>	<u>805,914</u>
<i>Inflation at actual for 2005-2008, then +3% for out years</i>	28.23%	31.23%	34.23%	37.23%	40.23%	43.23%	46.23%	49.23%	52.23%	
Grand Total FSM & RMI	200,654	205,325	209,996	214,667	208,904	229,738	235,699	241,708	247,765	1,994,457
<u>COMPACT IMPACT</u>										
Section 104	30,000	30,000	29,597	30,000	30,000	30,000	30,000	29,552	30,000	269,150
OIA cost reimb.			403					448		850
Judicial Training	385	394	403	412	421	430	439	448	457	3,786
GRAND TOTAL	231,039	235,719	240,399	245,079	239,325	260,168	266,138	272,156	278,222	2,268,243
<i>(includes Compact Impact, Judicial Training)</i>										

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

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	TOTALS
<u>ACTIVITY (P.L. 99-658)</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
<u>Subtotal Sec. 211</u>	<u>108,948</u>	<u>12,781</u>	<u>16,781</u>	<u>12,781</u>	<u>7,781</u>	<u>7,781</u>	<u>7,781</u>	<u>7,781</u>	<u>7,781</u>	<u>7,781</u>	<u>6,781</u>	<u>6,781</u>	<u>6,781</u>	<u>6,781</u>	<u>6,781</u>	<u>231,882</u>
Sect. 212(b) Capital Account	36,000															36,000
Sect. 213 Defense Use Impact	5,500															5,500
Sect. 215 Inflation Adjustment	35,719	5,842	6,075	6,440	3,790	3,861	4,004	4,147	4,147	4,290	3,752	3,936	4,121	4,305	4,490	98,917
SUBTOTAL	186,167	18,623	22,856	19,221	11,571	11,642	11,785	11,928	11,928	12,071	10,533	10,717	10,902	11,086	11,271	372,299
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	13,928	13,928	14,071	12,533	12,717	12,902	13,086	13,271	410,999
Federal Services b/	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sect. 212(a) Palau Road Construction	53,000		96,000													149,000
GRAND TOTAL, PALAU	245,467	23,523	122,356	21,221	13,571	13,642	13,785	13,928	13,928	14,071	12,533	12,717	12,902	13,086	13,271	559,999

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

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