



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

and Performance Information  
Fiscal Year 2010

## **OFFICE OF INSULAR AFFAIRS**

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

Approval for release of the justifications prior to their printing in the public record of the Subcommittee hearings may be obtained through the Office of Budget of the Department of the Interior.



## Table of Contents

I. Bureau-Level Presentation	
A. General Statement	
1. Introduction	1
2. Budget Highlights	2
3. Key Budgetary Changes	4
4. 2010 Performance Summary	5
B. Bureau-Level Tables	
1. 2010 Budget at a Glance	7
2. 2008 Funding by Activity and Insular Area	8
3. Goal Performance Table	9
4. Representative Performance Measure Table	10
5. Organization Chart	11
II. Account-Level Presentation	
A. Summary of Requirements	
1. Assistance to Territories	13
2. Compact of Free Association – Current Appropriation	14
3. Compact of Free Association – Permanent Appropriation	15
4. Assistance to Territories by Object Class	16
B. Fixed Costs and Related Changes	17
C. Language Citations	
1. Appropriation Changes	19
2. Justification of Proposed Language Changes	21
3. Authorizations	22
III. Activity/Subactivity-Level Presentation	
A. American Samoa Operations	25
B. Covenant CIP Grants	29
1. CNMI Construction	32
2. American Samoa Construction	35
3. Guam Construction	38
4. U.S. Virgin Islands Construction	41

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C. Territorial Assistance	45
1. Office of Insular Affairs	47
2. General Technical Assistance	52
3. Operations and Maintenance Improvement Program (OMIP)	63
4. Brown Treesnake Control	66
5. Insular Management Controls	69
6. Coral Reef Initiative	71
7. Water and Wastewater	75
8. Guam Infrastructure	77
D. Compacts of Free Association	
1. Federal Services Assistance	79
2. Program Grant Assistance – Palau	80
3. Enewetak	81
4. Economic Assistance Overview for FSM and RMI	82
i. FSM Sector Grants	85
ii. RMI Sector Grants	88
5. Compact Impact	91
6. Republic of Palau Compact	93
IV. Miscellaneous Schedules	95

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

### **A. General Statement**

#### **1. Introduction**

The Office of Insular Affairs (OIA) carries out the Secretary's responsibilities for U.S.-affiliated insular areas. These include the territories of Guam, American Samoa, the U.S. Virgin Islands, 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 work to improve the standard of living for island residents and promote the economic development and self-sufficiency of the insular areas. OIA will achieve its mission by encouraging economic development, promoting sound financial management practices in the insular governments, and increasing Federal responsiveness to the unique needs of island communities.

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.

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 years and will be an important consideration for FY 2010 and subsequent budgets. Guam's population is expected to grow by 20 percent 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 has 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 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 2010 budget is \$423.3 million, of which \$86.4 million is requested in current appropriations, an increase of \$2.4 million over the FY 2009 enacted level. The request for current appropriations includes \$230,000 for fixed cost increases and an increase of \$2.2 million for program changes.

### 2010 Budget Request (Dollars in Thousands)

	<b>2008 Actual</b>	<b>2009 Enacted</b>	<b>2010 Request</b>	<b>2010 Request Change from 2009</b>
<b>Total</b>	417,477	443,460	423,321	-20,139

The current appropriations request includes \$56.7 million in discretionary funding and \$29.7 million in mandatory funding. In addition, \$336.9 million in permanent and indefinite appropriations is estimated for FY 2010, including \$129 million estimated for fiscal payments to Guam and the USVI and \$207.9 million for payments under the Compacts of Free Association. The following table shows the FY 2008 Actual, 2009 Enacted, and 2010 Request figures.

### Total 2010 Budget Request (Dollars in Thousands)

<b>Budget Authority</b>	<b>2008 Actual</b>	<b>2009 Enacted</b>	<b>2010 Request</b>	<b>2010 Request Change from 2009</b>
Discretionary	83,129	83,983	86,395	+2,412
Mandatory	334,348	359,477	336,926	-22,551
<b>Total</b>	<b>417,477</b>	<b>443,460</b>	<b>423,321</b>	<b>-20,139</b>
<i>FTEs</i>	37	39	41	+2

The FY 2010 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 its various 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 2009, OIA received over \$83.9 million in

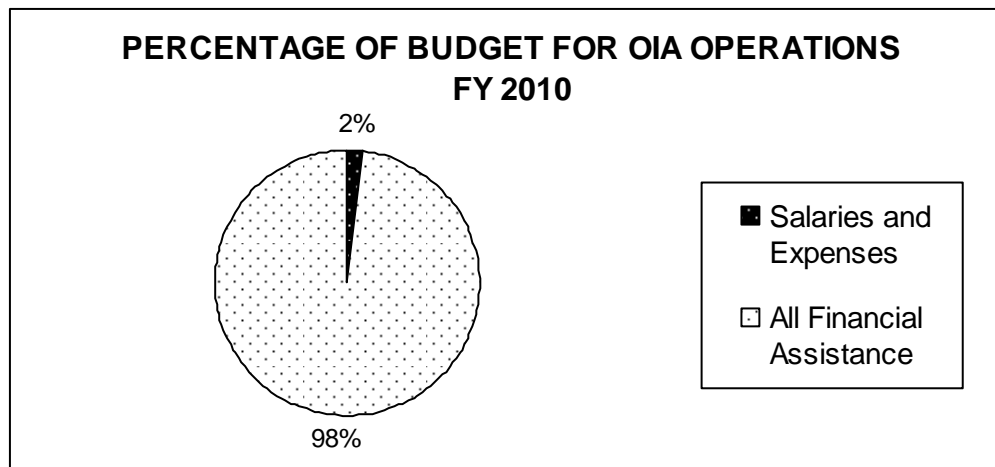
Assistance to Territories and current Compact of Free Association funding, providing 90 percent of these funds to insular areas in the form of grants to provide financial assistance. OIA plans to continue this effort in FY 2010.

OIA's budget is broken out into two major categories of funding – permanent or mandatory and current discretionary. Most of OIA's budget reflects mandatory commitments to U.S.-affiliated insular areas and is permanently appropriated (\$336.9 million). Within current appropriations, Covenant grants (\$27.7 million) that provide for Capital Improvement Projects (CIP) in U.S. territories are considered mandatory and the continuing Health and Education Block Grant given to the Republic of Palau (\$2 million) are considered mandatory as part of Palau's Compact of Free Association.

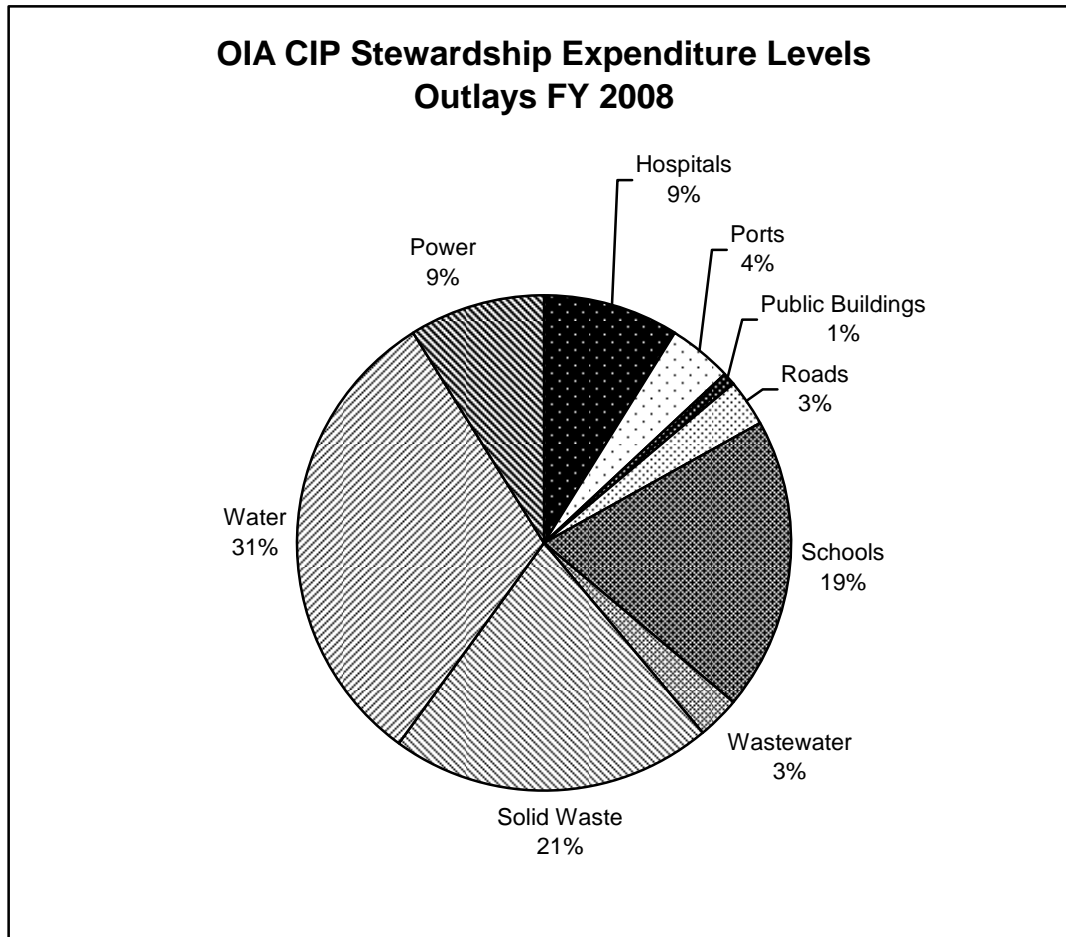
American Samoa Operations (\$22.8 million), the second largest budget activity is considered discretionary but is a directed appropriation that provides essential assistance to help the American Samoa Government provide basic services such as health care, education, public safety, and support for the 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 only true discretionary programs are the OIA Salaries and Expenses account (\$9.3 million) and the other Territorial Assistance activities (\$21.3 million) which together account for \$30.6 million out of a total OIA budget of \$423.3 million in FY 2010. As seen in the chart below, all but two percent of the total funding received by OIA goes toward financial 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 following table). The total expended in FY 2007 was \$22.6 million. In FY 2008, the islands expended \$21.3 million on capital infrastructure.



### 3. Key Budgetary Changes

The FY 2010 budget contains two noteworthy items. First, \$2.0 million is being requested for Guam Infrastructure to assist with civilian infrastructure improvements needed as a result of the military's expanding presence on Guam. Second, the budget contains a placeholder of \$7.0 million in recognition of an ongoing review of the relationship between the United States (U.S.) and the Republic of Palau (ROP). Permanent and indefinite funding for the ROP will expire at the end of FY 2009.



#### 4. 2010 Performance Summary

OIA's end outcome goal 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:

*Goal 1:* Increase Economic Development

*Measure:* Private Sector Employment (Ratio of private sector jobs to total employment)

OIA will continue to provide 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. In addition, OIA will educate insular area officials about the importance of promoting private sector economic development while at the same time increasing awareness in the United States and around the world of business and other opportunities in all seven insular areas.

*Goal 2:* Improve Insular Governments Financial Management Practices

*Measure:* Timeliness of Financial Statements (Total average months late for all insular general fund financial statements)

OIA is planning several strategies to accomplish this goal. One is to use budget resources as an incentive for financial improvements. A second approach is to provide technical assistance to carry out specific plans for financial management improvements. Finally, OIA will provide assistance to bolster and institutionalize improvements to the local audit capacity.

*Goal 3:* Increased Federal Responsiveness to the Unique Needs of Island Communities

*Measure:* Satisfaction and Confidence Rating (Numerical improvement in insular areas' satisfaction with and confidence in Interior responsiveness to their needs)

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). OIA is also a key partner with the State Department in the Interagency Group on Freely Associated States. Major efforts over the last two years have focused on alternative sources of financing for large-scale infrastructure needs and health data collection.

*In accordance with the Government Performance and Results Act of 1993 and with OMB policy and direction, the DOI Strategic Plan is currently undergoing the required triennial review and update. The Department is reviewing the organization and construct of the Strategic Plan in light of the Administration's priorities, goals, and objectives. Although the majority of end outcome measures are expected to remain intact, the organizing principles for those goals and measures may change during this review. Therefore, this budget request does not directly reference the existing DOI Strategic Plan, but does continue to report on performance goals and accomplishments associated with the current slate of end outcome goals and related performance measures.*

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## B. Bureau Level Tables

## 1.

<b>FY 2010 Budget at a Glance</b>					
<b>Office of Insular Affairs</b>					
(Dollars in Thousands)					
	2008 Actual	2009 Enacted	Fixed Costs Changes	Program Changes	2010 Request
<u>Assistance to Territories</u>					
American Samoa Operations	22,523	22,752	0	0	22,752
Covenant Grants	27,720	27,720	0	0	27,720
Office of Insular Affairs	8,344	8,850	+230	+200	9,280
General Technical Assistance	10,952	11,018	0	-18	11,000
Maintenance Assistance	2,241	2,241	0	0	2,241
Brown Treesnake Control	2,631	2,631	0	0	2,631
Insular Management Controls	1,453	1,453	0	0	1,453
Coral Reef Initiative	979	1,000	0	0	1,000
Water and Wastewater	976	1,000	0	0	1,000
Guam Infrastructure	0	0	0	+2,000	2,000
<b>Total, Assistance to Territories</b>	<b>77,819</b>	<b>78,665</b>	<b>+230</b>	<b>+2,182</b>	<b>81,077</b>
<u>Compact of Free Association - Current</u>					
Federal Services	2,818	2,818	0	0	2,818
Palau Program Grant Assistance	2,000	2,000	0	0	2,000
Enewetak	492	500	0	0	500
<b>Total, Compact of Free Association - Current</b>	<b>5,310</b>	<b>5,318</b>	<b>0</b>	<b>0</b>	<b>5,318</b>
<b>Total Current Discretionary/Mandatory</b>	<b>83,129</b>	<b>83,983</b>	<b>+230</b>	<b>+2,182</b>	<b>86,395</b>
<u>Compact of Free Association</u>					
Marshall Islands Compact	63,423	67,009	0	-854	66,155
Federated States of Micronesia Compact	99,796	102,541	0	+1,435	103,976
Palau Compact	11,025	11,148	0	-4,148	7,000
Compact Impact	30,000	30,000	0	0	30,000
Judicial Training	323	330	0	+7	337
Disaster RMI FSM Approp. Trans. to FEMA	432	449	0	+9	458
<b>Total Compact (Permanent)</b>	<b>204,999</b>	<b>211,477</b>	<b>0</b>	<b>-3,551</b>	<b>207,926</b>
Guam Section 30 Income Taxes	38,869	39,000	0	0	39,000
VI Rum Excise Taxes	90,480	109,000	0	-19,000	90,000
<b>Total, Fiscal Payments (Permanent)</b>	<b>129,349</b>	<b>148,000</b>	<b>0</b>	<b>-19,000</b>	<b>129,000</b>
<b>Grand Total - Office of Insular Affairs</b>	<b>417,477</b>	<b>443,460</b>	<b>+230</b>	<b>-20,369</b>	<b>423,321</b>

Note: A legislative proposal for 2010 to renew the Palau Compact is in progress.

2.

**Office of Insular Affairs**  
**2008 Funding by Activity and Insular Area**  
 \$(000)

<u>Activity</u>	<u>Am Sa</u>	<u>CNMI</u>	<u>Guam</u>	<u>US VI</u>	<u>FSM</u>	<u>RMI</u>	<u>Palau</u>	<u>Hawaii</u>	<u>DC</u>	<u>Georgia</u>	<u>Other</u>	<u>Total</u>
Compact - FSM					99,796							<b>99,796</b>
Compact - RMI						63,423						<b>63,423</b>
Compact - Federal Services					1,545	386	886					<b>2,818</b>
Compact - Palau							13,025					<b>13,025</b>
Enewetak Support						492						<b>492</b>
Compact Impact	14	5,434	14,092					10,460				<b>30,000</b>
Compact Judicial Training					162	162						<b>323</b>
Technical Assistance	1,202	1,923	1,036	610	710	1,150	1,140	328				<b>8,098</b>
Judicial Program 9th Circuit	98	98	98									<b>295</b>
Prior Service Trust Fund		226			350	108	153					<b>837</b>
Maintenance Assistance	398	613	444	35	393	174	184					<b>2,241</b>
Insular Management Controls											1,453	<b>1,453</b>
Coral Reef Initiative		40	60	350	307	35	33	119		35		<b>979</b>
Office of Insular Affairs	137	324			150	87		1,310	6,336			<b>8,344</b>
Article II Compact Healthcare						984						<b>984</b>
Brown Treesnake		466	1,955					210				<b>2,631</b>
Am. Samoa Ops	22,523											<b>22,523</b>
CIP Grants	10,429	10,286	4,169	2,836								<b>27,720</b>
Water & Waste Water				976								<b>976</b>
Payments to U.S. Territories			38,869	90,480								<b>129,349</b>
FEMA Disaster Assistance					216	216						<b>432</b>
Population & Workforce Survey		738										<b>738</b>
<b>Total</b>	<b>34,802</b>	<b>20,148</b>	<b>60,723</b>	<b>95,287</b>	<b>103,628</b>	<b>67,216</b>	<b>15,422</b>	<b>12,427</b>	<b>6,336</b>	<b>35</b>	<b>1,453</b>	<b>417,477</b>

3.

<b>Goal Performance Table</b>										
<b>Target Codes:</b>		SP = Strategic Plan measures				PART = PART Measure				
		TBD = Targets have not yet been developed				UNK = Prior year data unavailable				
<b>Type Codes:</b>		C = Cumulative Measure			A = Annual Measure		F = Future Measure			
						BUR = Bureau specific measure				
						NA = Long-term targets are inappropriate to determine at this time				
<b>End Outcome Goal: Increase Economic Self-Sufficiency of Insular Areas</b>										
End Outcome Measure / Intermediate or PART Measure / PART Efficiency or other Outcome Measure	Type	2005 Actual	2006 Actual	2007 Actual	2008 Plan	2008 Actual	2009 Plan	2010 President's Budget	Changes to 2010 from 2009	Long-term Target 2012
<b>End Outcome Measures</b>										
Federal assistance as a percentage of GDP for insular economies – Annual proxy measure: Ratio of Federal revenue to total revenues in insular areas. (SP)	A	25%	28%	30% (\$718m/ \$2,406m)	30% (\$715m/ \$2,420m)	30% (\$715m/ \$2,420m)	30% (\$716m/ \$2,406m)	30% (\$716m/ \$2,406m)	0	28%
Comments:	The 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.									
<b>Intermediate Outcome Measures</b>										
Improve Insular Governments Financial Management Practices - Timeliness of Financial Statements: Total average months late for all insular general fund financial statements.	A	5*	2*	2	2	2	2	2	0	0
Increase Economic Development – Private Sector Employment: Ratio of private sector jobs to total employment.	A	0.72	0.71	0.72 (142,060/ 197,973)	0.72 (142,160/ 198,100)	0.71 (142,600/ 200,230)	0.71 (142,600/ 200,230)	0.71 (142,600/ 200,230)	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	72%	UNK	84% (84/100)	80% (80/100)	82% (82/100)	80% (80/100)	80% (80/100)	0	76%
Comments:	At this time, OIA is working to receive OMB approval for the Customer Satisfaction Confidence Rating Survey. *Note: FY 2005 and FY 2006 Actual for Timeliness of Financial Statements differs from system of record (ABC/M has 19 and 12) due to calculation error during first report.									

4.

**Representative Performance Measure  
Program Performance Improvement Analysis**

ABC /M ID	Representative Strategic Plan Measures		2005 Actual	2006 Actual	2007 Actual	2008 Plan	2008 Actual	2009 Plan	2010 President's Budget
320	Federal assistance as a percentage of GDP for insular economies – Annual proxy measure: Ratio of Federal revenue to total revenues in insular areas. (SP)	Office Performance	25%	28%	30% (\$718m/ \$2,406m)	30% (\$715m/ \$2,420m)	30% (\$715m/ \$2,420m)	30% (\$716m/ \$2,406m)	30% (\$716m/ \$2,406m)
		Office Total Cost	426,681	385,560	414,663	411,189	417,447	443,460	423,321

**Assessment for Program Performance Improvement from Category: Challenged Performance**

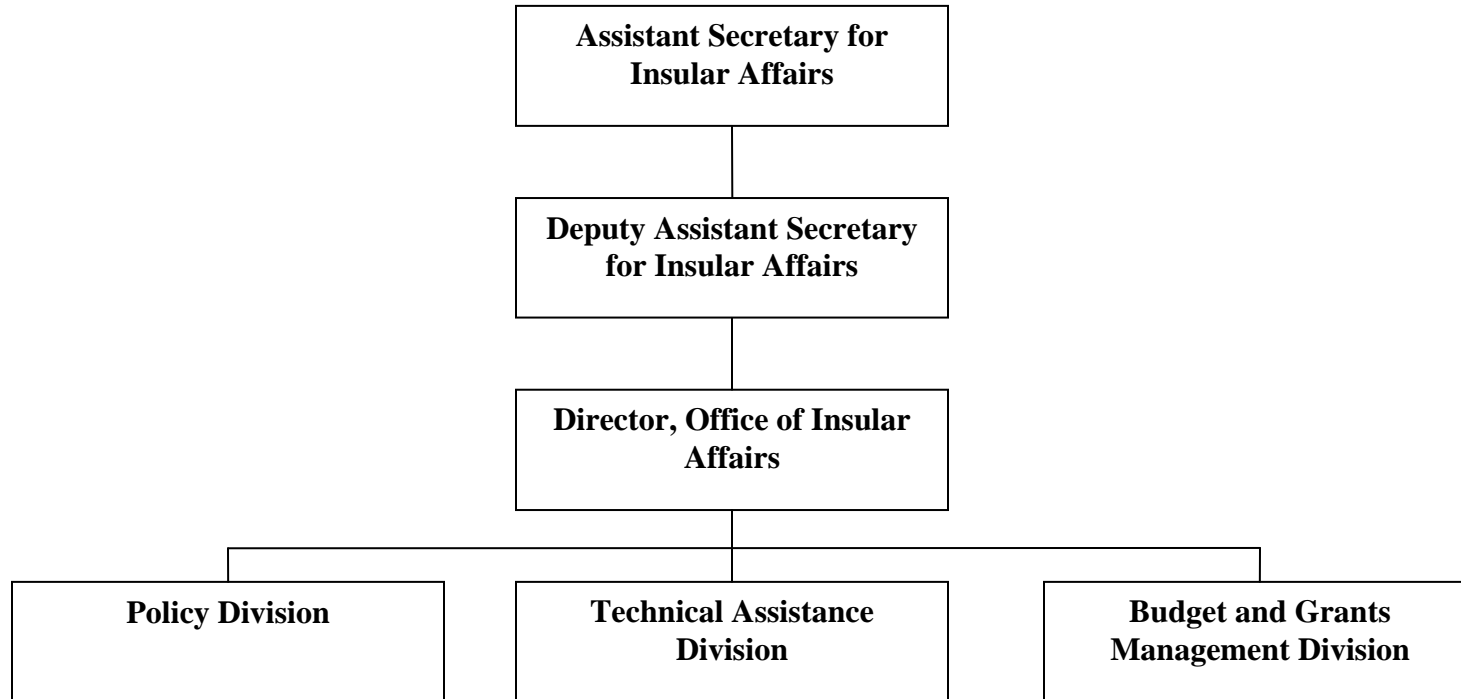
Potential for improvement (move to sustained or positive?): Unlikely

The drivers for this measure, insular economic conditions and Congressional appropriations, are likely to remain unchanged in the near future and as a result performance is expected to remain flat. External factors weigh heavily on increasing the economic self-sufficiency of the islands and therefore on performance. Currently, formerly stable industries like tuna and tourism are struggling and it is not likely that this picture will improve in the near term. Looking forward, only Guam is likely to see economic growth due to the planned relocation of military operations from Okinawa to Guam. Any measureable change in performance derived from an increased military presence will likely be reflected in future years not captured by the table above.

Note: The 2005 Actual figure was 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.

5.

### Organization Chart Office of Insular Affairs



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## II. Account-Level Presentation

### A. Summary of Requirements

#### 1.

#### OFFICE OF INSULAR AFFAIRS ASSISTANCE TO TERRITORIES

#### FY 2010 Summary of Requirements

Activity/Subactivity	2008 Actual		2009 Enacted		Fixed Costs & Related Changes (+/-)		Program Changes (+/-)		2010 Request		Inc. (+)/Dec. (-) from 2009	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
<b>ASSISTANCE TO TERRITORIES</b>												
(1) American Samoa Operations	2	22,523	2	22,752	0	0	0	0	2	22,752	0	0
(2) Covenant Grants - Mandatory												
Northern Mariana Islands Construction		10,286		11,330		0		-335		10,995		-335
American Samoa Construction		10,429		9,380		0		+3		9,383		+3
Guam Construction		4,169		4,840		0		+520		5,360		+520
Virgin Islands Construction		<u>2,836</u>		<u>2,170</u>		<u>0</u>		<u>-188</u>		<u>1,982</u>		<u>-188</u>
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	34	8,344	36	8,850	0	+230	+2	+200	38	9,280	+2	+430
General Technical Assistance	1	10,952	1	11,018	0	0	0	-18	1	11,000	0	-18
Maintenance Assistance Fund		2,241		2,241		0		0		2,241		0
Brown Treesnake Control		2,631		2,631		0		0		2,631		0
Insular Management Controls		1,453		1,453		0		0		1,453		0
Coral Reef Initiative		979		1,000		0		0		1,000		0
Water and Wastewater Projects		976		1,000		0		0		1,000		0
Guam Infrastructure		<u>0</u>		<u>0</u>		<u>0</u>		<u>+2,000</u>		<u>2,000</u>		<u>+2,000</u>
Sub-Total, Territorial Assistance	35	27,576	37	28,193	0	+230	+2	+2,182	39	30,605	+2	+2,412
<b>TOTAL REQUIREMENTS</b>	<b>37</b>	<b>77,819</b>	<b>39</b>	<b>78,665</b>	<b>0</b>	<b>+230</b>	<b>+2</b>	<b>+2,182</b>	<b>41</b>	<b>81,077</b>	<b>+2</b>	<b>+2,412</b>

2.

**OFFICE OF INSULAR AFFAIRS  
COMPACT OF FREE ASSOCIATION - CURRENT APPROPRIATION**

**FY 2010 Summary of Requirements**

Activity/Subactivity	2008 Actual		2009 Enacted		Fixed Costs & Related Changes (+/-)		Program Changes (+/-)		2010 Request		Inc. (+)/Dec. (-) from 2009	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
<b>COMPACTS OF FREE ASSOCIATION - CURRENT</b>												
(1) Federal Services		2,818		2,818		0		0		2,818		0
(2) Palau Program Grant Assistance		2,000		2,000		0		0		2,000		0
(3) Enewetak (earmark)		492		500		0		0		500		0
<b>TOTAL REQUIREMENTS</b>	<b>0</b>	<b>5,310</b>	<b>0</b>	<b>5,318</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,318</b>	<b>0</b>	<b>0</b>

## 3.

**OFFICE OF INSULAR AFFAIRS**  
**COMPACT OF FREE ASSOCIATION - PERMANENT APPROPRIATION**  
**FY 2010 Summary of Requirements**

Activity/Subactivity	2008 Actual		2009 Enacted		Fixed Costs and Related Changes		Program Changes		2010 Request		Inc. (+)/Dec. (-) from 2009	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
<b>COMPACT OF FREE ASSOCIATION - PERMANENT Assistance to the Marshall Islands:</b>												
Sector Grants		35,616		37,182		0		-1,044		36,138		-1,044
Audit		500		500		0		0		500		0
Trust Fund		9,714		10,784		0		+439		11,223		+439
Rongelap Resettlement		0		0		0		0		0		0
Kwajalein Lease Payment		16,190		17,110		0		-275		16,835		-275
Enewetak		<u>1,403</u>		<u>1,433</u>		<u>0</u>		<u>+26</u>		<u>1,459</u>		<u>+26</u>
Subtotal, Marshall Islands Assistance	0	63,423	0	67,009	0	0	0	-854	0	66,155	0	-854
<u>Assistance to the Federated States of Micronesia (FSM)</u>												
Sector Grants		80,300		81,129		0		+799		81,928		+799
Trust Fund		18,996		20,912		0		+636		21,548		+636
Audit		<u>500</u>		<u>500</u>		<u>0</u>		<u>0</u>		<u>500</u>		<u>0</u>
Subtotal, FSM Assistance	0	99,796	0	102,541	0	0	0	+1,435	0	103,976	0	+1,435
Compact Impact		30,000		30,000		0		0		30,000		0
Judicial Training		323		330		0		+7		337		+7
Transfer of Disaster Assistance to FEMA/USAID		432		449		0		+9		458		+9
<u>Total, FSM/Marshalls Compact (Permanent)</u>	<u>0</u>	<u>193,974</u>	<u>0</u>	<u>200,329</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>+597</u>	<u>0</u>	<u>200,926</u>	<u>0</u>	<u>+597</u>
<u>Assistance to the Republic of Palau</u>												
Section 211 (Government Operations)		6,781		6,781		0		-6,781		0		-6,781
Section 215 (Inflation Adjustment)		4,244		4,367		0		-4,367		0		-4,367
Palau Compact Renewal		<u>0</u>		<u>0</u>		<u>0</u>		<u>+7,000</u>		<u>7,000</u>		<u>+7,000</u>
Subtotal, Assistance to the Republic of Palau	0	11,025	0	11,148	0	0	0	-4,148	0	7,000	0	-4,148
<b>TOTAL REQUIREMENTS, COMPACT, Permanent</b>	<b>0</b>	<b>204,999</b>	<b>0</b>	<b>211,477</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-3,551</b>	<b>0</b>	<b>207,926</b>	<b>0</b>	<b>-3,551</b>
<b>GRAND TOTAL, COMPACT, Permanent &amp; Current</b>	<b>0</b>	<b>210,309</b>	<b>0</b>	<b>216,795</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-3,551</b>	<b>0</b>	<b>213,244</b>	<b>0</b>	<b>-3,551</b>

4.

**OFFICE OF INSULAR AFFAIRS  
ASSISTANCE TO TERRITORIES**

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

	2009 Estimate		Uncontrollable and Related Changes		Program Changes		2010 Request	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Appropriation: <b>ASSISTANCE TO TERRITORIES</b>								
<u>Object Class</u>								
11.0 Personnel Compensation:								
11.1 Permanent positions - FTE-P	39	3,561	0	+92	+2	+180	41	3,833
11.3 Positions other than permanent		0				0		0
11.5 Other personnel Compensation		<u>100</u>		<u>0</u>		<u>0</u>		<u>100</u>
Total personnel compensation	39	3,661	0	+92	+2	+180	41	3,933
<u>Other Object Classes</u>								
12.1 Personnel benefits		1,200		+35		+20		1,255
13.0 Benefits to former employees		0		0		0		0
21.0 Travel & transportation of persons		600		0		0		600
22.0 Transportation of things		0		0		0		0
23.1 Rental payments to GSA		0		0		0		0
23.2 Other rent, comm., and utilities		45		0		0		45
24.0 Printing and reproduction		15		0		0		15
25.0 Other services		6,100		+103		0		6,203
26.0 Supplies and materials		90		0		0		90
31.0 Equipment		30		0		0		30
41.0 Grants, subsidies & contributions		<u>66,924</u>		<u>0</u>		<u>+1,982</u>		<u>68,906</u>
99.0 Total Requirements	<b>39</b>	<b>78,665</b>	<b>0</b>	<b>+230</b>	<b>+2</b>	<b>+2,182</b>	<b>41</b>	<b>81,077</b>

## B. Fixed Costs and Related Changes

	2009 Budget	2009 Revised	2010 Fixed Costs Change
<b>Additional Operational Costs from 2009 and 2010 January Pay Raises</b>			
<b>1. 2009 Pay Raise, 3 Quarters in 2009 Budget</b> <i>Amount of pay raise absorbed</i>	+\$67	+\$67 [23]	
<b>2. 2009 Pay Raise, 1 Quarter (Enacted 3.9%)</b>	NA	NA	+\$44
<b>3. 2010 Pay Raise (Assumed 2.0%)</b>	NA	NA	+\$68
These adjustments are for an additional amount needed to fund estimated pay raises for Federal employees.			
Line 1, 2009 Revised column is an update of 2009 budget estimates based upon the 2009 Enacted and the enacted 3.9% versus the 2.9% request.			
Line 2 is the amount needed in 2010 to fund the enacted 3.9% January 2009 pay raise from October through December 2009.			
Line 3 is the amount needed in 2010 to fund the estimated 2.0% January 2010 pay raise from January through September 2010.			

	2009 Budget	2009 Revised	2010 Fixed Costs Change
<b>Other Fixed Cost Changes</b>			
<b>One Less Pay Day</b> <i>The number of paid day is constant.</i>	NA	NA	NA
<b>Employer Share of Federal Health Benefit Plans</b> <i>Amount of health benefits absorbed</i>	+\$20	+\$20	+\$15
The adjustment is for changes in the Federal government's share of the cost of health insurance coverage for Federal employees. For 2010, the increase is estimated at 6.5%, the estimated increase for 2009.			
<b>Worker's Compensation Payments</b> <i>Amount of workers compensation absorbed</i>	NA	NA	NA
The 2009 adjustment is for actual charges through June 2008 in the costs of compensating injured employees and dependents of employees who suffer accidental deaths while on duty. Costs for 2010 will reimburse the Department of Labor, Federal Employees Compensation Fund, pursuant to 5 U.S.C. 8147(b) as amended by Public Law 94-273.			
<b>Unemployment Compensation Payments</b> <i>Amount of unemployment compensation absorbed</i>	NA	NA	NA
The 2009 adjustment is for estimated changes in the costs of unemployment compensation claims to be paid to the Department of Labor, Unemployment Trust Fund, pursuant to Public Law 96-499.			
<b>Rental Payments</b> <i>Amount of rental payments absorbed</i>	+\$58	+\$58 [1]	+\$60
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. Absorption is for higher than budgeted DHS costs.			

	2009 Budget	2009 Revised	2010 Fixed Costs Change
<b>Departmental Working Capital Fund</b>	+\$71	+\$71	+\$43
<i>Amount of WCF payments absorbed</i>			
The 2009 Revised absorption reflects changes in the working capital fund bill since the President's Budget. The 2010 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.			
<b>TOTAL, FY 2010 Fixed Costs Change, OIA</b>			<b>+\$230</b>

## C. Language Citations

### 1. Appropriation Changes

#### ASSISTANCE TO TERRITORIES

For expenses necessary for assistance to territories under the jurisdiction of the Department of the Interior, [\$78,665,000] \$81,077,000, of which: (1) [\$69,815,000] \$71,797,000 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) [\$8,850,000] \$9,280,000 shall be available until September 30, [2010] 2011 for salaries and expenses of the Office of Insular Affairs: *Provided*, That all financial transactions of the territorial and local governments herein provided for, including such transactions of all agencies or instrumentalities established or used by such governments, may be audited by the Government Accountability Office, at its discretion, in accordance with chapter 35 of title 31, United States Code: *Provided further*, That Northern Mariana Islands Covenant grant funding shall be provided according to those terms of the Agreement of the Special Representatives on Future United States Financial Assistance for the Northern Mariana Islands approved by Public Law 104-134: [*Provided further*, That of the amounts provided for technical assistance, sufficient funds shall be made available for a grant to the Pacific Basin Development Council: *Provided further*, That of the amounts provided for technical assistance, sufficient funding shall be made available for a grant to the Close Up Foundation:] *Provided further*, That the funds for the program of operations and maintenance improvement are appropriated to institutionalize routine operations and maintenance improvement of capital infrastructure with territorial participation and cost sharing to be determined by the Secretary based on the grantee's commitment to timely maintenance of its capital assets: *Provided further*, That any appropriation for disaster assistance under this heading in this Act or previous appropriations Acts may be used as non-Federal matching funds for the purpose of hazard mitigation grants provided pursuant to section 404 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5170c).

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

*under such authorities. (Department of the Interior, Environment, and Related Agencies Appropriations Act, 2009.)*

### **COMPACT OF FREE ASSOCIATION**

For grants and necessary expenses, [\$5,318,000] \$5,318,000, 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.

*At the request of the Governor of Guam, the Secretary may transfer any mandatory or discretionary funds appropriated, including those provided under section 104(e) of Public Law 108-188, to the Secretary of Agriculture for the subsidy cost of direct or guaranteed loans, plus not to exceed three percent of the amount of the subsidy transferred for the cost of loan administration, for the purposes authorized by the Rural Electrification Act of 1936 and section 306(a)(1) of the Consolidated Farm and Rural Development Act for construction and repair projects in Guam, and such funds shall remain available until expended: Provided, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: Provided, That such loans or loan guarantees may be made without regard to the population of the area, credit elsewhere requirements, and restrictions on the types of eligible entities under the Rural Electrification Act of 1936 and section 306(a)(1) of the Consolidated Farm and Rural Development Act: Provided further, That any funds transferred to the Secretary of Agriculture shall be in addition to funds otherwise made available to make or guarantee loans under such authorities. (Department of the Interior, Environment, and Related Agencies Appropriations Act, 2009.)*



## 2. Justification of Proposed Language Changes

The insertions justified below were included at the end of both the Assistance to Territories and Compact of Free Association appropriations language. The insertions for each appropriation were identical with the exception of the citation for Covenant funding (P.L. 104-134) in the Assistance to Territories appropriation being replaced by the citation for Compact Impact (P.L.108-188) in the Compact of Free Association appropriation.

1. Insertion: *At the request of the Governor of Guam, the Secretary may transfer any mandatory or discretionary funds appropriated, including those provided under section 104(e) of Public Law 108-188/Public Law 104-134, to the Secretary of Agriculture for the subsidy cost of direct or guaranteed loans, plus not to exceed three percent of the amount of the subsidy transferred for the cost of loan administration, for the purposes authorized by the Rural Electrification Act of 1936 and section 306(a)(1) of the Consolidated Farm and Rural Development Act for construction and repair projects in Guam, and such funds shall remain available until expended: Provided, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974:*

This insertion will allow DOI to transfer any mandatory or discretionary funding under these appropriations to the U.S. Department of Agriculture (USDA), when requested by the Governor of Guam, as a subsidy for direct or guaranteed rural development loans to Guam for construction and repair projects. Doing so will allow DOI to leverage existing budget authority to address large-scale projects that could not be addressed through grants at current funding levels. In addition, up to three percent of the amount of the subsidy transferred can also be transferred to cover USDA's administrative expenses for loans resulting from this section. All funds transferred will remain available until expended.

2. Insertion: *Provided, That such loans or loan guarantees may be made without regard to the population of the area, credit elsewhere requirements, and restrictions on the types of eligible entities under the Rural Electrification Act of 1936 and section 306(a)(1) of the Consolidated Farm and Rural Development Act:*

This insertion will allow USDA to make rural development loans or loan guarantees to Guam without regard to any existing restrictions based upon population, credit elsewhere requirements or type of entity. This will clarify and streamline USDA's applicant eligibility discussions.

3. Insertion: *Provided further, That any funds transferred to the Secretary of Agriculture shall be in addition to funds otherwise made available to make or guarantee loans under such authorities.*

This insertion states that any funds transferred from the DOI to USDA for loans will not supplant any existing USDA budget authority.

### 3. Authorizations

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

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

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

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

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

(6) Covenant Grants. Funding under the Northern Marianas Covenant was first established in 1976 under Public Law (P.L.) 94-241, A Joint Resolution to Approve the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America. This was later amended in 1986 by Section 10 of P.L. 99-396 (100 Stat. 840). These provisions were further amended by Public Law 104-134, enacted in 1996, which reduced annual funding to the Northern Mariana Islands and reallocated additional funding to other uses, including capital infrastructure projects in American Samoa, Guam, and the U.S. Virgin Islands.

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

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

#### A. American Samoa Operations

<b>Activity: American Samoa</b>						
<b>Subactivity: American Samoa Operations \$(000)</b>						
	<b>2008 Actual</b>	<b>2009 Enacted</b>	<b>2010</b>			<b>Change from 2009 (+/-)</b>
			<b>Fixed Costs &amp; Related Changes (+/-)</b>	<b>Program Changes (+/-)</b>	<b>Budget Request</b>	
General Operations	21,551	21,897	0	0	21,897	0
High Court	972	855	0	0	855	0
<b>Total Requirements</b>	<b>22,523</b>	<b>22,752</b>	<b>0</b>	<b>0</b>	<b>22,752</b>	<b>0</b>
FTE	2	2	0	0	2	0

#### PROGRAM OVERVIEW

Each year, the Office of Insular Affairs provides grant funds to American Samoa for the operation of the local government, including the judiciary. The American Samoa Government 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. In this regard, the Department’s policy is to maintain the operations grant at a constant level, thus requiring American Samoa to absorb the costs of inflation or costs associated with the growing population. Over the years, American Samoa has assumed an increasing percentage of the total costs of government operations. The American Samoa Operations funding provided currently represents approximately 11% of ASG’s General Fund revenue and 29% of the LBJ Hospital’s revenue.

*FY 2000 Tobacco Loan and Fiscal Reform Plan:* In response to a proposal from the American Samoa Government (ASG), Congress enacted legislation authorizing American Samoa to receive a direct Federal loan up to \$18.6 million. The loan is to be repaid from ASG’s share of the Tobacco Settlement Escrow Fund created for the purpose of paying debts (\$14.3 million) and implementing financial reforms (\$4.3 million). American Samoa identified a list of creditors who were willing to accept less than full dollar on the money they were owed. These creditors

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

*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.

## **2010 PROGRAM PERFORMANCE**

American Samoa plans to accomplish the following in FY 2010:

- Provide financial reports for quarter ending September 30, 2009.
- Provide financial reports for quarter ending December 31, 2009.
- Provide financial reports for quarter ending March 31, 2010.
- Provide financial reports for quarter ending June 30, 2010.

The following chart reflects the ASG's operations funding priorities for FY 2008, FY 2009 and FY 2010:

Funding Category	2008	2009	2010
	Award	Award	Proposed Award
Basic (DOE/ASCC) Operations	\$8,611,217	\$14,245,000	\$14,245,000
LBJ Hospital Operations	\$13,039,906	\$7,652,000	\$7,652,000
High Court	\$971,877	\$855,000	\$855,000
<b>Total</b>	<b>\$22,880,000</b>	<b>\$22,752,000</b>	<b>\$22,752,000</b>

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

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

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**B. Covenant CIP Grants Summary**

<b>Activity: CNMI/Covenant Grants \$(000)</b>						
<b>SUMMARY TABLE</b>						
	<b>2008 Actual</b>	<b>2009 Enacted</b>	<b>2010</b>			<b>Change From 2009 (+/-)</b>
			<b>Fixed Costs &amp; Related Changes (+/-)</b>	<b>Program Changes (+/-)</b>	<b>Budget Request</b>	
CNMI Construction	10,286	11,330	0	-335	10,995	-335
American Samoa Construction	10,429	9,380	0	+3	9,383	+3
Guam Construction	4,169	4,840	0	+520	5,360	+520
Virgin Islands Construction	2,836	2,170	0	-188	1,982	-188
<b>Totals</b>	<b>27,720</b>	<b>27,720</b>	<b>0</b>	<b>0</b>	<b>27,720</b>	<b>0</b>
FTEs	0	0	0	0	0	0

Covenant funds address a variety of infrastructure needs in the U.S. territories including critical infrastructure such as 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

(\$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 may consider the capacity of each insular government to absorb the amount of capital assistance it would otherwise qualify for and any special or extenuating conditions 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 2010 request for Guam increased \$2,000,000 over the baseline funding in the competitive process because it scored well above the average of the insular areas on the ten criteria.

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

The chart below reflects the baseline distribution along with adjustments made to FY 2009 and FY 2010 requests based on each insular government's score on the competitive criteria.

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

<b>Territory</b>	<b>Baseline Funding</b>	<b>FY 2009 +/- Baseline</b>	<b>FY 2010 +/- Baseline</b>	<b>Total FY 2009</b>	<b>Total FY 2010</b>	<b>Diff +/- FY 2009</b>
CNMI	11,000	+330	-5	11,330	10,995	-335
American Samoa	10,000	-620	-617	9,380	9,383	+3
Guam	3,360	+1,480	+2,000	4,840	5,360	+520
Virgin Islands	<u>3,360</u>	<u>-1,190</u>	<u>-1,378</u>	<u>2,170</u>	<u>1,982</u>	<u>-188</u>
<b>Total</b>	27,720	0	0	27,720	27,720	0

## 1.

<b>Activity: CNMI/Covenant Grants</b>						
<b>Subactivity: CNMI Construction \$(000)</b>						
	2008 Actual	2009 Enacted	2010			Change from 2009 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	10,286	11,330	0	-335	10,995	-335
FTEs	0	0	0	0	0	0

**SUMMARY OF 2010 PROGRAM CHANGES**

<b>Request Component</b>		
Program Changes	Amount	FTE
CNMI Construction	-335	0

**JUSTIFICATION OF 2010 PROGRAM CHANGES**

The FY 2010 budget request for the CNMI CIP program is \$10.995 million, a program change of -\$335,000 with no additional FTEs from the FY 2009 enacted level. The amount was calculated utilizing the CIP selection criteria and methods below. The process is further described in the beginning of this section (see Activity: CNMI/Covenant Grants Summary Table section).

Beginning with FY 2005, OIA implemented a new competitive allocation system for the \$27.720 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.....	- \$5,000
Programmed funding for FY 2010.....	\$10,995,000

## PROGRAM OVERVIEW

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

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

## 2010 PROGRAM PERFORMANCE

This past year saw the completion of several CIP-funded infrastructure projects in the CNMI including the Renovation of Garapan Elementary School, Santa Lourdes Road Improvements, and the Rota International Airport Runway Extension. In addition, the CNMI Water Task Force made substantial progress towards its goal of bringing 24 hour potable water to the residents of Saipan. The Water Task Force rehabilitated the Calhoun and the Capital Hill water tanks as well as 69 wells, completed installation of water meters for every customer, and detected and repaired waterline leaks in the communities of Chalan Kanoa, Susupe, and San Antonio.

The requested \$10.995 million for FY 2010 will be used to continue meeting critical infrastructure needs in the CNMI similar to previous years. Funds will be used for large-scale improvements to potable water, power, wastewater and solid waste management. The proposed projects to be funded in FY 2010 are briefly explained below.

In order to comply with U.S. Environmental Protection Agency (EPA) regulations, the CNMI recently began the necessary steps required to ensure proper closure of the Puerto Rico Dump. The CNMI plans to use \$500,000 of the proposed FY 2010 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 24 hour potable water to Saipan continues to be a priority and would receive \$2.5 million of the proposed CIP funding. Currently, the majority of Saipan residents do not have potable water available 24 hours a day. The CNMI formed the Water Task Force in 2004 to coordinate this important effort and significant progress has been made. In December 2006, only 26% of Saipan's population had access to 24 hour water. Thanks to the Water Task Force's efforts, approximately 75% of the population had access to 24 hour water at the end of 2008.

In addition to the delivery of potable water, the CNMI has put an emphasis on developing solid waste and wastewater infrastructure. In FY 2010, \$1.4 million would be allocated to the Tinian Landfill project which is intended to provide an environmentally compliant solid waste disposal facility for the island. Similarly, the Rota Wastewater project, for which \$2.2 million is proposed, would fund the construction of an environmentally compliant wastewater collection, treatment and disposal facility on the island of Rota. Currently, Rota's residents rely on septic tanks for wastewater treatment. Another \$1 million would be allocated for a wastewater treatment facility for the Kagman area residents on the island of Saipan. Finally, \$2.1 million would be allocated for the Revitalization of Garapan. The funds will be used to address polluted, above ground, drainage being discharged into the Saipan Lagoon in Garapan which poses a health hazard to residents by rebuilding the drainage system.

Finally, \$1.4 million will be allocated to rehabilitate aging power generation infrastructure on the island of Rota.

The following chart reflects the CNMI's funding priorities for FY 2008, FY 2009 and FY 2010:

Funding Category	2008	2009	2010
	Award	Award	Proposed Award
Economic Development	\$1,285,750	\$4,138,750	-
Solid Waste	\$4,985,750	\$4,416,250	\$1,870,000
Wastewater	\$1,700,000	-	\$5,250,000
Water	\$2,314,500	\$2,775,000	\$2,500,000
Power	-	-	\$1,375,000
<b>Total</b>	<b>\$10,286,000</b>	<b>\$11,330,000</b>	<b>\$10,995,000</b>

2.

<b>Activity: CNMI/Covenant Grants</b>						
<b>Subactivity: American Samoa Construction \$(000)</b>						
	2008 Actual	2009 Enacted	2010			Change from 2009 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	10,429	9,380	0	+3	9,383	+3
FTEs	0	0	0	0	0	0

**SUMMARY OF 2010 PROGRAM CHANGES**

<b>Request Component</b>		
Program Changes	Amount	FTE
American Samoa Construction	+3	0

**JUSTIFICATION OF 2010 PROGRAM CHANGES**

The FY 2010 budget request for American Samoa Construction is \$9.383 million and 0 FTE, a program change of +\$3,000 with no additional FTE from the FY 2009 enacted level.

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.....	- \$617,000
Proposed funding for FY 2010.....	\$9,383,000

The FY 2010 allocation for American Samoa was calculated utilizing the CIP selection criteria and methods discussed further in the beginning of this section (see Activity: CNMI/Covenant Grants Summary Table section).

## PROGRAM OVERVIEW

Until 1996, American Samoa received annual discretionary grants for capital improvement needs. These grants averaged approximately \$5.0 million annually. During this time American Samoa fell further and further behind in keeping up with the infrastructure needs of a rapidly growing population. As a consequence, the people of the territory have been faced with increasing hardship and risk with regard to such basic needs as drinking water, medical services and education. In recognition of these severe problems, Congress enacted legislation in 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.

## 2010 PROGRAM PERFORMANCE

Over the past year, several important Covenant CIP projects in American Samoa were completed including two new cooling towers and life safety improvements at the LBJ Tropical Medical Center as well as a new Tau Dispensary with a Doctors/Nurses Quarter. In addition, FY 2008 saw the completion of a new Women's Correctional Facility as well as the installation of 149 septic tanks in areas where connections to the main sewer line are unavailable. While ongoing projects such as the Tafuna Plains Sewer System and Renovation of the Medical Ward at LBJ Tropical Medical Center made steady progress, new projects such as the Water Maintenance Shop and the Department of Education Administrative Office Building have broken ground.

Due to the pressing need to foster economic development, \$6.0 million of FY 2008 and 2009 CIP funding has been dedicated 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 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. Currently, the project is making steady progress and the territory is expected to be connected to the fiber optic cable by December of 2009.

Approximately \$2.79 million of the FY 2010 request will be utilized to provide quality education for a growing population of students in American Samoa. About \$1.6 million of these funds will be used to construct a 15-classroom building at Leone High School.

The \$1.43 million requested for Health will be utilized to design and renovate the Intensive Care Unit along with other units at the LBJ Tropical Medical Center to improve patient services and



comfort. The approximately \$1.8 million allotted for solid waste will be used to construct an Energy-from-Waste facility. This project is a critical renewable energy effort of American Samoa to resolve its dependence on the importation of fossil fuel and to move towards sustaining a clean and safe environment.

The following chart reflects the ASG's funding priorities for FY 2008, FY 2009 and FY 2010:

Funding Category	2008	2009	2010
	Award	Award	Proposed Award
Economic Development	\$3,000,000	\$3,000,000	-
Health	\$1,807,550	\$1,400,000	\$1,900,000
Education	\$2,551,000	\$2,150,000	\$2,790,000
Water	\$600,000	\$674,000	\$1,000,000
Wastewater	\$435,500	\$800,000	-
Solid Waste	\$237,500	\$200,000	\$1,755,000
Port	\$900,000	\$687,000	\$1,200,000
Roads	-	-	-
Public Safety	\$300,000	-	\$268,850
Parks	\$76,000	-	-
O&M Set-Aside	\$521,450	\$469,000	\$469,150
<b>Total</b>	<b>\$10,429,000</b>	<b>\$9,380,000</b>	<b>\$9,383,000</b>

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

3.

<b>Activity: CNMI/Covenant Grants</b>						
<b>Subactivity: Guam Construction \$(000)</b>						
	2008 Actual	2009 Enacted	2010			Change from 2009 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	4,169	4,840	0	+520	5,360	+520
FTEs	0	0	0	0	0	0

**SUMMARY OF 2010 PROGRAM CHANGES**

<b>Request Component</b>		
Program Changes	Amount	FTE
Guam Construction	+520	0

**JUSTIFICATION OF 2010 PROGRAM CHANGES**

The FY 2010 budget request for Guam Construction is \$5.36 million, a program change of +\$520,000 with no additional FTEs from the FY 2009 enacted level.

Beginning with FY 2005, OIA implemented a new competitive allocation system for the \$27.72 million in mandatory Covenant CIP grants. It is based on a premise that all funds will be used for capital improvement needs in the U.S. territories. 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.....	+ \$2,000,000
Proposed funding for FY 2010.....	\$5,360,000

The FY 2010 allocation for Guam was calculated utilizing the CIP selection criteria and methods 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 however, funding for impact aid for Guam is authorized and appropriated under the Compact of Free Association Amendments Act of 2003 (P.L. 108-188). Therefore, funds provided in FY 2005 and future years under this subactivity will be utilized for priority capital improvement projects in Guam and are in addition to Guam's allocated share of impact aid.

## **2010 PROGRAM PERFORMANCE**

Over the past year, progress has been made towards the successful completion of several infrastructure projects funded by CIP grants. The University of Guam completed the renovation of air conditioning systems in several buildings and the construction of a new math and science classroom building. Architectural and design work was completed for the Revitalization of Hagatna project and the construction phase of the project was bid. In addition, land was purchased to secure a site for a new municipal solid waste landfill on Guam.

In FY 2010, Guam proposes to use its allocation of CIP funding to meet infrastructure needs in the areas of education, health, water, public safety and ports. The projects to be funded are briefly explained below.

The University of Guam would receive \$1,080,000 for building renovations and equipment purchases and the Guam Community College would receive \$365,000 to upgrade its Construction Trades Facility. The proposed funding will allow both institutions to better meet Guam's workforce development needs as the territory prepares for the impending military buildup.

The Guam Waterworks Authority would receive \$2 million to construct a new 2 million gallon water reservoir in central Guam which lost its storage capacity in 2005 with the catastrophic failure of an existing 1 million gallon reservoir.

In addition, the Department of Public Health and Social Services would receive \$725,000 for building improvements and the Customs and Quarantine Agency would receive \$470,000 to purchase x-ray machines and screening systems. The Guam International Airport Authority would receive \$430,000 to renovate and improve existing hydrant and pipeline systems, and the Department of Mental Health and Substance Abuse would receive \$290,000 to construct a transition house for youths and to make much needed floor repairs.

The chart on the following page reflects Guam's funding priorities for FY 2008, FY 2009 and FY 2010:

Funding Category	2008	2009	2010
	Award	Award	Proposed Award
Health	-	\$388,000	\$1,015,000
Education	-	\$1,203,000	\$1,445,000
Solid Waste	\$1,360,000	-	-
Power	-	\$1,000,000	-
Port	\$2,000,000	\$2,000,000	430,000
Public Buildings	\$809,000	\$249,000	-
Water	-	-	\$2,000,000
Public Safety	-	-	\$470,000
<b>Total</b>	<b>\$4,169,000</b>	<b>\$4,840,000</b>	<b>\$5,360,000</b>

4.

<b>Activity: CNMI/Covenant Grants</b>						
<b>Subactivity: Virgin Islands Construction \$(000)</b>						
	2008 Actual	2009 Enacted	2010			Change from 2009 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	2,836	2,170	0	-188	1,982	-188
FTEs	0	0	0	0	0	0

**SUMMARY OF 2010 PROGRAM CHANGES**

<b>Request Component</b>		
Program Changes	Amount	FTE
Virgin Islands Construction	-188	0

**JUSTIFICATION OF 2010 PROGRAM CHANGES**

The FY 2010 budget request for Virgin Islands Construction is \$1.982 million, a program change of -\$188,000 with no additional FTE from the FY 2009 enacted level.

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 American Samoa and the Commonwealth of the Northern Mariana Islands. 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. 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.

U.S. Virgin Islands Baseline Funding.....	\$3,360,000
Results from competitive process.....	<u>-\$1,378,000</u>
Proposed funding for FY 2010.....	\$1,982,000

The FY 2010 allocation for the U.S. Virgin Islands was calculated utilizing the CIP selection criteria and methods which are discussed further in the beginning of this section (see Activity: CNMI/Covenant Grants Summary Table section).

## **PROGRAM OVERVIEW**

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

Over the years each of the territories has received funding through this mandatory Covenant appropriation to fund Capital Improvement Projects (CIP). While, in past years, American Samoa and the Commonwealth of the Northern Mariana Islands received set levels of funding, the U.S. Virgin Islands received irregular funding. Recently though, the needs of the U.S. Virgin Islands have reached a threshold that without further addressing could pose a threat to the health and safety of residents and visitors. Currently, the U.S. Virgin Islands is mandated to comply with consent decrees issued for various violations of Federal environmental laws. Recent allocations of CIP funds are being utilized to assist the U.S. Virgin Islands in complying with these Federal mandates.

## **2010 PROGRAM PERFORMANCE**

In 2008 two state-of-the-art wastewater treatment plants on St. Croix and St. Thomas were completed using funds from previously awarded CIP grants. The U.S. Virgin Islands was required to build the new plants in order to comply with the Clean Water Act along with various other Federal and local environmental laws. The U.S. Department of Justice, which is working closely with the U.S. Virgin Islands on resolving these violations, also mandated that territory-wide sewer system infrastructure upgrades are made to ensure that the Territory has the infrastructure to support the new wastewater treatment plants. The FY 2007 and the FY 2008 CIP grants are dedicated to these projects which are currently procuring equipment in preparation for construction.

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 2010 CIP funding to address equally critical solid waste problems that the Environmental Protection Agency has determined pose a serious threat to human health and the physical environment. The \$2 million proposed in FY 2010 will be used to help fund a territorial program to construct convenience centers and bin site improvements. Throughout the Territory, collection of household solid waste occurs at strategically placed collection bins where households deposit trash. These convenience centers are essential in creating a modern and environmentally-compliant solid waste management system for the U.S. Virgin Islands.

The following chart summarizes the U.S. Virgin Islands' funding priorities for FY 2008, FY 2009 and FY 2010:

<b>Funding Category</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
	Award	Award	Proposed Award
Wastewater	\$2,836,000	-	-
Solid Waste	-	\$2,170,000	\$1,982,000
<b>Total</b>	\$2,836,000	\$2,170,000	\$1,982,000

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## C. Territorial Assistance

<b>Activity: Territorial Assistance</b> \$(000)						
<b>SUMMARY TABLE</b>						
	<b>2008 Actual</b>	<b>2009 Enacted</b>	<b>2010</b>			<b>Change from 2009 (+/-)</b>
			<b>Fixed Costs &amp; Related Changes (+/-)</b>	<b>Program Changes (+/-)</b>	<b>Budget Request</b>	
Office of Insular Affairs	8,344	8,850	+230	+200	9,280	+430
General Technical Assistance	10,952	11,018	0	-18	11,000	-18
Maintenance Assistance	2,241	2,241	0	0	2,241	0
Brown Tree Snake Control	2,631	2,631	0	0	2,631	0
Insular Management Controls	1,453	1,453	0	0	1,453	0
Coral Reef Initiative	979	1,000	0	0	1,000	0
Water and Wastewater	976	1,000	0	0	1,000	0
Guam Infrastructure	0	0	0	+2,000	2,000	+2,000
<b>Total</b>	<b>27,576</b>	<b>28,193</b>	<b>+230</b>	<b>+2,182</b>	<b>30,605</b>	<b>+2,412</b>
FTEs	35	37	0	+2	39	+2

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 more than \$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. OIA asks the governments and assistance providers to form partnerships with us to identify major priorities and then develop and implement long-term action plans.

## 1.

<b>Activity: Territorial Assistance</b>						
<b>Subactivity: Office of Insular Affairs (OIA) \$(000)</b>						
	2008 Actual	2009 Enacted	2010			Change from 2009 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	8,344	8,850	+230	+200	9,280	+430
FTEs	34	36	0	+2	38	+2

**SUMMARY OF 2010 PROGRAM CHANGES**

<b>Request Component</b>		
Program Changes	Amount	FTE
OIA Audit/Evaluation Staff	+200	+2

**JUSTIFICATION OF 2010 PROGRAM CHANGES**

The FY 2010 budget request for the Office of Insular Affairs is \$9.28 million and 38 FTE, a program change of +\$200,000 with 2 additional FTE from the FY 2009 enacted level.

The 2010 budget request for the Office of Insular Affairs includes \$230,000 to offset fixed cost increases including salaries and benefits, rent and the Working Capital Fund. In addition, the request contains a \$200,000 program increase that will be used hire additional personnel needed to address audit concerns and improve accountability over financial assistance programs. This funding will be used to hire grant auditors and/or evaluators to conduct grant audits in the Territories and Freely Associated States.

The primary vehicles by which OIA implements its mission are its financial assistance grant programs. The grants can only be effective if sound financial management practices are followed by 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. The program increase will result in increased accountability for the grant funds provided to the insular areas.

## PROGRAM OVERVIEW

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

- 1.) The Policy Division: performs general program, political, and economic analysis. It monitors and tracks Federal programs extended to the insular areas and handles legislative affairs, other than those related to the appropriations process. 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.
- 2.) 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).
- 3.) The Budget and Grants Management Division: is responsible for budget formulation and presentation, chief financial officer activities, and performance planning. It manages financial assistance under the Compacts of Free Association, operations and capital improvement grants to U.S. territories, the 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 Office of Insular Affairs is headed by the Assistant Secretary for Insular Affairs who provides overall policy direction, a Deputy Assistant Secretary for Insular Affairs and a Director who handles non-financial administrative functions, public information, and correspondence control. The Deputy Assistant Secretary and the Director act on behalf of the Assistant Secretary in his/her absence.

In recent years, the insular areas have faced extreme challenges with regards to adapting to changes in the global economy, complying with Federal policy, and increasing (or even maintaining) the standard of living for their residents. The Office of Insular Affairs strives to help the insular areas meet these challenges and seize upon every opportunity along the way. The challenges the insular areas are experiencing today will not dissipate any time soon and could be compounded by future events. As OIA has worked to assist the insular areas in meeting their challenges, the Office has faced its own set of challenges in achieving its mission. As a result, the Department is restoring the position of Assistant Secretary for Insular Affairs to enhance OIA's ability to meet these challenges by:

- 1.) Increasing the Office's profile within the Department, the Administration, as well as in Congress and the islands. The result will be an increased awareness of insular issues resulting in increased responsiveness to insular needs.

2.) Lending more credibility to the Office's efforts to coordinate Federal-wide insular policy and resource allocation.

In addition, an Assistant Secretary will emphasize to the insular areas their importance to the U.S. and serve as a proper conduit for dialogue with Presidents, Governors and other high level dignitaries encountered along the way as the Office achieves its mission.

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.

## **2010 PROGRAM PERFORMANCE**

In FY 2010, 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 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 exceeding \$400 million per year, OIA requires sufficient personnel resources to provide oversight of grants, including Compact and mandatory Covenant funding. At the FY 2010 level of funding OIA will:

- Improve out-year performance by grantees by continuing to focus on oversight.
- Conduct site visits to grant projects
- Satisfy outside agencies' concern (insular governments and the GAO) of appropriate Federal involvement in grant programs.
- Hold a Business Opportunities Conference in 2010.
- 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 Service and Confidence 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 in the table below.

**Office of Insular Affairs  
2010 Working Capital Fund Direct Bill  
(Dollars in thousands)**

<b>Activity/Program</b>	<b>2008</b>	<b>2009 PY Collections</b>	<b>2009</b>	<b>2010</b>
NISC - Guam Detail	25.0		25.0	0.0
Single Audit Clearinghouse	0.0	1.7	2.2	2.3
Federal Assistance Award Data System	0.1		0.1	0.1
Central Services (CFO Audit)	5.1	15.8	5.8	6.1
NBC – Administrative Operations	23.8		25.7	26.1
NBC – Financial Management Directorate	136.9		156.5	183.4
<b>Total</b>	<b>190.9</b>	<b>17.5</b>	<b>215.3</b>	<b>217.9</b>

**Office of Insular Affairs  
2010 Working Capital Fund Centralized Bill  
(Dollars in thousands)**

<b>Activity/Program</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Secretary's Immediate Office	26.8	28.3	29.5
Departmental Communications Office	0.4	0.5	0.5
Office of Financial Management	11.5	11.7	11.6
Office of Property and Acquisition Management	0.2	0.3	0.2
Office of Human Resources	1.0	0.9	0.9
Office of Civil Rights	0.2	0.2	0.2
Office of the Chief Information Officer	284.3	336.9	345.5
CFO Financial Statement Audit	57.6	62.4	65.0
e-Government Initiatives	2.3	2.6	2.6
NBC Human Resources Directorate	1.1	1.8	0.8
NBC Information Technology Directorate	182.1	181.6	200.6
DOI Executive Forums	0.0	0.1	0.1
NBC Administrative Operations Directorate	142.5	151.4	164.1
<b>Total</b>	<b>710.1</b>	<b>778.6</b>	<b>821.7</b>

**Department of the Interior**  
**Office of Insular Affairs**  
**EMPLOYEE COUNT BY GRADE**  
*(Total Employment)*

	<u>2008 Actual</u>	<u>2009 Estimate</u>	<u>2010 Estimate</u>
EX-IV	0	1	1
SES	2	2	2
SL-0*	1	1	1
GS-15	5	5	5
GS-14	7	7	7
GS-13	15	15	15
GS-12	3	4	4
GS-11	0	1	1
GS-10	0	0	0
GS-9	0	0	2
GS-8	0	0	0
GS-7	1	3	1
GS-6	0	0	0
GS-5	0	1	1
GS-4	5	5	5
GS-3	0	0	0
GS-2	0	0	0
Total Employment (actual/projected) at the end of the Fiscal Year	<b>39</b>	<b>45</b>	<b>45</b>

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

2.

<b>Activity: Territorial Assistance</b>						
<b>Subactivity: General Technical Assistance \$(000)</b>						
	2008 Actual	2009 Enacted	2010			Change from 2009 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	10,952	11,018	0	-18	11,000	-18
FTEs	1	1	0	0	1	0

**SUMMARY OF 2010 PROGRAM CHANGES**

<b>Request Component</b>		
Program Changes	Amount	FTE
General Technical Assistance	-18	0

**JUSTIFICATION OF 2010 PROGRAM CHANGES**

The FY 2010 budget request for Technical Assistance is \$11 million and 1 FTE (Ombudsman), a program change of -\$18,000 with no additional FTE from the FY 2009 enacted level. The reduction is a small technical adjustment which will be absorbed with minimal program impact.

**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, energy, 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.

The programs also fund student training programs for high school and college students, as well as providing training to insular area professionals in the financial management, accounting and audit fields. The program provides funds to assist the insular areas in maintaining accreditation for their colleges as well.

OIA staff and outside experts also provide information on a variety of topics to help improve government operations in areas such as financial management, procurement and contract management, and the administration of Federal grant programs. Additional resources may be necessary as plans are evaluated and adjusted, and to help the governments with the next level of changes.

## **2010 PROGRAM PERFORMANCE**

In FY 2009, OIA changed the manner in which Technical Assistance (TA) grant requests were received in order to facilitate equity in distribution and to encourage advance planning and efficient usage of Technical Assistance funds. OIA now requests the Governors of each U.S. Territory and the Presidents (or their appointees) of each Freely Associated State to submit a consolidated TA request on an annual basis. This allows the insular areas to more easily plan, track and implement the projects funded through TA. This also allows for a more substantial review and comparison of all the TA projects submitted by all the insular areas. Meetings are held with the Director, senior staff from each division and the Technical Assistance division to review and discuss submissions made by each insular area. Input is solicited from OIA field staff as well. Projects are selected for funding based on the results of these meetings and information provided by the insular area governments. This process promotes transparency and accountability for the distribution of Technical Assistance grants, and also allows the TA staff more time to focus on monitoring and oversight of TA projects.

In 2009 and 2010, approximately \$4 million of the TA funds will be directly granted to: American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, the U.S. Virgin Islands, the Republic of Palau, the Republic of the Marshall Islands and the Federated States of Micronesia.

In general, Technical Assistance priorities for 2009 and 2010 include, but are not limited to projects which foster the development of the insular areas in the following categories:

- Accountability; Financial Management; Economic Development; Training/Education; Energy; Life Safety and Health Issues.

In 2009 and 2010, it is anticipated that approximately \$7 million of the TA funds will be utilized for programs which benefit multiple insular areas. Please see the table on the following page.

**Technical Assistance  
Grant Awards 2008 /Estimate for 2009 & 2010**

<b>Recipient</b>	<b>2008 Awards</b>	<b>2009 To Date (04/16/09)</b>	<b>2010 Estimate</b>
<b>Direct Grants to Insular Areas</b>			
American Samoa	\$689,547	\$627,900	TBD
CNMI	\$1,083,550	\$579,700	TBD
Guam	\$195,000	\$642,566	TBD
U.S. Virgin Islands	\$252,373	\$506,252	TBD
Federated States of Micronesia	\$197,000	\$429,800	TBD
Republic of the Marshall Islands	\$637,000	\$166,224*	TBD
Republic of Palau	\$627,677	\$498,663	TBD
*Requests are currently being reviewed.			
<b>Total, Direct Grants</b>	<b>\$3,682,147</b>	<b>\$3,451,105</b>	<b>\$3,800,000</b>
<b>Crosscutting &amp; Other TA Programs (Provides Benefits to Multiple Insular Areas)</b>			
	<b>2008 Awards</b>	<b>2009 Estimate</b>	<b>2010 Estimate</b>
USDA Grad. School PITI VITI www.pitiviti.org	\$1,500,000	\$1,580,158	\$1,500,000
U.S. Census Bureau (for Compact Enumeration)	\$984,000	\$0	\$0
U.S. Bureau of Commerce, BEA (for GDP data)	\$0	\$1,000,000	\$600,000
Closeup Foundation	\$800,000	\$900,000	\$800,000
Junior Statesman	\$236,100	\$236,100	\$236,100
Pacific Basin Development Center	\$295,333	\$295,000	\$295,000
Pacific Island Health Officers Association	\$135,000	TBD	TBD
4 Atoll Health Care Program (RMI)	\$984,000	\$984,000	\$984,000
Prior Service Benefits Program	\$837,000	\$837,000	\$837,000
Judicial Training	\$295,000	\$320,000	\$320,000
PPEC (Pacific Postsecondary Education Coun.)	\$500,000	TBD	TBD
Economic Development	\$275,320	\$275,000	\$275,000
CDC	\$50,000	\$50,000	\$50,000
CNMI Ombudsman's Office	\$250,000	\$300,000	\$300,000
CNMI Immigration, Labor and Law Enforce.*	\$733,021	\$738,000	\$738,000
Other Miscellaneous/Reserve		\$51,637	\$264,900
<b>Total, Other</b>	<b>\$7,874,774</b>	<b>\$7,566,895</b>	<b>\$7,200,000</b>
<b>Grand Total, Technical Assistance</b>	<b>\$11,556,921</b>	<b>\$11,018,000</b>	<b>\$11,000,000</b>

TBD = To Be Determined

\* CNMI Initiative Footnote: Approximately \$300,000 was awarded from new authority of \$738,000, leaving a balance of \$438,000 for necessary studies/other. \$433,021 was awarded from old balances of initiative funds. Description of usage included in text below.

## **Direct Grants to Insular Areas**

In 2008, \$3.7 million of Technical Assistance funds were provided as direct grants to the seven insular areas. Grants awarded in FY 2008 included grants such as: Geothermal Resource Assessment, Cold Water Research, Micronesian Public Safety Academy, Pacific Health Officers Association projects, Health Summit project, Public Auditor Training grants, Economic Studies and Analyses, Revenue Enhancement Grants, Energy studies, Health Care grants, surveying and mapping projects, organizational reviews, Teachers programs, land assessments, and GIS system grants.

### **RMI 4 Atoll Healthcare Program**

Technical Assistance programs provide for the primary health care needs of the Enewetak, Bikini, Rongelap and Utrik communities in the Republic of the Marshall Islands. In 2008, the Technical Assistance program funded medical professionals and needed medical supplies for the population of the 4 RMI Atolls of Kili/Bikini - 742 people; Enewetak/Ujelang - 850 people; Rongelap/Mejatto - 465 people; and Utrik- 470 people. In 2008, the funds provided a full time primary care physician to each of the four atolls to work in collaboration with a full time island based health assistant; standard, updated medical instruments, equipment and supplies on all atolls; provided routine and specialty clinic hours; and provided specialty missions. The specialty missions for 2008 included: Dental, Health/Education, Women's Mission, Immunizations, Food Safety and Water Treatment, Reporting of Women and Children Abuse (Domestic Violence), Diabetic Assessment Program, Community Health Education, Cancer Screenings and Health Surveys.

### **Prior Service Benefits Program**

The Prior Service Benefits Trust Fund provides payments to beneficiaries that are citizens of the Commonwealth of the Northern Mariana Islands, Federated States of Micronesia, the Republic of the Marshall Islands and the Republic of Palau who worked for the U.S. Department of Navy and the U.S. Trust Territory of the Pacific Islands for the period from 1944 through June 30, 1968. The Prior Service Benefits Trust Fund helps ensure the solvency of the Fund so that payments to beneficiaries will continue uninterrupted. Without the funds provided by OIA, the Prior Service Benefits Trust fund will be unable to continue payments to its beneficiaries. In 2008, the funds were distributed as follows: \$189,504 CNMI, \$349,760 FSM, \$108,112 RMI, \$152,624 Palau, and \$37,000 PS account. Checks are sent out from this fund on a monthly basis. Currently, there are no funds available for any additional payments beyond those funds provided by OIA. Funds are desperately needed in order to allow the Prior Service Benefits Trust Fund to continue to make the monthly payments.

### **CNMI Immigration, Labor and Law Enforcement Program**

The CNMI initiative program funds are utilized to correct immigration, labor, and related law enforcement problems in the Commonwealth of the Northern Mariana Islands. The initiative was established by Congress in 1995 and was subsequently funded through the Covenant until FY 2004. Beginning in FY 2005, the CNMI Initiative activities have been funded within the Technical Assistance programs. The CNMI initiative program addresses immigration, labor and related law enforcement problems through a variety of means including reimbursable agreements

with other Federal Agencies and grants funding labor, immigration, and law enforcement personnel within the Commonwealth's Office of the Attorney General and the Department of Labor.

In FY 2008, \$150,000 was provided to hire an Assistant United States Attorney (AUSA) for the Saipan Field Office of the Guam United States Attorney's Office. The AUSA hired to fill this position was devoted entirely to enforcement of federal laws addressing the labor, immigration and law enforcement initiative. In FY 2008, \$150,000 was provided to hire an FBI special agent to be based in the Saipan field office of the FBI Honolulu Office. The Special Agent was devoted to enforcement of federal laws addressing the labor, immigration and law enforcement initiative.

In FY 2008, carryover funds in the amount of \$100,000 were utilized to fund a position for the Guest Worker Assistance program. This provides food assistance vouchers for guest workers who have filed a labor complaint while they await resolution of their complaint. Most guest workers are unable to find employment while their case is pending and are without financial means of support for their basic needs such as food, and rent. Program provides a \$100 food voucher for guest workers with labor complaints for the first time. Subsequent requests for assistance are referred to the Ombudsman's office for counseling and further determination of need.

In FY 2008, carryover funds in the amount of \$333,021 were awarded to the CNMI for positions intended to address critical needs as identified by the CNMI's Department of Labor and the CNMI's Office of the Attorney General. The grant provided funds for the following positions: Labor Policy Counsel, Counsel for Civil Enforcement, Counsel for Immigration Policy, Division of Immigration Paralegal and Criminal Prosecutor/Refugee Judge.

A balance of \$438,000 remains to be awarded from FY 2008 funds.

### **Close Up Program**

Close Up Foundation has conducted the Close Up Insular Areas Program under a grant from the Technical Assistance program since FY 1988. The Program was provided \$800,000 in funds in FY 2008 and involves civic education work with students, teachers and administrators from American Samoa, the Commonwealth of the Northern Mariana Islands (CNMI), Guam, the Federated States of Micronesia (FSM), the Republic of the Marshall Islands, the Republic of Palau, and the U.S. Virgin Islands.

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

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

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

The Federal Ombudsman's Office provides assistance to the Commonwealth of the Northern Mariana Islands' 30,000 plus nonresident workers with labor and immigration complaints. The Federal Ombudsman's Office has a staff of professional caseworker/interpreters who speak Mandarin, Taiwanese, Tagalog, Bengali, Hindu, Urdu and Singhalese. Technical Assistance funds are utilized to pay for the operations of the Ombudsman's Office. The cost for operation of the Ombudsman's Office in FY 2008 was \$250,000.

### **Judicial Training**

Training programs are also conducted to help the Pacific Islands face burgeoning populations and judicial systems that are not fully developed. The Pacific Islands Committee of the Ninth Circuit Judicial Council oversees, designs, arranges and ensures the delivery of these training programs and actively participates in the programs to guarantee training is provided that is responsive to educational needs. This training program was a result of an assessment that was conducted of the court systems in the American territories and the freely associated states which identified specific training needs for the non-lawyer judges, legally trained judges, and court staff in these islands. \$295,000 was provided for this program in FY 2008.

### **Programs funded by Technical Assistance and jointly managed by USDA Graduate School**

The Executive Leadership Development Program (ELDP) has been designed to assist the insular areas with developing and retaining the qualified, skilled staff that will become the future leaders of their respective governments. Program participants meet four times over the course of a year to develop skills in leadership, management, government finance, procurement, and auditing. The ELDP serves the insular areas of the Marshall Islands, the Federated States of Micronesia, the Republic of Palau, Guam, the Commonwealth of the Northern Mariana Islands, American Samoa and the U.S. Virgin Islands.

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

Established in 1991, PITI-VITI provides customized, results-oriented professional and organizational development services that enable the insular areas to strengthen performance and

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

2008 PITI-VITI Initiatives included:

*Training and Technical Assistance Support*

Fifty (50) classroom training courses were delivered in 2008 for 1,870 course participants. Classroom training courses were provided in Procurement and Contract Management, Governmental Accounting, Auditing, Ethics, Leadership, Fraud, Grants Management, Indirect Costs, Management Controls, Strategic Planning, and Project Management. In addition, thirty (30) consult-training activities for 851 participants were conducted in support of government-specific initiatives.

*Island Government Finance Officers' Association (IGFOA)*

Two (2) IGFOA conferences were held in 2008.

The first Conference was held June 18-20, 2008. The theme for the Conference was "Building a Sustainable Finance Office." The objectives of the meeting were to: present and discuss a model for sustainable high performing finance offices, share the governments' self assessments using the model, identify the best practices used to maintain a sustainable high performing finance office, and development of action plans to address each government's highest priority issues in improving their performance. The conference closed by having participants develop action plans to address critical issues identified during the conference related to succession planning, the Executive Leadership Development Program and Other Post-Employment Benefits. Finance representatives from all seven insular areas attended, as well as OIA staff.

The 2008 IGFOA conference, held December 2 - 4, 2008, had two broad overarching objectives - (1) to review and document the progress the insular areas have made in improving audit results and the financial health of their governments and (2) to identify strategies the governments can use to address their most critical human resource challenges. Representatives from all seven insular areas attended, as well as OIA staff.

*Association of Pacific Island Public Auditors (APIPA)*

PITI-VITI delivered sixteen (16) courses to over 200 participants of the 19th annual APIPA conference, held in Saipan, CNMI in July. Over 1,200 course certificates were awarded to conference participants. In addition, PITI-VITI provided forty (40) hours of customized CPE training to each of the public audit offices in the U.S.-affiliated Pacific and the U.S. Virgin Islands.

*Audit Improvement Project*

Audit resolution has become a cornerstone of the financial management improvement efforts launched more than a decade ago by DOI-OIA and PITI-VITI. PITI-VITI continues to provide technical support to improve the timeliness and effectiveness of the insular areas' single audits, building on prior successes. Between 2003 and 2006, cumulative audit qualifications within the

insular areas dropped from 159 to 20. As of 2007, ten of eleven insular governments submitted their audited financial statements on time while five governments – the Republic of Palau, Pohnpei State, Kosrae State, Guam, and the Republic of the Marshall Islands – received unqualified audit opinions.

#### *Finance and Audit Office Assessments*

In 2008, PITI-VITI developed diagnostic tools to measure each insular government's audit and finance offices against a standard, broad set of criteria. In 2008, assessments were conducted of the Guam Department of Administration and the Guam Office of the Public Auditor. The assessment identified the aspects of each office most critical to enabling high performance. The diagnostic data collected will be used to create development plans for both assessed offices, focusing donor resources on high-priority issues identified through the assessment process.

#### *The Performer and AFTER Analysis*

The Performer provides an independent assessment of each insular government's financial health and success, based on their audited financial statements. Using various financial ratios, most governments now have five years of Performer data with which to measure financial trends—both positive and negative. New Performers were developed for all eleven (11) entities in 2008, many of whom used the document to explain their financial status to their Legislatures and Governors, ultimately leading to better-informed fiscal decisions. The accompanying AFTER analysis details the government's efforts to develop timely and accurate financial statements.

#### *PITI-VITI Website*

PITI-VITI launched an official website in 2008. For the report on 2008 and planned 2009 activities please see: [www.pitiviti.org](http://www.pitiviti.org). The website contains comprehensive information on the PITI-VITI program, including background on staff and training curricula, a dynamically updated training schedule, recent news, conference announcements and reports, APIPA and IGFOA institutional information, and specific documentation on initiatives such as the Audit Improvement Plan, the Performer, the ELDP, and Assessments. Additionally, a dedicated section of the website is being used by ELDP participants to interact dynamically with each other via an online discussion forum. Although launched in 2008, website development will continue through 2009.

#### *Fiscal Reform Initiatives*

Through 2007 and 2008, PITI-VITI worked closely with the governments of Kosrae and Chuuk to address fiscal crises. Separate Leadership Summits were convened in both islands to identify causes and solutions to both states' recurring budget deficits. In Kosrae, a one-time reduction in force of 98 government employees was implemented at a cost savings of \$1.6 million. In Chuuk, \$3.5 million of cost reductions and revenue enhancements were identified, and a personnel reduction of \$2.5 million was implemented.

#### *FSM and RMI Compact Support*

In 2008, PITI-VITI provided technical support to both the FSM and RMI on issues relating to Compact implementation. PITI-VITI assisted both countries with preparation for technical meetings, as well as preparation for annual JEMCO & JEMFAC meetings. In addition, PITI-VITI worked closely with Yap, Kosrae and Pohnpei toward the development of project-based

budget proposals for JEMCO funding consideration under the environment, private sector and capacity building grants. Yap received a 93% approval rate, while the other two states are remain under JEMCO consideration.

**Other projects co-managed by the Graduate School, USDA include:**

*Office of Insular Affairs Performance Measures Project*

The Government Performance Results Accountability Act (GPRA) requires DOI-OIA to develop measures that both assess the effectiveness of programs and inform management actions, budget requests, and legislative proposals directed at achieving results. In support of this effort, the Graduate School, USDA developed a Performance Measurement Manual and updated DOI-OIA's Strategic Plan in 2008. Additionally, over 200 officials within the insular area flag territories were briefed on DOI-OIA's strategic goals—many of whom helped refine outcome and output measures. Future plans include further institutionalizing performance measures into reporting and grant award processes, and the development of a performance measurement model to implement an outcome efficiency index and activity-based costing.

*Implementation Support to the Uniform Financial Management System for the Federated States of Micronesia*

In support of the implementation of the Federated States of Micronesia's Uniform Financial Management System, the Graduate School, USDA has provided a long-term accountant, project manager, and a consultant specializing in chart of accounts development to the project. In 2008 the FSM National Government was converted to the new FMIS—the last FSM entity to do so. A local project manager has been hired by the FSM, phasing out the Graduate School consultant, and the new FMIS is now installed and stable throughout the country. Post-core activities, including installation of fixed assets and budget modules, will be organized and conducted by the FSM.

*Statistical and Economic Reporting for the Federated States of Micronesia and the Republic of the Marshall Islands*

The Graduate School, USDA has assisted the FSM and RMI with the maintenance of annual government finance statistics, the development and analysis of key economic indicators (growth, income, employment, outmigration, external debt), and an analysis of fiscal policy. The updates are captured in annual reports that help fulfill Compact mandates and help JEMCO and JEMFAC direct Compact implementation. High-level briefings are arranged for U.S. JEMCO and JEMFAC members to provide background analysis prior to annual meetings.

*Federal Grants Programs Accountability and Audit Conference*

The Graduate School, USDA worked with DOI-OIA to ascertain the major areas of concern regarding the management of U.S. federal grants in the insular areas. With input from both federal agency representatives and insular finance and program staff from the U.S. Virgin Islands, Guam, American Samoa and the Commonwealth of the Northern Mariana Islands, the Graduate School, USDA planned and managed the Federal Grants Programs Accountability and Audit Conference in June 2007. The conference provided a forum for federal and insular government grant managers to discuss areas of common interest and concern, to examine grant management best practices being employed by the insular governments, and to enhance fiscal



accounting and program performance of the insular governments in the delivery and implementation of federal grant programs.

#### *Island Business Opportunities Missions*

The Graduate School, USDA has supported DOI-OIA's Business Opportunities Conferences, designed to stimulate private sector led economic development, and further develop linkages between investors from the fifty states, select Asian Nations, Australia, and New Zealand. The Graduate School, USDA provided management and consulting assistance to the October 2007 conference on Guam and will do the same for the April 2009 conference in Honolulu. Specific services include management and production support to the outreach and registration phases of the conference, and finalization of logistical arrangements with conference partners and DOI-OIA staff.

#### *Interactive On-line Business Opportunities Listing Service*

Technical Assistance funds were utilized for The Graduate School, USDA to provide a software specialist to develop a Business-to-Business web site portal application for business networking and business opportunities listings for the Island Business Opportunities website. The process resulted in a customized web application and database that provided an on-line business marketing tool. A business network directory, business opportunity postings, marketing strategies and background data were all supported through the system's reporting and search functions.

#### *Future of Health Care in the Insular Areas*

Technical Assistance funds were utilized for The Graduate School, USDA support of the Secretary of the Interior's Future of Health Care in the Islands conference by offering management and production support throughout the outreach and registration phases of the conference, as well as logistical support throughout conference itself, in cooperation with Summit partners and DOI staff. The meeting focused on health care challenges throughout the region and helped focused U.S. federal policy.

#### *Federated States of Micronesia JEMCO Team-Building Retreat*

The Graduate School, USDA will organize a Joint Economic Management Committee (JEMCO) team-building retreat for the FSM national and state governments. Specifically, the Graduate School intends to work with the FSM to define a vision for JEMCO, develop the FSM JEMCO team's mission, and develop long-term, strategic goals and action plans. The process is designed to establish clearly defined roles, responsibilities, and working practices that will enable the JEMCO team to function effectively within the FSM environment.

### **Financial Statement Reviews**

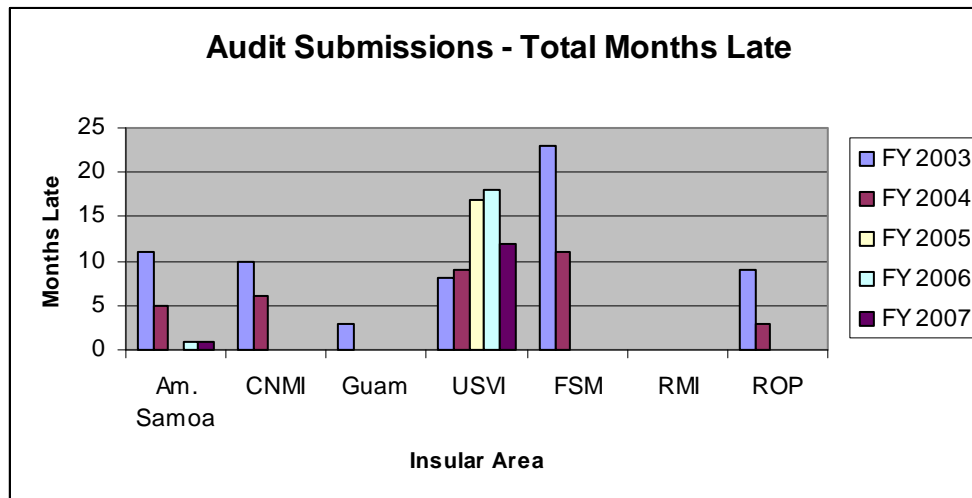
OIA continues to work with each Insular Government to assist in its compliance with the Single Audit Act of 1984, P.L. 98-502, and the Single Audit Act Amendments of 1996, P.L. 104-156 as implemented under OMB Circular A-133. Currently, with the exception of the U.S. Virgin Islands, all of the insular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

As a result of OIA's efforts, ten of the eleven insular governments completed their FY 2007 single audits on time, with four governments (Guam, Palau, Kosrae State, and Pohnpei State, Kosrae State and Pohnpei State are part of the Federated States of Micronesia) receiving unqualified opinions.

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. OIA audit follow-up activities required to comply with Federal regulations and departmental policies.

OIA selected the Single Audits of FY 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 months late each insular area submitted the annual audit from 2003-2007.



## 3.

<b>Activity:</b>		<b>Territorial Assistance</b>				
<b>Subactivity:</b>		<b>Operations and Maintenance Improvement Program (OMIP) \$(000)</b>				
	<b>2008 Actual</b>	<b>2009 Enacted</b>	<b>2010</b>			<b>Change from 2009 (+/-)</b>
			<b>Fixed Costs &amp; Related Changes (+/-)</b>	<b>Program Changes (+/-)</b>	<b>Budget Request</b>	
	2,241	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 demonstrated that the governments had placed little emphasis on maintenance planning and budgeting, life cycle costing, and training. Maintenance was a reaction to crisis, rather than a regular, institutionalized process. As a consequence, the usefulness of power plants, roads, ports, water and sewer systems, and public buildings declined prematurely. The maintenance assistance program addresses this problem by providing expert reviews and recommendations on the general condition of the infrastructure and by providing cost-shared grants to provide long-term solutions to systemic problems.

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

The maintenance assistance fund also provides funding to address general regional training needs and allows the insular governments to share expertise and develop maintenance practices appropriate to the region. The Micronesian Water and Wastewater Training Program, Pacific Lineman Training Program and the Airport Rescue and Fire Fighting Training Program make standard water & wastewater maintenance training, power maintenance training and rescue and fire fighting training easily accessible to all insular areas. The maintenance assistance program has proven to be an effective method of institutionalizing better maintenance practices throughout the U.S. affiliated islands.

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

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

## **2010 PROGRAM PERFORMANCE**

In FY 2008, the OMIP program 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.

Additionally, the OMIP program funded a number of grants to support regional initiatives. One example of such an initiative is the Pacific Lineman Training Program (PLT) which hones the skills of Pacific island power employees. The PLT program taught courses for 342 students in 2008. The PLT program plans to train 325 linemen in 2009 and 350 linemen in 2010. 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.

An example of a direct grant to an insular area was awarded to the CNMI to start the first year of an Environmentally Responsible Regional Solid Waste Training Program. This program will provide site-specific assistance for the groundwork needed to establish effective solid-waste management systems in each insular area. Furthermore, the Republic of Palau was also awarded funding to initiate a prepayment power metering program. This program will reduce the amount of accounts receivable for the power company by 15%. This will assist the power company in meeting its long-term goal of providing reliable power service to the island.

In FY 2009 and FY 2010 the OMIP program plans to continue funding immediate needs for maintenance in the insular areas while maintaining support for regional initiatives.

The table on the following page identifies the allocation of maintenance assistance funding from FY 2006 – 2008.

**MAINTENANCE ASSISTANCE**  
**FY 2006-2008**  
Grant Award Amounts

<u>Insular Area</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
American Samoa	\$66,512	\$87,000	\$658,500
Guam	\$115,000	\$20,000	\$443,993
U.S. Virgin Islands	\$16,500	\$0	\$35,000
Commonwealth of the Northern Mariana Islands	\$299,638	\$1,417,991	\$1,030,118
Republic of Palau	\$215,240	\$483,325	\$183,700
Republic of the Marshall Islands	\$88,500	\$0	\$174,000
Federated States of Micronesia	\$75,000	\$19,878	\$0
Chuuk	\$0	\$0	\$40,000
Kosrae	\$294,089	\$0	\$319,140
Pohnpei	\$31,371	\$120,000	\$0
Yap	\$49,000	\$553,824	\$449,112
Other Grants* (Other Regional Programs)	<u>\$1,507,934</u>	<u>\$120,381</u>	<u>\$931,389</u>
<b>TOTAL</b>	<b><u>\$2,758,784**</u></b>	<b><u>\$2,822,399**</u></b>	<b><u>\$4,264,953**</u></b>

\* 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 amounts in FY 2006, FY 2007 and FY 2008 is higher than budgeted amounts because funds were recovered from closed grants and re-granted during the same year.

## 4.

<b>Activity: Territorial Assistance</b>						
<b>Subactivity: Brown Treesnake Control \$(000)</b>						
	2008 Actual	2009 Enacted	2010			Change from 2009 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	2,631	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 from Guam to other geographic areas and to eradicate existing or newly established BTS populations in U.S. areas. Research is designed to develop better control techniques such as barriers, traps, baits, and toxins and to develop improved methods for integrating these techniques. Research is also intended to improve our understanding of the basic biology of the BTS and ultimately to find a method or methods, such as toxins or biocontrols, to eradicate large populations of BTS over wide areas.

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

**2010 PROGRAM PERFORMANCE**

Although OIA has not yet received the FY 2010 BTS program plans, it is anticipated that the funds will be used in similar manner to FY 2009 which is detailed below:

- Guam plans to use its FY 2009 BTS funding to maintain 650 BTS traps in order to continue its endangered species recovery efforts. Installation of electrical barriers on trees containing active Mariana Crow nests will be continued as will the restoration project on Cocos Island, swiftlet translocation and public awareness activities.
- The CNMI will maintain approximately 300 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 in FY 2009.

- The State of Hawaii will maintain after hours canine searches, continue rapid response training courses for personnel, and inspect a minimum of 92% of arriving flights from Guam.
- USDA Wildlife Services will maintain 800 BTS traps at the Guam International Airport, Port Authority of Guam, and commercial shipping warehouses in support of BTS interdiction. USDA staff (through OIA funds) will inspect 90% of commercial cargo and aircraft departing Guam and continue to expand interdiction efforts with commercial packing and shipping companies 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.
- USGS researchers will continue data collection on snake demographics and prey densities, conduct field research on the effectiveness of modified trap designs, and continue monitoring BTS and prey within the closed population area. In addition, studies will continue on the Dogs-in-the-Woods research program.
- USDA National Wildlife Research Center scientists will concentrate on bringing their BTS pheromone technology closer to the state of practical operational implementation.

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

<b>Performance Measures:</b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>
1. Number of products tested and evaluated.	11	14	10	15
2. Successful testing of wide-area application of acetaminophen-treated baits.	NA	NA	NA	NA

**Strategy 2**

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

<b>Performance Measures:</b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>
1. Number of detection and monitoring methods evaluated.	4	6	7	9
2. Number of BTS captured on CNMI.	0	0	0	0
3. Number of BTS captured on Hawaii.	0	0	0	0
4. Number of BTS interceptions at ports of exit on Guam. (commercial)	3,500	3,500	3,500	3,500
5. Number of public awareness events executed.	93	106	100	107
6. Number of affected entities enrolled as involved partners.	78	92	55	57

**Strategy 3**

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

<b>Performance Measures:</b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>
1. Number of enclosed acres where BTS barriers have been constructed and are being maintained.	NA	NA	12.5	12.5
2. Number of traps maintained in areas in order to protect endangered species from predation.	650	800	650	635



5.

<b>Activity:</b>		<b>Territorial Assistance</b>				
<b>Subactivity:</b>		<b>Insular Management Controls \$(000)</b>				
	<b>2008 Actual</b>	<b>2009 Enacted</b>	<b>2010</b>			<b>Change from 2009 (+/-)</b>
			<b>Fixed Costs &amp; Related Changes (+/-)</b>	<b>Program Changes (+/-)</b>	<b>Budget Request</b>	
	1,453	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 included the development and installation of financial management systems throughout the U.S. territories and the freely associated states. This enabled these governments to perform their own accounting operations, produce audited financial statements and provide reasonable assurance to both local citizenry and the Federal Government that controls were in place and funds were being used for intended purposes.

The Management Control Initiative (MCI) is a cooperative effort of the Office of Insular Affairs, each insular government, the audit community and the USDA Graduate School to identify and implement fundamental financial management improvements. The governments, assisted by a team of experts, 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.

## 2010 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, 2007 and 2008), 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.

In FY 2009, OIA sent a call letter out to all seven insular areas notifying them that funds were available for MCI projects and requested each insular area to submit grant requests for their highest priority projects. The deadline for the submission was December 31, 2008. To date, OIA has received requests for MCI funds from Guam and the Commonwealth of the Northern Mariana Islands. Grants were awarded based on these requests as follows in the chart at the bottom of this page.

During FY 2010, 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 2009 Grant Awards to Date**

<b>Insular Area</b>	<b>2009 (to date)</b>	<b>Focus Area</b>
<b>Guam</b>	\$250,000	Bureau of Information Technology, Records Mgt Strategy
	\$350,000	Dept. of Administration, FMIS mods, POS mods, JEM software and PMIS mods and MIP Strategic Goals
	\$100,000	Dept. of Revenue and Taxation On-Line 1040 implementation
<b>CNMI</b>	\$356,910	Department of Finance, hardware upgrades to improve accountability & efficiency
	\$284,000	Revenue & Taxation Dept., Imaging Documentation Solution Software
	\$150,000	Dept. of Public Health, CHC, upgrade information systems
<b>Total</b>	\$1,490,910	

## 6.

<b>Activity: Territorial Assistance</b>						
<b>Subactivity: Coral Reef Initiative (CRI) \$(000)</b>						
	2008 Actual	2009 Enacted	2010			Change from 2009 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	979	1,000	0	0	1,000	0
FTEs	0	0	0	0	0	0

**PROGRAM OVERVIEW**

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

Executive Order 13089 (June 1998) established the U.S. Coral Reef Task Force (Task Force) to bring together Federal, state, and territorial governments (through their chief executives) to address the coral reef crisis. In 2001, the freely associated states (FAS) became non-voting members of the Task Force. Co-chaired by the Secretaries of the Interior and Commerce, the Task Force is credited with setting the national and international agenda for long-term management and protection of coral reefs. The insular governors, FAS presidents and the All Islands Coral Reef Committee provide significant guidance and direction to the Task Force.

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

OIA will continue to work with the insular areas to identify, prioritize and fund local initiatives aimed at improving coral reef management, protection, and restoration in the insular areas. Priority projects are outlined in the “All Islands Coral Reef Initiative Strategy”, the insular areas’ “Local Action Strategies”, 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 (LAS) are updated regularly by each of the insular areas and form the basis for a significant portion of the annual grant awards. Members of the Coral Reef Task Force meet semi-annually to evaluate progress and work out specific plans and priorities for the next half-year.

## **2010 PROGRAM PERFORMANCE**

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

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

Through financial and technical assistance, OIA has supported the development of several new initiatives. Among these is the Micronesia Challenge, launched at the Task Force meeting in Palau in 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:

- 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 and the environmental assessment have 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 2009.
- 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.
- Support for development of community-based marine protected areas in American Samoa, Guam and CNMI, including marine resource assessments, community outreach and

education and marine enforcement.

- Assist Guam with identifying and mitigating potential threats to their coral reefs from the proposed military build-up.

7.

<b>Activity: Territorial Assistance</b>						
<b>Subactivity: Water &amp; Wastewater \$(000)</b>						
	2008 Actual	2009 Enacted	2010			Change from 2009 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	976	1,000	0	0	1,000	0
FTEs	0	0	0	0	0	0

## PROGRAM OVERVIEW

The importance of improving water and wastewater systems in the territories has increased in recent years as analyses conducted by local and Federal agencies have revealed deficiencies in the systems' abilities to meet environmental requirements. In the case of the U.S. Virgin Islands, inadequate wastewater treatment facilities have threatened health and reef environments and have culminated in court-ordered sanctions against the government. In the case of Guam, contaminated water from the landfill threatens the quality of the ground water supply. The CNMI remains the largest community in the United States without 24-hour potable water despite annual rainfall well in excess of double the national average. It is a result of poor planning, inadequate funding and a distribution and storage system which mostly pre-dates World War II. American Samoa still relies heavily on small village systems which are sometimes contaminated by poorly constructed septic systems. The water and wastewater subactivity provides support, not otherwise available, to the territories to address these deficiencies.

Funding in the amount of \$1.0 million 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 2010. The funds will be distributed, based upon project proposals, among the territories to assist them in addressing their most urgent water and wastewater needs.

## 2010 PROGRAM PERFORMANCE

Previously awarded water and wastewater funding has played a key role in assisting the territories over the past year. The CNMI has been negotiating the terms of a consent decree with the U.S. Department of Justice and the U.S. 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 the Commonwealth's water and wastewater activities. In FY 2009, the CNMI hired a deputy director and two public health engineers with water and wastewater funding to comply with the draft decree. In the short time they have been working, these individuals have reorganized the

Commonwealth Utilities Corporation's water and wastewater division, improved disinfection capabilities and enhanced compliance with the Clean Water Act and the Safe Drinking Water Act.

In FY 2008, the water and wastewater funding was awarded for the Coral Bay Water Station project intended to provide a potable water supply to the Coral Bay area of St. John in the U.S. Virgin Islands. The project is currently undergoing the necessary environmental reviews prior to construction commencing.

FY 2009 water and wastewater funding will be used to continue the 3 key positions hired by the American Samoa Power Authority for its water and wastewater division, and to fund the Fagalii-Maloata-Fagamalo Water Supply Project in American Samoa. The Fagalii-Maloata-Fagamalo Water Supply Project will provide the 3 remaining villages on the main island of Tutuila with a potable drinking water supply. These villages have been under U.S. Environmental Protection Agency compliance orders for violations of the Safe Drinking Water Act for more than 10 years.

Although project proposals for the \$1.0 million in water and wastewater funding proposed for FY 2010 have not been received yet, it is anticipated that the funds will be used to continue addressing critical water and wastewater needs in the territories in a similar fashion to previous years.



8.

<b>Activity: Territorial Assistance</b>						
<b>Subactivity: Guam Infrastructure \$(000)</b>						
	2008 Actual	2009 Enacted	2010			Change from 2009 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	0	0	0	+2,000	2,000	+2,000
FTEs	0	0	0	0	0	0

**SUMMARY OF 2010 PROGRAM CHANGES**

<b>Request Component</b>		
Program Changes	Amount	FTE
Guam Infrastructure	+2,000	0

**JUSTIFICATION OF 2010 PROGRAM CHANGES**

The FY 2010 budget request for Guam Infrastructure is \$2.0 million and 0 FTE, an increase of \$2.0 million and 0 FTE from the FY 2009 enacted level. The request will assist with civilian infrastructure improvements needed as a result of the military's increased presence on island.

The Department of the Interior is the principal agency responsible for maintaining government-to-government relations with Guam. The relationship is founded on the recognition that Guam is an area of strategic importance to the U.S. and the relationship is mutually beneficial. Interior is concerned that insufficient civilian infrastructure will adversely affect Guam during the military realignment. The Guam Infrastructure program will assist Guam in upgrading civilian infrastructure impacted by the military buildup.

**PROGRAM OVERVIEW**

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

The redeployment of forces to Guam, and accompanying significant upgrades in military facilities there, is requiring an investment of \$16.0 billion shared by both the Department of Defense and the Government of Japan. The buildup, which is a vital part of U.S. national security, cannot be fully successful unless Guam's civilian infrastructure is upgraded to keep pace with expansions to the military infrastructure and the associated population increase of an estimated 20 percent. Guam's infrastructure is not adequate to support the existing population and the expanded military presence will require additional investments.

The Guam Infrastructure program will provide funding to assist Guam in upgrading civilian infrastructure impacted by the military buildup. The funding may be awarded as a grant, disbursed through a reimbursable support agreement or transferred to the U.S. Department of Agriculture (USDA) to serve as a subsidy for rural development loans.

## **2010 PROGRAM PERFORMANCE**

In FY 2010, OIA will consult with the Government of Guam and Federal partners to determine the most effective application of Guam Infrastructure funding. OIA will then expend the funds in a way it deems to be most advantageous to Guam. Included within this justification is proposed language which would allow OIA to transfer Guam Infrastructure funding to USDA as a subsidy for its loan programs thereby leveraging limited resources. If enacted, the proposed language will allow USDA to provide loans to Guam without regard to population restrictions and other requirements to address pressing civilian infrastructure needs created by the military buildup. OIA views the use of USDA loan programs as key component in addressing "outside the fence" infrastructure upgrades on Guam. Civilian infrastructure improvements that can not be addressed through USDA loan programs are likely candidates for standard grant assistance from various Federal agencies.

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

<b>Activity: Compact of Free Association (Current Appropriation)</b>						
<b>Subactivity: Federal Services Assistance \$(000)</b>						
	<b>2008 Actual</b>	<b>2009 Enacted</b>	<b>2010</b>			<b>Change from 2009 (+/-)</b>
			<b>Fixed Costs &amp; Related Changes (+/-)</b>	<b>Program Changes (+/-)</b>	<b>Budget Request</b>	
	2,818	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 in accordance with negotiated agreements, as is the case for the Federated States of Micronesia (FSM) and the Republic of the Marshall Islands (RMI). These services include those of the U.S. Postal Service (USPS).

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

The effectiveness of the USPS program, especially for the Republic of the Marshall Islands, is dependent on the availability of commercial air service. To maintain mail service, the USPS in recent years has chartered special flights and purchased additional space on passenger flights to transport mail. The total cost of this service exceeds the subsidy requested by OIA. The additional costs are paid by USPS from its revenues.

**2010 PROGRAM PERFORMANCE**

OIA will enter into a reimbursable agreement with the USPS for services provided to the freely associated states.

2.

<b>Activity: Compact of Free Association (Current Appropriation)</b>						
<b>Subactivity: Palau Program Grant Assistance \$(000)</b>						
	2008 Actual	2009 Enacted	2010			Change from 2009 (+/-)
			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 provided for a special category of funds for health and education activities. The Compact required 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.

**2010 PROGRAM PERFORMANCE**

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

## 3.

<b>Activity: Compact of Free Association (Current Appropriation)</b>						
<b>Subactivity: Enewetak \$(000)</b>						
	2008 Actual	2009 Enacted	2010			Change from 2009 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	492	500	0	0	500	0
FTEs	0	0	0	0	0	0

**PROGRAM OVERVIEW**

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

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

**2010 PROGRAM PERFORMANCE**

The Enewetak program currently uses approximately 40% of its funding for operations of the agriculture field station and the agriculture rehabilitation program. Approximately 31% of the funding is used to purchase food and commodities for the residents of the atoll. The remaining funds are used to operate the atoll's new vessel and support office in Majuro. OIA will provide grants for Enewetak in FY 2010 to continue these activities.

## 4.

<b>Account: Compact of Free Association (Permanent and Indefinite)</b>						
<b>Activity: Economic Assistance</b>						
<b>Subactivity: Federated States of Micronesia and Republic of the Marshall Islands \$(000)</b>						
			<b>2010</b>			
	<b>2008 Actual</b>	<b>2009 Enacted</b>	<b>Fixed Costs &amp; Related Changes (+/-)</b>	<b>Program Changes (+/-)</b>	<b>Budget Request</b>	<b>Inc (+) Dec(-) From 2009</b>
RMI	63,423	67,009	0	-854	66,155	-854
FSM	99,796	102,541	0	+1,435	103,976	+1,435
Judicial Training	323	330	0	+7	337	+7
<b>Total</b>	<b>163,542</b>	<b>169,880</b>	<b>0</b>	<b>+588</b>	<b>170,468</b>	<b>+588</b>
FTEs	0	0	0	0	0	0

**SUMMARY OF 2010 PROGRAM CHANGES**

<b>Request Component</b>		
Program Changes	Amount	FTE
RMI	-854	0
FSM	+1,435	0
Judicial Training	+7	0

**JUSTIFICATION OF 2010 PROGRAM CHANGES**

The FY 2010 budget request for Compact of Free Association - Economic Assistance is \$170.5 million, a program change of +\$588,000 with no additional FTEs from the FY 2009 enacted level. The program changes in this account are required inflation adjustments under the amended Compact of Free Association. The increases are based on changes in the United States Gross Domestic Product Implicit Price Deflator but may not exceed 5% annually.

**PROGRAM OVERVIEW**

Article I of Title Two of the Compacts of Free Association describes the financial assistance commitment by the United States to the Federated States of Micronesia (FSM) and the Republic of the Marshall Islands (RMI). The first period of financial assistance expired on September 30, 2003. Following four years of negotiations led by the Department of State with support from OIA, Congress enacted amendments to the Compact as Public Law 108-188. These amendments

also include a new permanent and indefinite appropriation that assures continuation of direct financial assistance through FY 2023.

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

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

During the first Compact period, the FSM and the RMI did not make significant progress toward achieving the long-term Compact goals of self-sufficiency. The U.S. believes part of the reason for poor economic performance over the past seventeen years was in the design of the first Compact itself. The lack of performance standards, measures and monitoring systems allowed poor practices to take root in local government administration.

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

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

**2010 PROGRAM PERFORMANCE**

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

- Conduct a minimum of 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 2010 is not available at the time of this report due to the nature of the Compact Agreement. As agreed to in the Compact, performance plans and budgets for FY 2010 are not submitted by the FSM and RMI until 90 days before the start of the fiscal year. However, a brief summary of FY 2009 program performance information for the FSM and RMI sector grants is provided on the next few pages.



**i. Fiscal Year 2009 Sector Allocations for the FSM**

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

	Education	Health	Capacity Building	Private Sector	Environment	Infrastructure
National	\$603,240	\$789,832	\$100,000	\$0	\$0	TBD
COM	\$3,800,000					TBD
Chuuk	\$11,002,820	\$8,638,311	\$202,000	\$498,758	\$100,063	TBD
Kosrae	\$2,613,160	\$2,423,963	\$333,605	\$410,749	\$0	TBD
Pohnpei	\$7,643,352	\$6,149,401	\$191,470	\$0	\$203,346	TBD
Yap	\$4,204,851	\$3,476,336	\$641,081	\$857,162	\$282,249	TBD
<b>Total</b>	<b>\$29,867,423</b>	<b>\$21,477,843</b>	<b>\$1,468,156</b>	<b>\$1,766,669</b>	<b>\$585,658</b>	<b>\$48,428,760</b>

**Education**

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

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

In FY 2009, the FSM instituted a National Department of Education (NDOE) as a separate agency. Under the leadership of the new Secretary of Education, the NDOE has set teacher credentialing, nation-wide school accreditation standards, preventing student drop-out, and increasing post-secondary enrollment as priority issues.

The Compact and two other Federal programs continue to provide the entire budget for Education in the FSM. The FSM has 228 elementary and 37 secondary schools with a total of 35,806 students enrolled. The FSM continues to provide performance data of varying quality. However, a revised and fully validated National Standards Test in English and Math will be administered in School Year 2009, promising to yield more reliable and valid student achievement data that will contribute to informed decision making and communication.

**Health**

In FY 2009, the FSM received a Compact health sector grant of \$21.5 million and a special \$1.9 million one-time grant to address a serious multi-drug resistant tuberculosis outbreak in Chuuk. Basic financial support increased by \$3.7 million over the previous year, in part, to remedy budgetary shortfalls in utilities, medical supplies, pharmaceuticals, and repair and maintenance that if allowed to stand, would undermine the ability to provide effective programs and services. Most of the additional funds enabled long-neglected purchases of essential replacement and new medical equipment to keep pace with need.

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

Despite the FSM Strategic Development Plan's stated emphasis on primary health care, funding continued to follow the path of curative care. This was, in large measure, due to the continuing need to keep within budget ceilings and to normalize services and programs still adversely affected from the step down phase of the Compact's first financial assistance period. Public health and primary care still received comparatively less attention, even though the population of the FSM is far-flung and still vulnerable to both infectious and debilitating chronic disease.

The overall impact of these service and organizational enhancements over the medium and longer terms depends on the FSM's ability to keep pace with inflationary pressures on recurring costs, and addressing the safety and adequacy of the health sector's aging physical infrastructure. Facility repair, renovation, and construction that needed redress years ago are still issues. Capital improvement projects were slated to begin for hospitals in Kosrae and Yap, and for a new public health center in Pohnpei. Targeted improvements to Chuuk hospital's isolation ward capacity for infectious tuberculosis were possible through the special one-time grant. Instead of investing money in bricks-and-mortar village health centers, Kosrae planned to purchase and equip a mobile clinic to deliver primary care services and public health program.

### Public Infrastructure

The FSM received a public sector infrastructure grant of \$48.4 million during FY 2009. This amount was a combination of fiscal year 2008-2009 funding. Due to FSM-internal governmental processes, infrastructure grant assistance that has been provided to the FSM to-date has not been utilized in a productive manner. Progress has been made, albeit slowly, in addressing the obstacles that hinder effective use of Compact infrastructure funds and in February, 2009 four construction contracts were executed totaling approximately \$33.0 million. This funding will be used to construct three schools in Pohnpei State and the first phase of road, drainage, and utility improvements in Weno, Chuuk.

OIA provided the FSM with concurrence to proceed with design and engineering phases of the additional 16 projects throughout the FSM primarily focused on new school and health facility construction.

### Public Sector Capacity Building

The FSM received \$1.4 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.

Environment

In FY 2009, the FSM received an allocation of approximately \$586,000 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.

Private Sector Development

In FY 2009, the FSM received an allocation of \$1.76 million for its private sector development sector grant. This amount funded the basic operations of a number of different agencies to increase tourism, promote agriculture, and support small businesses. The lack of national goals for the private sector development sector grant continued to hamper the evaluation of performance progress.

## ii. Fiscal Year 2009 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:

<b>Sector</b>	<b>Funds Allocated</b>
Education	\$12,457,410
Health	\$7,404,620
Capacity Building	\$425,000
Infrastructure	\$16,999,495
<b>Total</b>	<b>\$37,286,525</b>

Ebeye Special Needs	\$3,536,134
Kwajalein Environmental Impact	\$236,735
<b>Total</b>	<b>\$3,772,869</b>

### Education

In FY 2009, 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. Lack of credentialed teachers and low student achievement continue to be associated and persistent problems. The RMI is working to improve these issues through a number of efforts.

During FY 2009, 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 2010.

## Health

In FY 2009, Compact and Ebeye Special Needs funding and special revenue financing for medical supplies and referrals both made up approximately forty percent (40%) of the health care budget in the RMI. Basic Compact support increased 14% over the previous year to \$7.4 million, primarily to address a huge spike in utility costs. Ebeye Special Needs funding increased by approximately 10% to address shortfalls caused by wage pressures and inflation. U.S. Federal health grants and, to a lesser extent, general fund support were the mainstay of staffing and operating public health programs and prevention services.

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

During FY 2009, the RMI used Compact health sector funds to meet the following objectives:

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

Active planning for the major reconstruction of Majuro Hospital, stalled in FY 2008 because of inadequate attention within the Ministry of Health, weak conceptual design and exorbitant cost and phasing projections, resumed on track in FY 2009 after significant course corrections.

## Public Infrastructure

The RMI allocated approximately \$17.0 million for infrastructure improvements and maintenance in FY 2009. This allocation is significantly higher than allocations made in previous years. This anomaly is a result of the RMI canceling a number of previously approved projects (roughly \$5.0 million) due to disputes regarding land access. The RMI consistently adheres with their 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. Education is the priority sector targeted by Compact infrastructure assistance and has also received the largest portion of infrastructure development and maintenance funding over the past three years. The RMI, during FY 2010 will commence construction on a new hospital in Majuro. This project is envisioned to be the largest project ever undertaken directly by the Government of the RMI.

RMI Infrastructure Development and Maintenance Program projects listed below are for FY 2009 funding. Projects are mostly multi-year and include construction, maintenance, and purchasing of equipment:

- College of the Marshall Islands
- Outer Island Schools
- Capitol Complex Rehabilitation
- Fiber Optic Project
- Seawall Construction – Solid Waste
- Infrastructure Maintenance Fund
- Power Plant Rehabilitation/Overhaul of Generators

#### Public Sector Capacity Building

The RMI received \$425,000 in Compact funds to support performance based budgeting efforts in FY 2008.

#### Environment

In FY 2009, the RMI received an allocation of \$236,735 for Kwajalein Environmental Impact. This amount is used to support the RMI Environmental Protection Agency (EPA) activities and programs on Ebeye.

## 5.

<b>Account: Compact of Free Association (Permanent and Indefinite)</b>						
<b>Activity: Compact Impact \$(000)</b>						
	2008 Actual	2009 Enacted	2010			Change from 2009 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
Hawaii	10,460	10,571	0	+658	11,229	+658
Guam	14,092	14,242	0	+2,585	16,827	+2,585
CNMI	5,118	5,172	0	-3,242	1,930	-3,242
American Samoa	14	15	0	-1	14	-1
Census	316	0	0	0	0	0
<b>Total</b>	<b>30,000</b>	<b>30,000</b>	<b>0</b>	<b>0</b>	<b>30,000</b>	<b>0</b>
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. The most recent enumeration was completed in FY 2009 the U.S. Census Bureau and the results have been used to determine the distribution of the \$30.0 million for FY 2010. This allocation is in accordance with the provision in Section 104(e)(5) of Title One of the amended Compacts of Free Association.

**2010 PROGRAM PERFORMANCE**

The following FY 2009 grants were 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

Compact Impact grant assistance may be used only for health, educational, social, or public safety services, or infrastructure related to such services, specifically affected by qualified nonimmigrants. Each jurisdiction is to provide a 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 the FY 2010 program plans, it is anticipated that the funds, despite changes in the allocation amounts as a result of the most recent enumeration, will be used in a manner similar to FY 2009 as detailed below:

In FY 2009, the State of Hawaii plans to use its full amount of its \$10.6 million to supplement state funds to support indigent health care.

Guam is using its FY 2009 grant of \$14.2 million in the following manner:

◦ DPW Schools Leaseback	\$7,100,000
◦ GFD Fire Trucks and Rescue Boat	\$1,000,000
◦ GPD Forensic Crime Lab Equipment	\$1,000,000
◦ DMH&SA Permanent Injunction Projects	\$ 500,00
◦ DISID Permanent Injunction Projects	\$ 500,000
◦ DPH&SS Pharmaceutical Supplies & Equipment	\$ 500,000
◦ GMHA Pharmaceutical Supplies & Equipment	\$3,142,322
◦ DPW Solid Waste Equipment	\$ 500,000

In FY 2009 The Commonwealth of the Northern Mariana Islands is using its Compact Impact grant for \$5.2 million to supplement the budgets of the following operational agencies:

◦ Department of Public Health	\$1,125,000
◦ Division of Youth Services	\$ 120,000
◦ Department of Public Safety	\$1,000,000
◦ Department of Corrections	\$ 415,000
◦ Office of Public Defender	\$ 71,914
◦ Northern Marianas College	\$ 330,000
◦ Public School System	\$2,110,000

American Samoa plans to use its FY 2009 grant of \$14,487 to fund teacher salaries.



6.

<b>Account: Compact of Free Association (Permanent and Indefinite)</b>						
<b>Activity: Economic Assistance</b>						
<b>Subactivity: Republic of Palau Compact \$(000)</b>						
			<b>2010</b>			
	<b>2008 Actual</b>	<b>2009 Enacted</b>	<b>Fixed Costs &amp; Related Changes (+/-)</b>	<b>Program Changes (+/-)</b>	<b>Budget Request</b>	<b>Inc (+) Dec(-) From 2009</b>
Palau Compact	11,025	11,148	0	-4,148	7,000	-4,148
FTEs	0	0	0	0	0	0

**SUMMARY OF 2010 PROGRAM CHANGES**

<b>Request Component</b>		
Program Changes	Amount	FTE
Palau Compact	-4,148	0

**JUSTIFICATION OF 2010 PROGRAM CHANGES**

The FY 2010 budget request includes a placeholder of \$7 million and 0 FTE in recognition of ongoing review of the relationship between the United States (U.S.) and the Republic of Palau (ROP).

**PROGRAM OVERVIEW**

The Office of Insular Affairs is currently engaged in an inter-agency effort with the State Department, the Defense Department, and other agencies in a review of the Compact of Free Association with the Republic of Palau (ROP). Permanent and indefinite funding for the ROP will expire at the end of FY 2009. The estimate for final Compact payments in 2009 is \$13.1 million.

The purpose of the review, required by Public Law 99-658, is to ascertain the overall nature and development of the U.S.- ROP relationship, including the “operational requirements” of the ROP government. In this context, the interagency group and the ROP are considering whether additional financial assistance should be provided to the ROP in FY 2010 and beyond. Because of the expiring permanent appropriation, any additional assistance will require an increase in OIA’s, and the Department’s budget ceilings.

The ROP is requesting a program of assistance that would ensure the viability of its trust fund, continue its eligibility for Federal programs and services, and provide annual matching funds for

infrastructure maintenance. OIA is including the placeholder in the 2010 Budget Request as recognition of the ongoing review.

The inter-agency group is weighing the value of this request against United States' interests. The ROP has a strong track record of supporting the U.S. in the United Nations, and its location is strategically linked to Guam and U.S. operations in Kwajalein Atoll. The inter-agency group will not recommend the assistance at the level requested by Palau, but discussions within the United States Government and the ROP are on-going.

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		2008	2009	2010
		Actual	Estimate	Estimate
Obligations by program activity:				
00.03	Office of Insular Affairs	7	9	9
00.04	Brown Tree Snake Control	3	3	3
00.10	Technical Assistance	12	11	11
00.14	Insular Management Controls	--	1	1
00.15	Coral Reef Initiative	1	1	1
00.16	Water and Wastewater Projects	1	1	1
00.17	Maintenance Assistance Fund	4	2	2
00.18	American Samoa Operations	23	23	23
00.19	Virgin Islands Wellness Center	1	--	--
00.20	Guam Infrastructure	--	--	2
00.91	Direct subtotal, discretionary	52	51	53
01.01	Covenant Grants (mandatory)	38	28	28
09.00	Reimbursable program	1	1	1
09.09	Reimbursable program - subtotal line	1	1	1
10.00	Total new obligations	91	80	82
Budget resources available for obligation:				
21.40	Unobligated balance carried forward, start of year	12	15	15
22.00	New budget authority (gross)	79	80	82
22.10	Resources available from recoveries of prior year obligations	15	--	--
23.90	Total budgetary resources available for obligation	106	95	97
23.95	Total New obligations	-91	-80	-82
24.40	Unobligated balance carried forward, end of year	15	15	15
New budget authority (gross), detail:				
Discretionary:				
40.00	Appropriation	51	51	53
40.35	Appropriation permanently reduced	-1	--	--
43.00	Appropriation (discretionary)	50	51	53
Spending authority from offsetting collections:				
58.00	Offsetting collections (cash)	1	1	1
Mandatory:				
60.00	Appropriation (mandatory)	28	28	28
70.00	Total new budget authority (gross)	79	80	82
Change in obligated balances:				
72.40	Obligated balance, start of year	126	132	138
73.10	Total new obligations	91	80	82
73.20	Total outlays (gross)	-70	-74	-78
73.45	Recoveries of prior year obligations	-15	--	--
74.40	Obligated balance, end of year	132	138	142
Outlays (gross), detail:				
86.90	Outlays from new discretionary authority	37	34	35
86.93	Outlays from discretionary balances	11	16	18
86.97	Outlays from new mandatory authority	3	1	1
86.98	Outlays from mandatory balances	19	23	24
87.00	Total outlays (gross)	70	74	78
Offsetting collections (cash) from:				
88.00	Federal sources	1	1	1
Net budget authority and outlays:				
89.00	Budget authority	78	79	81
90.00	Outlays	69	73	77
95.02	Unpaid obligation, end of year	135		

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

Program and Financing (in millions of dollars)

OMB ACCOUNT ID: 010-85-0415-0 14-0415-0-1-808		2008	2009	2010
		Actual	Estimate	Estimate
Obligations by program activity:				
00.01	Federal services assistance	3	3	3
01.01	Program grant assistance, mandatory	2	2	2
01.92	Subtotal	5	5	5
02.01	Assistance to the Marshall Islands	70	67	66
02.02	Assistance to the Federated States of Micronesia	88	103	104
02.03	Assistance to the Republic of Palau	11	11	--
02.04	Compact Impact	30	30	30
02.91	Subtotal, permanent indefinite	199	211	200
09.01	Reimbursable program	--	18	18
10.00	Total new obligations	204	234	223
Budget resources available for obligation:				
21.40	Unobligated balance carried forward, start of year	46	66	66
22.00	New budget authority (gross)	210	234	223
22.10	Resources available from recoveries of prior year obligations	15	--	--
22.21	Unobligated balance transferred to other accounts	-1	--	--
23.90	Total budgetary resources available for obligation	270	300	289
23.95	Total new obligations	-204	-234	-223
24.40	Unobligated balance carried forward, end of year	66	66	66
New budget authority (gross), detail:				
Discretionary:				
40.00	Appropriation (discretionary)	3	3	3
Spending authority from offsetting collections:				
58.00	Offsetting collections (cash)	--	18	18
Mandatory:				
60.00	01 Appropriation	205	211	200
60.00	02 Appropriation	2	2	2
62.50	Appropriation (total mandatory)	207	213	202
70.00	Total new budget authority (gross)	210	234	223
Change in obligated balances:				
72.40	Obligated balance, start of year	90	90	120
73.10	Total new obligations	204	234	223
73.20	Total outlays (gross)	-203	-204	-203
73.45	Recoveries of prior year obligations	-15	--	--
74.10	Change in uncollected customer payments from Federal sources (expired)	14	--	--
74.40	Obligated balance, end of year	90	120	140
Outlays (gross), detail:				
86.90	Outlays from new discretionary authority	3	5	5
86.93	Outlays from discretionary balances	14	16	16
86.97	Outlays from new mandatory balances	186	149	141
86.98	Outlays from mandatory balances	--	34	41
87.00	Total outlays (gross)	203	204	203
Offsetting collections (cash) from:				
88.00	Federal sources	14	18	18
Against gross budget authority only:				
88.96	Portion of offsetting collections (cash) credited to expired accounts	-14		
Net budget authority and outlays				
89.00	Budget authority	210	216	205
90.00	Outlays	189	186	185
95.02	Unpaid obligation, end of year	101		

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		2008	2009	2010
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	--		

## 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		2008	2009	2010
		Actual	Estimate	Estimate
Direct Program:				
Obligations by program activity				
00.01	Advance payments to Guam of estimated U.S. income tax collections	39	39	39
00.02	Advance payments to the Virgin Islands of estimated U.S. excise tax collections	90	109	90
09.01	Virgin Island Loan	1	--	--
10.00	Total new obligations	130	148	129
Budgetary resources available for obligation:				
22.00	New budget authority (gross)	130	148	129
22.60	Portion applied to repay debt	-1	--	--
23.90	Total budgetary resources available for obligation	129	148	129
23.95	Total new obligations	-130	-148	-129
New budget authority (gross), detail				
Mandatory:				
60.00	Appropriation (Mandatory)	129	148	129
Spending authority from offsetting collections:				
69.00	Offsetting collections (cash)	1	--	--
70.00	Total new budget authority (gross)	130	148	129
Change in obligated balances:				
73.10	Total new obligations	130	148	129
73.20	Total outlays (gross)	-130	-148	-129
Outlays (gross), detail:				
86.97	Outlays from new mandatory authority	130	148	129
Offsets against gross budget authority and outlays:				
88.40	Offsetting collections (cash) from Non-Federal sources	1	--	--
Net budget authority and outlays:				
89.00	Budget authority	129	148	129
90.00	Outlays	129	148	129

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

Program and Financing (in millions of dollars)

OMB ACCOUNT ID: 010-85-4163-0 14-4163-0-3-806		2008 Actual	2009 Estimate	2010 Estimate
Obligations by program activity:				
00.02	Interest paid to Treasury	--	1	1
08.02	Payment of Downward Reestimate	--	2	--
10.00	Total new obligations	--	3	1
Budgetary resources available for obligation:				
21.40	Unobligated balance carried forward, start of year	--	2	--
22.00	New financing authority (gross)	2	1	1
23.90	Total budgetary resources available for obligation	2	3	1
23.95	Total new obligations	--	-3	-1
24.40	Unobligated balance carried forward, end of year	2	--	--
Mandatory:				
69.00	Offsetting collections (cash)	2	1	1
Change in obligated balances:				
72.40	Obligated balance, start of year	--	--	3
73.10	Total new obligations	--	3	1
74.40	Obligated balance, end of year	--	3	4
Offsets against gross financing authority and financing disbursements:				
Offsetting collections (cash) from				
88.40	Non-Federal sources - interest payments from American Samoa	2	1	1
Net financing authority and financing disbursements:				
89.00	Financing authority	--	--	--
90.00	Financing disbursements	-2	-1	-1

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

Program and Financing (in millions of dollars)

OMB ACCOUNT ID: 010-85-0415-4 14-0415-4		2008 Actual	2009 Estimate	2010 Estimate
Obligations by program activity				
01.01	Program grant assistance - Palau, mandatory	--	--	7
10.00	Total new obligations (object class 41.0)	--	--	7
Budgetary resources available for obligation:				
22.00	New budget authority (gross)	--	--	7
23.95	Total new obligations	--	--	-7
24.40	Unobligated balance carried forward, end of year	--	--	--
New budget authority (gross), detail				
Mandatory:				
60.00	Appropriation (Mandatory)	--	--	7
62.50	Appropriation (total mandatory)	--	--	7
Change in obligated balances:				
73.10	Total new obligations	--	--	7
73.20	Total outlays (gross)	--	--	-7
74.40	Obligated balance, end of year	--	--	--
Outlays (gross), detail:				
86.97	Outlays from new mandatory authority	--	--	7
Net budget authority and outlays:				
89.00	Budget authority	--	--	7
90.00	Outlays	--	--	7
95.02	Unpaid obligation, end of year	--	--	(1)



Historical Table

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

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

## 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>	<b>FY 2004-2014 10 Year Total</b>
<b><u>Federated States of Micronesia</u></b>												
Sector Grants	76,000	77,099	79,215	79,388	80,300	81,129	81,928	82,474	82,988	83,470	83,921	887,912
Trust Fund	16,000	16,189	16,442	17,689	18,996	20,912	21,548	22,846	24,176	25,538	26,932	227,267
Audit	500	500	500	500	500	500	500	500	500	500	500	5,500
<b>TOTAL</b>	<b>92,500</b>	<b>93,788</b>	<b>96,157</b>	<b>97,577</b>	<b>99,796</b>	<b>102,541</b>	<b>103,976</b>	<b>105,820</b>	<b>107,664</b>	<b>109,508</b>	<b>111,352</b>	<b>1,120,679</b>
<i>Inflation at actual for 2005-2008, then +2% for out years</i>		1.99%	4.24%	6.51%	8.26%	10.23%	12.23%	14.23%	16.23%	18.23%	20.23%	
<b><u>Republic of the Marshall Islands</u></b>												
Sector Grants	35,200	35,109	35,144	35,482	35,616	37,182	36,138	36,211	36,264	36,297	38,714	397,356
Rongelap Resettlement		1,768	1,760	1,760	0	0	0	0	0	0	0	5,288
Kwajalein Lease Payments	15,000	15,177	15,414	15,793	16,190	17,110	16,835	17,135	17,435	17,735	18,440	182,262
Enewetak - Section 103 (f)(2)(c)(i)	1,300	1,315	1,336	1,369	1,403	1,433	1,459	1,485	1,511	1,537	1,563	15,711
Trust Fund	7,000	7,588	8,221	8,950	9,714	10,784	11,223	11,994	12,785	13,596	14,428	116,284
Audit Grants	500	500	500	500	500	500	500	500	500	500	500	5,500
<b>TOTAL</b>	<b>59,000</b>	<b>61,457</b>	<b>62,375</b>	<b>63,854</b>	<b>63,423</b>	<b>67,009</b>	<b>66,155</b>	<b>67,325</b>	<b>68,495</b>	<b>69,665</b>	<b>73,645</b>	<b>722,401</b>
<i>Inflation at actual for 2005-2008, then +2% for out years</i>		1.99%	4.24%	6.51%	8.26%	10.23%	12.23%	14.23%	16.23%	18.23%	20.23%	
<b>Grand Total FSM &amp; RMI</b>	<b>151,500</b>	<b>155,245</b>	<b>158,532</b>	<b>161,431</b>	<b>163,219</b>	<b>169,550</b>	<b>170,131</b>	<b>173,145</b>	<b>176,159</b>	<b>179,173</b>	<b>184,997</b>	<b>1,843,080</b>
<b><u>COMPACT IMPACT</u></b>												
Section 104	30,000	30,000	30,000	30,000	29,684	30,000	30,000	30,000	29,651	30,000	30,000	329,335
OIA cost reimb.					316				349			665
<b>Judicial Training</b>	300	304	308	316	323	330	337	343	349	355	361	3,624
<i>Transfer of Disaster Assistance to FEMA/USAID</i>					432	449	458	467	476	486	496	3,264
<b>GRAND TOTAL</b>	<b>181,800</b>	<b>185,549</b>	<b>188,840</b>	<b>191,747</b>	<b>193,542</b>	<b>199,880</b>	<b>200,467</b>	<b>203,487</b>	<b>206,507</b>	<b>209,527</b>	<b>215,357</b>	<b>2,176,705</b>
<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 Total	20 Year GRAND TOTAL
<b><u>Federated States of Micronesia</u></b>											
Sector Grants	84,339	84,725	85,079	85,401	85,691	91,239	92,619	93,999	95,379	798,470	1,686,382
Trust Fund	28,357	29,815	31,305	32,827	26,547	35,967	37,584	39,234	40,916	302,553	529,820
Audit	500	500	500	500	500	500	500	500	500	4,500	10,000
<b>TOTAL</b>	<b>113,196</b>	<b>115,040</b>	<b>116,884</b>	<b>118,728</b>	<b>112,738</b>	<b>127,705</b>	<b>130,703</b>	<b>133,733</b>	<b>136,795</b>	<b>1,105,523</b>	<b>2,226,202</b>
<i>Inflation at actual for 2005-2008, then +2% for out years</i>	22.23%	24.23%	26.23%	28.23%	30.23%	32.23%	34.23%	36.23%	38.23%		
<b><u>Republic of the Marshall Islands</u></b>											
Sector Grants	38,747	38,760	38,753	38,725	38,678	38,611	38,524	38,417	38,290	347,505	744,861
Rongelap Resettlement	0	0	0	0	0	0	0	0	0	0	5,288
Lease Payments	22,001	22,361	22,721	23,081	23,441	23,801	24,161	24,521	24,881	210,973	393,235
Enewetak - Section 103 (f)(2)(c)(i)	1,589	1,615	1,641	1,667	1,693	1,719	1,745	1,771	1,797	15,237	30,948
Trust Fund	15,279	16,150	17,041	17,952	18,883	19,835	20,806	21,797	22,808	170,550	286,834
Audit Grants	500	500	500	500	500	500	500	500	500	4,500	10,000
<b>TOTAL</b>	<b>78,116</b>	<b>79,386</b>	<b>80,656</b>	<b>81,926</b>	<b>83,196</b>	<b>84,466</b>	<b>85,736</b>	<b>87,006</b>	<b>88,276</b>	<b>748,764</b>	<b>1,471,165</b>
<i>Inflation at actual for 2005-2008, then +2% for out years</i>	22.23%	24.23%	26.23%	28.23%	30.23%	32.23%	34.23%	36.23%	38.23%		
<b>Grand Total FSM &amp; RMI</b>	<b>191,312</b>	<b>194,426</b>	<b>197,540</b>	<b>200,654</b>	<b>195,934</b>	<b>212,171</b>	<b>216,439</b>	<b>220,739</b>	<b>225,071</b>	<b>1,854,287</b>	<b>3,697,367</b>
<b><u>COMPACT IMPACT</u></b>											
Section 104	30,000	30,000	29,621	30,000	30,000	30,000	30,000	29,591	30,000	269,213	598,548
OIA cost reimb.			379					409		787	1,452
<b>Judicial Training</b>	367	373	379	385	391	397	403	409	415	3,516	7,141
<i>Transfer of Disaster Assistance to FEMA/USAID</i>	506	516	526	537	547	558	569	581	592	604	3,869
<b>GRAND TOTAL</b>	<b>221,679</b>	<b>224,799</b>	<b>227,919</b>	<b>231,039</b>	<b>226,325</b>	<b>242,568</b>	<b>246,842</b>	<b>251,148</b>	<b>255,486</b>	<b>2,127,803</b>	<b>4,304,508</b>
<i>(includes Compact Impact, Judicial Training)</i>											

## COMPACT PAYMENT PROJECTIONS

	<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>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>
1 Federal Services	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
101 Program grant assistance, mandatory	2	2	2	2	0	0	0	0	0	0	0	0		0	0	0	0	0
192 Subtotal	5	5	5	5	3	3	3	3	3	3	3	3	3	3	3	3	3	3
201 Assitance to Marshall Islands	62	64	63	67	66	67	68	70	74	78	79	81	82	83	84	86	87	88
202 Assistance to FSM	96	98	100	103	104	106	108	110	111	113	115	117	119	113	128	131	134	137
203 Assistance to Palau	11	11	11	11	7	6	6	5	5	4	4	4	4	4				
204 Compact Impact	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30	30
291 Subtotal, permanent indefinite	204	207	209	216	210	212	215	217	223	228	231	235	238	233	245	249	254	258
901 Reimbursable program (SEG)	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18	18
1000 Total Obligations	222	225	227	234	228	230	233	235	241	246	249	253	256	251	263	267	272	276

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	4,244	4,367	98,732
<b>SUBTOTAL</b>	<b>186,167</b>	<b>18,623</b>	<b>22,856</b>	<b>19,221</b>	<b>11,571</b>	<b>11,642</b>	<b>11,785</b>	<b>11,928</b>	<b>11,928</b>	<b>12,071</b>	<b>10,533</b>	<b>10,717</b>	<b>10,902</b>	<b>11,025</b>	<b>11,148</b>	<b>372,114</b>
Sect. 221(b) Special Block Grant	6,300	4,900	3,500	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	38,700
<b><u>DIRECT PAYMENTS</u></b>	<b>192,467</b>	<b>23,523</b>	<b>26,356</b>	<b>21,221</b>	<b>13,571</b>	<b>13,642</b>	<b>13,785</b>	<b>13,928</b>	<b>13,928</b>	<b>14,071</b>	<b>12,533</b>	<b>12,717</b>	<b>12,902</b>	<b>13,025</b>	<b>13,148</b>	<b>410,814</b>
Federal Services b/	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sect. 212(a) Palau Road Construction	53,000		96,000													149,000
<b><u>GRAND TOTAL, PALAU</u></b>	<b>245,467</b>	<b>23,523</b>	<b>122,356</b>	<b>21,221</b>	<b>13,571</b>	<b>13,642</b>	<b>13,785</b>	<b>13,928</b>	<b>13,928</b>	<b>14,071</b>	<b>12,533</b>	<b>12,717</b>	<b>12,902</b>	<b>13,025</b>	<b>13,148</b>	<b>559,814</b>

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

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