

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

and Performance Information
Fiscal Year 2011

OFFICE OF INSULAR AFFAIRS

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

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I. Bureau-Level Presentation

A. General Statement

1. Introduction

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

The 2011 budget request is focused primarily on the upcoming fiscal year, but it is framed by long-term security interests of the United States in the western Pacific and Caribbean and serious economic and fiscal problems impacting the U.S. territories. The insular areas will be faced with tremendous challenges as well as opportunities in fiscal year 2011.

The relocation of thousands of U.S. military personnel and their dependents from Okinawa, Japan to Guam is a huge challenge and opportunity for the island. The island's infrastructure will be an important consideration for FY 2011 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 roads, power, water and wastewater 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.

Two other U.S. territories, American Samoa and the CNMI, are facing economic and fiscal difficulties. In American Samoa, the severe and sudden loss of jobs, an estimated 2,172 jobs or 12 percent of total employment, created by the closure of the Chicken of the Sea (COS) tuna cannery will severely impact the economic viability of the Territory. The closure of the COS cannery, and the potential closure of the only other remaining cannery, has been anticipated but the reality of the current situation is harsh. American Samoa's two canneries represent 45.6 percent of total employment (direct and indirect). American Samoa was also adversely affected by a tsunami that struck the territory in September 2009. 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.

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

2. Budget Highlights

The proposed FY 2011 budget is \$457.7 million, a decrease of \$22.8 million from the 2010 enacted level.

2011 Budget Request (Dollars in Thousands)

	2009 Actual	2010 Enacted	2011 Request	2011 Request Change from 2010
Total	444,145	480,484	457,738	-22,746

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 (\$370.8 million). Current appropriation of \$87.0 million are requested in 2011, a decrease of \$15.5 million over the FY 2010 enacted level. The request for current appropriations includes a decrease of \$157,000 for fixed costs and related changes, and a decrease of \$15.4 million for program changes.

The current appropriations request includes \$59.3 million in discretionary funding and \$27.7 million in mandatory funding. In addition, \$370.8 million in permanent and indefinite appropriations is estimated for FY 2011, including \$146.0 million estimated for fiscal payments to Guam and the USVI and \$224.8 million for payments under the Compacts of Free Association.

Total 2011 Budget Request
(Dollars in Thousands)

Budget Authority	2009 Actual	2010 Enacted	2011 Request	2011 Request Change from 2010
Discretionary	83,983	102,513	86,988	-15,525
Mandatory	360,162	377,971	370,750	-7,221
Total	444,145	480,484	457,738	-22,746
<i>FTEs</i>	<i>34</i>	<i>41</i>	<i>41</i>	<i>0</i>

Within current appropriations, Covenant grants (\$27.7 million) that provide for Capital Improvement Projects (CIP) in U.S. territories are considered mandatory.

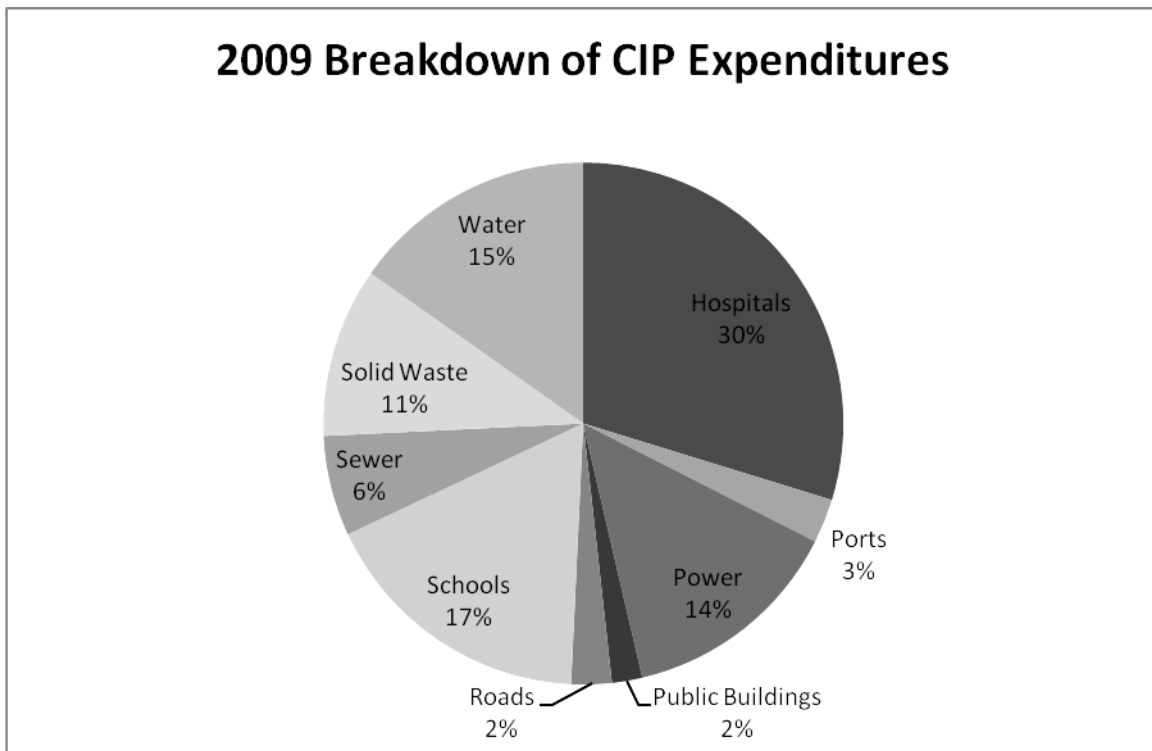
American Samoa Operations (\$22.8 million), the second largest budget activity is considered discretionary but is a directed appropriation that provides essential assistance to help the American Samoa Government provide basic services such as health care, education and support for the judiciary.

While not officially considered a mandatory program, Federal Services assistance (\$2.8 million) is comprised of two subactivities that were negotiated and are defined in law. The first is reimbursement to the U.S. Postal Service for continuation of mail service to the FAS. Failure to provide this service would be a breach of the negotiated Compact. The second activity provides funding for the Republic of Palau to conduct an annual financial audit.

The only true discretionary programs are the OIA Salaries and Expenses account (\$9.1 million) and the other Territorial Assistance activities (\$24.6 million) which together account for \$33.7 million.

The 2011 OIA budget focuses on strategies that empower the insular communities. OIA will support activities that will improve quality of life, create economic opportunities, and help to develop more efficient and effective government in the insular areas. In 2009, OIA received over \$84.0 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 financial assistance. OIA plans to continue this effort in 2011.

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 capital infrastructure in the territories (see pie chart). The total expended in FY 2008 was \$21.3 million. In FY 2009, the islands expended \$25.8 million on capital infrastructure.



3. Key Budgetary Changes

For 2011, OIA is requesting \$5.0 million for the Empowering Insular Communities program. This Territorial Assistance subactivity is designed to 1.) Strengthen the foundations for economic development in the islands by addressing challenges preventing reliable delivery of critical services needed to attract investment; and 2.) Pursue economic development initiatives that encourage private sector investment in the insular areas.

The 2011 budget also contains a placeholder of \$20.8 million in recognition of a legislative proposal to extend Compact of Free Association funding to Palau through 2024. The legislative proposal for Palau would provide a total of \$250.0 million in financial assistance over a period of 15 years. The proposal also includes funds for reimbursement to the United States Postal Service for services which they provide to Palau and the Freely Associated States.

Absorption of 2011 Fixed Costs Increases

To provide the maximum funding possible for priority program needs, the FY 2011 President's Budget Request does not include an increase for anticipated increases in fixed costs in 2011. Programs will absorb these costs. Details on the estimates for FY 2011 fixed costs absorptions are included on page 16. Pay and benefits related costs will be absorbed by the programs proportional to the numbers of FTE employed. Rent cost increases will be absorbed by the programs occupying rental space. The Department's Working Capital Fund costs will remain

level with 2010, needed cost increases will be fully offset by reductions to accounts with completed projects.

SAVE Award Reductions

In 2009, the President established SAVE Award program, to challenge Federal employees across the government to submit their ideas for efficiencies and savings as part of the annual budget process. The goal of the SAVE award is to produce ideas that will yield savings and improve government operations. The Department of the Interior received thousands of submissions on a variety of topics during the SAVE Award process which are being reviewed by the Bureaus. The FY 2011 budget assumes \$62.0 million in savings from implementing SAVE Award proposals in three areas: travel, information technology, and strategic sourcing, which are described below.

Travel Reduction - The Office of Insular Affairs is participating in a Department-wide effort to reduce travel and relocation expenditures through adoption of new technologies and efficiency improvements accounting. Bureaus are implementing new teleconferencing, videoconferencing, shared web sites, and other technologies that will enable real-time communications and shared access to documents that will enable more meetings to be conducted remotely and electronically. The proposed reduction also includes a decrease in funding for permanent change of station expenses, in response to an Office of Inspector General finding that suggests a need for greater control over management of these costs. The overall travel reduction would decrease the Department's spending on travel and relocation to a level commensurate with actual 2008 travel and relocation expenditures. OIA's share of this reduction is \$136,000.

IT Reduction - The Office of Insular Affairs has been working collaboratively with Interior CIOs on an approach to achieve improved effectiveness and efficiencies in information technology. The Department anticipates savings from the Department-wide implementation of a common e-mail system and the consolidation of servers, data centers, and help desks. Although this is a multi-year effort, it is feasible to expect \$20 million in savings in 2011, of which OIA's share is \$10,000.

Secretary Salazar is committed to information technology reforms that will improve the effectiveness and efficiency of operations within the Department including a common email system. Detailed planning information exists from earlier efforts to deploy a common email system that provide a foundation for an accelerated effort beginning in the current fiscal year. The Department has conducted inventories and evaluations of servers, data centers, and help desks. All of the information indicates significant potential savings from the consolidation and reduction of this infrastructure. The Department will be working throughout FY 2010 to develop plans, begin deployments, and implement changes so as to realize savings beginning in 2011.

Acquisition Reduction - The Office of Insular Affairs has been working collaboratively with acquisition offices across the Department to prepare an Acquisition Improvement Plan. Although OMB's proposed acquisition savings program allows agencies to redirect savings to other mission objectives, Interior is proposing a reduction of \$30 million in real savings to help

offset other program priorities in the budget request, of which OIA's share is \$107,000. One option for achieving this savings is the expanded use of strategic sourcing.

Currently, strategic sourcing is used for enterprise acquisitions for software and hardware. Expansion of strategic sourcing to other types of acquisitions has the potential to achieve additional savings for the bureaus and offices in Interior. The Office of Acquisition and Property Management, working with a team of bureau representatives, has developed a set of options for strategic sourcing, including: telecommunications, relocations, copiers/printers, heavy equipment, recycled paper, shuttle services, furniture, wireless communications, and training. Currently, participation by the bureaus is optional.

The Department has a track record with successful strategic sourcing and plans to expand its use based on the advice and guidance from the Strategic Sourcing Executive Council. During 2010, DOI would develop its plans and begin to implement expanded strategic sourcing to realize the targeted savings in 2011. To achieve this level of savings, all of the bureaus would be required to participate. The leadership in the Department is committed to participation in this initiative. The savings realized from this initiative would be included in the Department's Acquisition Improvement Plan.

4. 2011 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. OIA is currently working with the U.S. Department of Commerce, Bureau of Economic Analysis (BEA) to develop GDP statistics for the U.S. territories. BEA plans to provide OIA with official GDP estimates for the U.S. territories by April 2010. However, at this time, the following proxy measure is used: Ratio of Federal revenue to total revenues in insular areas. OIA also has two 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.

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.

FY 2011 Budget at a Glance					
Office of Insular Affairs					
(Dollars in Thousands)					
	2009 Actual	2010 Enacted	Fixed Costs & Related Changes	Program Changes	2011 Request
<u>Assistance to Territories</u>					
American Samoa Operations	22,752	22,752	0	0	22,752
Covenant Grants	27,720	27,720	0	0	27,720
Office of Insular Affairs	8,850	9,280	+50	-250	9,080
General Technical Assistance	11,018	15,302	0	-3,218	12,084
Maintenance Assistance	2,241	2,241	0	0	2,241
Brown Treesnake Control	2,631	3,000	0	0	3,000
Insular Management Controls	1,453	0	0	0	0
Coral Reef Initiative	1,000	1,000	0	0	1,000
Water and Wastewater	1,000	1,900	-207	-900	793
Guam Infrastructure	0	2,000	0	-2,000	0
Empowering Insular Communities	0	0	0	+5,000	5,000
Total, Assistance to Territories	78,665	85,195	-157	-1,368	83,670
<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	-2,000	0
Enewetak	500	500	0	0	500
Palau Compact Extension	0	12,000	0	-12,000	0
Total, Compact of Free Association - Current	5,318	17,318	0	-14,000	3,318
Total Current Discretionary/Mandatory	83,983	102,513	-157	-15,368	86,988
<u>Compact of Free Association</u>					
Marshall Islands Compact	67,009	66,172	0	+1,170	67,342
Federated States of Micronesia Compact	102,541	104,004	0	+1,844	105,848
Palau Compact	11,147	0	0	+20,750	20,750
Compact Impact	30,000	30,000	0	0	30,000
Judicial Training	331	337	0	+6	343
Disaster Assistance Emergency Fund	456	458	0	+9	467
Total Compact (Permanent)	211,484	200,971	0	+23,779	224,750
Guam Section 30 Income Taxes	39,028	39,000	0	0	39,000
VI Rum Excise Taxes	109,650	138,000	0	-31,000	107,000
Total, Fiscal Payments (Permanent)	148,678	177,000	0	-31,000	146,000
Grand Total - Office of Insular Affairs	444,145	480,484	-157	-22,589	457,738

2.

Office of Insular Affairs
2009 Funding by Activity and Insular Area
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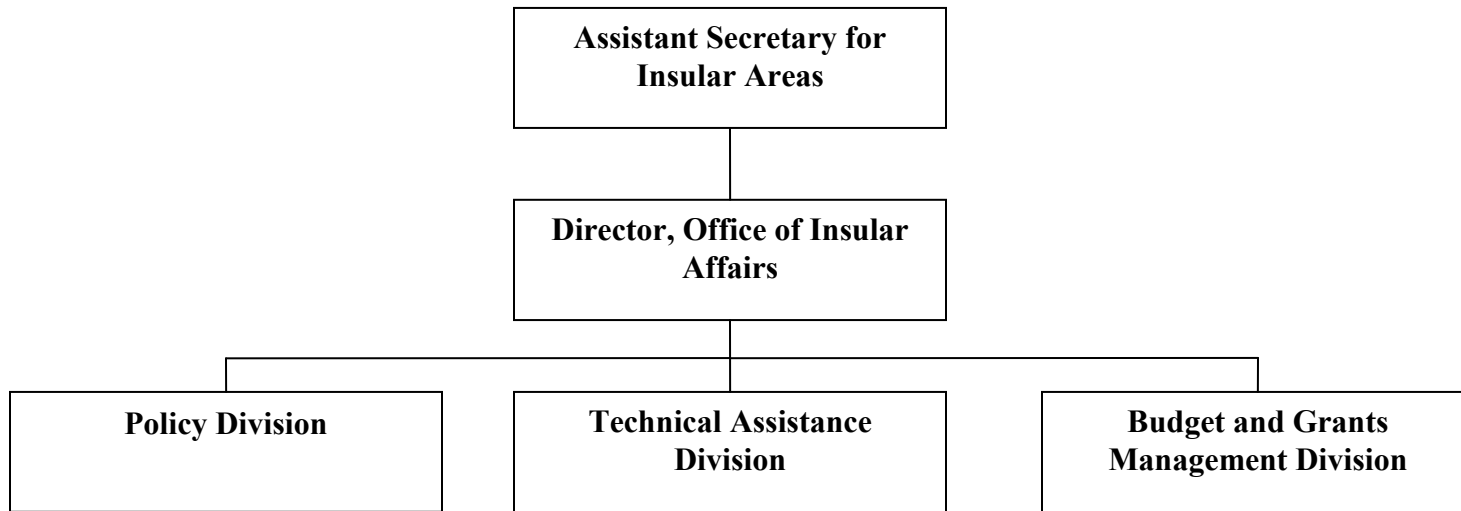
Activity	Am Samoa	CNMI	Guam	USVI	FSM	RMI	Palau	Hawaii	DC	Georgia	Other	Total
<u>Assistance to Territories</u>												
American Samoa Operations	22,752											22,752
Covenant Grants	9,380	11,330	4,840	2,170								27,720
Office of Insular Affairs	142	334			138	90		1,310	6,836			8,850
General Technical Assistance	1,325	2,542	980	1,096	690	1,598	593				2,194	11,018
Maintenance Assistance	350	417	300		739	250	185					2,241
Brown Treesnake Control		506	1,936					189				2,631
Insular Management Controls		753	700									1,453
Coral Reef Initiative	100	85	50	300	300	60	50	15		40		1,000
Water and Wastewater	620	380										1,000
<i>Total, Assistance to Territories</i>	<i>34,669</i>	<i>16,347</i>	<i>8,806</i>	<i>3,566</i>	<i>1,867</i>	<i>1,998</i>	<i>828</i>	<i>1,514</i>	<i>6,836</i>	<i>40</i>	<i>2,194</i>	<i>78,665</i>
<u>Compact of Free Association - Current</u>												
Federal Services					1,545	387	887					2,819
Palau Program Grant Assistance							2,000					2,000
Enewetak						500						500
<i>Total, Compact of Free Association - Current</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>1,545</i>	<i>887</i>	<i>2,887</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>5,319</i>
Total Current Discretionary/Mandatory	34,669	16,347	8,806	3,566	3,412	2,885	3,714	1,514	6,836	40	2,194	83,983
<u>Compact of Free Association</u>												
Marshall Islands Compact						67,009						67,009
Federated States of Micronesia Compact					102,541							102,541
Palau Compact							11,147					11,147
Compact Impact	15	5,172	14,242					10,571				30,000
Judicial Training					165	165						331
Disaster Assistance Emergency Fund					228	228						456
<i>Total, Compact (Permanent)</i>	<i>15</i>	<i>5,172</i>	<i>14,242</i>	<i>0</i>	<i>102,934</i>	<i>67,402</i>	<i>11,147</i>	<i>10,571</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>211,484</i>
<u>Fiscal Payments</u>												
Guam Section 30 Income Taxes			39,028									39,028
VI Rum Excise Taxes				109,650								109,650
<i>Total, Fiscal Payments (Permanent)</i>	<i>0</i>	<i>0</i>	<i>39,028</i>	<i>109,650</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>148,678</i>
Total Permanent Mandatory	15	5,172	53,270	109,650	102,934	67,402	11,147	10,571	0	0	0	360,162
Grand Total - Office of Insular Affairs	34,684	21,519	62,076	113,216	106,346	70,287	14,861	12,085	6,836	40	2,194	444,145

3.

Goal Performance Table										
Target Codes:			SP = Strategic Plan measures				PART = PART Measure			
			TBD = Targets have not yet been developed				UNK = Prior year data unavailable			
Type Codes:			C = Cumulative Measure		A = Annual Measure		F = Future Measure			
							NA = Long-term targets are inappropriate to determine at this time			
End Outcome Goal: Increase Economic Self-Sufficiency of Insular Areas										
End Outcome Measure / Intermediate or PART Measure / PART Efficiency or other Outcome Measure	Type	2006 Actual	2007 Actual	2008 Actual	2009 Plan	2009 Actual	2010 Plan	2011 Plan	Change from 2010 Plan to 2011	Long-term Target 2012
End Outcome Measures										
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)	A	28%	28% (\$718m/ \$2,391m)	30% (\$715m/ \$2,420m)	30% (\$716m/ \$2,406m)	29% (\$766m/ \$2,607m)	30% (\$716m/ \$2,406m)	30% (\$716m/ \$2,406m)	0	28%
Comments:	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. However, 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.									
Intermediate Outcome Measures										
321 Improve Insular Governments Financial Management Practices - Timeliness of Financial Statements: Total average months late for all insular general fund financial statements.	A	2*	2	2	2	1	2	1	-1	0
492 Increase Economic Development – Private Sector Employment: Ratio of private sector jobs to total employment.	A	0.71	0.72 (142,060/ 197,973)	0.71 (142,600/ 200,230)	0.71 (142,600/ 200,230)	0.71 (140,641/ 197,714)	0.71 (142,600/ 200,230)	0.71 (142,600/ 200,230)	0	0.72
Comments:	*Note: 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.

**Organization Chart
Office of Insular Affairs**



II. Account- Level Presentation

A. Summary of Requirements

1.

OFFICE OF INSULAR AFFAIRS
ASSISTANCE TO TERRITORIES

FY 2011 Summary of Requirements

Activity/Subactivity	2009 Actual		2010 Enacted		Fixed Costs & Related Changes (+/-)		Program Changes (+/-)		2011 Request		Inc. (+)/Dec. (-) from 2010	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
ASSISTANCE TO TERRITORIES												
(1) American Samoa Operations	2	22,752	2	22,752	0	0	0	0	2	22,752	0	0
(2) Covenant Grants - Mandatory												
Northern Mariana Islands Construction		11,330		10,995		0		-995		10,000		-995
American Samoa Construction		9,380		9,383		0		+1,117		10,500		+1,117
Guam Construction		4,840		5,360		0		-334		5,026		-334
Virgin Islands Construction		<u>2,170</u>		<u>1,982</u>		<u>0</u>		<u>+212</u>		<u>2,194</u>		<u>+212</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	31	8,850	38	9,280	0	+50	0	-250	38	9,080	0	-200
General Technical Assistance	1	11,018	1	15,302	0	0	0	-3,218	1	12,084	0	-3,218
Maintenance Assistance Fund		2,241		2,241		0		0		2,241		0
Brown Treesnake Control		2,631		3,000		0		0		3,000		0
Insular Management Controls		1,453		0		0		0		0		0
Coral Reef Initiative		1,000		1,000		0		0		1,000		0
Water and Wastewater Projects		1,000		1,900		-207		-900		793		-1,107
Guam Infrastructure		0		2,000		0		-2,000		0		-2,000
Empowering Insular Communities		<u>0</u>		<u>0</u>		<u>0</u>		<u>+5,000</u>		<u>5,000</u>		<u>+5,000</u>
Sub-Total, Territorial Assistance	32	28,193	39	34,723	0	-157	0	-1,368	39	33,198	0	-1,525
TOTAL REQUIREMENTS	34	78,665	41	85,195	0	-157	0	-1,368	41	83,670	0	-1,525

2.

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

FY 2011 Summary of Requirements

Activity/Subactivity	2009 Actual		2010 Enacted		Fixed Costs & Related Changes (+/-)		Program Changes (+/-)		2011 Request		Inc. (+)/Dec. (-) from 2010	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
COMPACTS OF FREE ASSOCIATION - CURRENT												
(1) Federal Services		2,818		2,818		0		0		2,818		0
(2) Palau Program Grant Assistance		2,000		2,000		0		-2,000		0		-2,000
(3) Enewetak		500		500		0		0		500		0
(4) Palau Compact Extension		0		12,000		0		-12,000		0		-12,000
TOTAL REQUIREMENTS	0	5,318	0	17,318	0	0	0	-14,000	0	3,318	0	-14,000

3.

FY 2011 Summary of Requirements

Activity/Subactivity	2009 Actual		2010 Enacted		Fixed Costs and Related Changes		Program Changes		2011 Request		Inc. (+)/Dec. (-) from 2010	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
COMPACT OF FREE ASSOCIATION - PERMANENT												
<u>Assistance to the Marshall Islands:</u>												
Sector Grants		37,181		36,148		0		72		36,220		72
Audit		500		500		0		0		500		0
Trust Fund		10,784		11,226		0		771		11,997		771
Rongelap Resettlement		0		0		0		0		0		0
Kwajalein Lease Payment		17,110		16,839		0		300		17,139		300
Enewetak		<u>1,433</u>		<u>1,459</u>		<u>0</u>		<u>26</u>		<u>1,485</u>		<u>26</u>
Subtotal, Marshall Islands Assistance	0	67,009	0	66,172	0	0	0	1,170	0	67,342	0	1,170
<u>Assistance to the Federated States of Micronesia (FSM)</u>												
Sector Grants		81,129		81,950		0		546		82,496		546
Trust Fund		20,912		21,554		0		1,298		22,852		1,298
Audit		<u>500</u>		<u>500</u>		<u>0</u>		<u>0</u>		<u>500</u>		<u>0</u>
Subtotal, FSM Assistance	0	102,541	0	104,004	0	0	0	1,844	0	105,848	0	1,844
Compact Impact		30,000		30,000		0		0		30,000		0
Judicial Training		331		337		0		6		343		6
Disaster Assistance Emergency Fund		456		458		0		9		467		9
<u>Total, FSM/Marshalls Compact (Permanent)</u>	<u>0</u>	<u>200,337</u>	<u>0</u>	<u>200,971</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,029</u>	<u>0</u>	<u>204,000</u>	<u>0</u>	<u>3,029</u>
<u>Assistance to the Republic of Palau</u>												
Section 211 (Government Operations)		6,781		0		0		0		0		0
Section 215 (Inflation Adjustment)		4,366		0		<u>0</u>		0		0		0
Palau Legislative Proposal		<u>0</u>		<u>0</u>		<u>0</u>		<u>20,750</u>		<u>20,750</u>		<u>20,750</u>
Subtotal, Assistance to the Republic of Palau	0	11,147	0	0	0	0	0	20,750	0	20,750	0	20,750
TOTAL REQUIREMENTS, COMPACT, Permanent	0	211,484	0	200,971	0	0	0	23,779	0	224,750	0	23,779
GRAND TOTAL, COMPACT, Permanent & Current	0	<u>216,802</u>	0	<u>200,971</u>	0	0	0	<u>27,097</u>	0	<u>228,068</u>	0	<u>27,097</u>

4.

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

Appropriation:	Assistance to Territories	<u>2010 Estimate</u>		<u>Fixed Cost and Related Changes</u>		<u>Program Changes</u>		<u>2011 Request</u>	
		<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>
<u>Object Class</u>									
11.0 Personnel Compensation:									
11.1	Permanent positions - FTE-P	41	3,833		+96		-200	41	3,729
11.3	Positions other than permanent		-				0		-
11.5	Other personnel Compensation		100		0		0		100
	Total personnel compensation	41	3,933		+96		-200	41	3,829
<u>Other Object Classes</u>									
12.1	Personnel benefits		1,255		0		-50		1,205
13.0	Benefits to former employees		0		0		0		0
21.0	Travel & transportation of persons		600		-36		0		564
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		6,203		-10		0		6,193
26.0	Supplies and materials		90		0		0		90
31.0	Equipment		30		0		0		30
41.0	Grants, subsidies & contributions		73,024		-207		-1,118		71,699
99.0	Total requirements	41	85,195		-157		-1,368	41	83,670

B. Fixed Costs and Related Changes

	2010 Budget	2010 Revised	2011 Fixed Costs and Related Changes
Additional Operational Costs from 2010 and 2011 January Pay Raises			
1. 2010 Pay Raise, 3 Quarters in 2010 Budget <i>Amount of pay raise absorbed</i>	+\$68	+\$68	
2. 2010 Pay Raise, 1 Quarter (Enacted 2.0%) <i>Amount of pay raise absorbed</i>	NA	NA	+\$23
3. 2011 Pay Raise (Assumed 1.4%) <i>Amount of pay raise absorbed</i>	NA	NA	+\$48
<p>These adjustments are for an additional amount needed to fund estimated pay raises for Federal employees.</p> <p>Line 1, 2010 Revised column is an update of 2010 budget estimates based upon an enacted 2.0%</p> <p>Line 2 is the amount needed in 2011 to fund the enacted 2.0% January 2010 pay raise from October through December 2010.</p> <p>Line 3 is the amount needed in 2011 to fund the estimated 1.4% January 2011 pay raise from January through September 2011.</p> <p>The estimated cost increase will be absorbed through increased efficiencies such as delayering organizations, re-examining position grades, management streamlining, and business process improvement.</p>			

	2010 Budget	2010 Revised	2011 Fixed Costs and Related Changes
Other Fixed Cost Changes			
One Less Pay Day <i>The number of paydays is constant in FY 2011.</i>	NA	NA	NA
Non-Foreign Area COLA / Locality Pay Adjustment <i>Amount of Non-Foreign Area COLA / Locality Pay Adjustment absorbed</i>	NA	NA	\$0 [+\$33]
Employer Share of Federal Health Benefit Plans <i>Amount of health benefits absorbed</i>	+\$15	+\$15	+\$16
<p>The adjustment is for changes in the Federal government's share of the cost of health insurance coverage for Federal employees. For 2011, the increase is estimated at 7.0%.</p>			
Worker's Compensation Payments <i>Amount of workers compensation absorbed</i>	NA	NA	NA
Unemployment Compensation Payments <i>Amount of unemployment compensation absorbed</i>	NA	0	-\$1
<p>The adjustment is for estimated changes in the costs of unemployment compensation claims to be paid to the Department of Labor, Federal Employees Compensation Account, in the Unemployment Trust Fund, pursuant to Public Law 96-499.</p>			
Rental Payments <i>Amount of rental payments absorbed</i>	+\$60	+\$60	+\$12
<p>The adjustment is for changes in the costs payable to General Services Administration and others resulting from changes in rates for office and non-office space as estimated by GSA, as well as the rental costs of other currently occupied space. These costs include building security; in the case of GSA space, these are paid to DHS. Absorption is for higher than budgeted DHS costs.</p>			

	2010 Budget	2010 Revised	2011 Fixed Costs and Related Changes
Departmental Working Capital Fund <i>Amount of WCF payments absorbed</i>	+\$43	+\$43	-\$2
The Working Capital Fund budget for 2011 is being held level with 2010 Department-wide. Reallocations among bureaus reflect shifts of funding within WCF projects.			
Related Changes – Internal Transfers and Other Changes			
<u>Travel Savings</u>			-\$136
OIA will save \$36,000 by reducing travel and relocation expenditures through adoption of new technologies and efficiency improvements.			
<u>Information Technology Savings</u>			-\$10
OIA will save \$10,000 through improved effectiveness and efficiencies in information technology.			
<u>Acquisition Reduction</u>			-\$107
OIA will save \$107,000 as a result of the expansion of strategic sourcing for enterprise acquisitions.			
TOTAL, FY 2011 Fixed Costs Change, OIA			-\$157

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, [\$85,195,000] \$83,670,000, of which: (1) [\$75,915,000] \$74,590,000 shall remain available until expended for *territorial assistance, including general* 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) [\$9,280,000] \$9,080,000 shall be available until September 30, [2011] 2012 for salaries and expenses of the Office of Insular Affairs: *Provided*, That all financial transactions of the territorial and local governments herein provided for, including such transactions of all agencies or instrumentalities established or used by such governments, may be audited by the Government Accountability Office, at its discretion, in accordance with chapter 35 of title 31, United States Code: *Provided further*, That Northern Mariana Islands Covenant grant funding shall be provided according to those terms of the Agreement of the Special Representatives on Future United States Financial Assistance for the Northern Mariana Islands approved by Public Law 104-134: [*Provided further*, That of the amounts provided for technical assistance, sufficient funds shall be made available for a grant to the Pacific Basin Development Council: *Provided further*, That of the amounts provided for technical assistance, sufficient funding shall be made available for a grant to the Close Up Foundation:] *Provided further*, That the funds for the program of operations and maintenance improvement are appropriated to institutionalize routine operations and maintenance improvement of capital infrastructure with territorial participation and cost sharing to be determined by the Secretary based on the grantee's commitment to timely maintenance of its capital assets: *Provided further*, That any appropriation for disaster assistance under this heading in this Act or previous appropriations Acts may be used as non-Federal matching funds for the purpose of hazard mitigation grants provided pursuant to section 404 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5170c). (*Department of the Interior, Environment, and Related Agencies Appropriations Act, 2010.*)

COMPACT OF FREE ASSOCIATION

For grants and necessary expenses, [\$5,318,000] \$3,318,000, 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. (*Department of the Interior, Environment, and Related Agencies Appropriations Act, 2010.*)

ADMINISTRATIVE PROVISIONS (Including transfer of funds)

At the request of the Governor of Guam, the Secretary may transfer discretionary funds or mandatory funds provided under section 104(e) of Public Law 108-188 and Public Law 104-134, that are allocated for Guam, to the Secretary of Agriculture for the subsidy cost of direct or guaranteed loans, plus not to exceed three percent of the amount of the subsidy transferred for the cost of loan administration, for the purposes authorized by the Rural Electrification Act of 1936 and section 306(a)(1) of the Consolidated Farm and Rural Development Act for construction and repair projects in Guam, and such funds shall remain available until expended: *Provided*, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: *Provided further*, That such loans or loan guarantees may be made without regard to the population of the area, credit elsewhere requirements, and restrictions on the types of eligible entities under the Rural Electrification Act of 1936 and section 306(a)(1) of the Consolidated Farm and Rural Development Act: *Provided further*, That any funds transferred to the Secretary of Agriculture shall be in addition to funds otherwise made available to make or guarantee loans under such authorities. (*Department of the Interior, Environment, and Related Agencies Appropriations Act, 2010.*)

2. Authorizations

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

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

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

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

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

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

(7) Compacts of Free Association. The Compact of Free Association Act of 1985 was enacted in January 1986 (P.L. 99-239) and authorized funding over a fifteen-year period for the Federated States of Micronesia and the Republic of the Marshall Islands. In December 2003, the President signed Public Law 108-188, enacting amendments to the Compact of Free Association and providing an additional twenty years of guaranteed annual assistance to the Federated States of Micronesia and the Republic of the Marshall Islands. The Compact of Free Association for the Republic of Palau was enacted on November 14, 1986 as P.L. 99-658, and was implemented on October 1, 1994. While the Compact of Free Association with the Republic of Palau was set to expire on September 30, 2009, P.L. 111-88 extended the terms of the Compact by one year.

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

3. Expiring Authorizations

Program	Citation	Title of Legislation	Amount Authorized	Expiration Date	2011 Budget Request (\$ in 000's)	Explanation of Authorization Requirement for FY 2011	Program Description
Republic of Palau Compact of Free Association	P.L. 99-658 and P.L. 111-88	Republic of Palau Compact of Free Association	\$573.0 million	September 30, 2010	\$20.75 million	Placeholder for legislative proposal being developed	Economic assistance for the Republic of Palau

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III. Activity/Subactivity-Level Presentation

A. American Samoa Operations

Activity: American Samoa						
Subactivity: American Samoa Operations \$(000)						
	2009 Actual	2010 Enacted	2011			Change from 2010 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
General Operations	21,897	21,897	0	0	21,897	0
High Court	855	855	0	0	855	0
Total Requirements	22,752	22,752	0	0	22,752	0
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 17% of ASG's General Fund revenue and 23% 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.

2011 PROGRAM PERFORMANCE

American Samoa plans to accomplish the following in FY 2011:

- Provide financial reports for quarter ending September 30, 2010.
- Provide financial reports for quarter ending December 31, 2010.
- Provide financial reports for quarter ending March 31, 2011.
- Provide financial reports for quarter ending June 30, 2011.

The following chart reflects the ASG's operations funding priorities for FY 2009, FY 2010 and FY 2011:

Funding Category	2009	2010	2011
	Award	Award	Proposed Award
Basic (DOE/ASCC) Operations	\$14,245,000	\$14,240,000	\$14,240,000
LBJ Hospital Operations	\$7,652,000	\$7,657,000	\$7,657,000
High Court	\$855,000	\$855,000	\$855,000
Total	\$22,752,000	\$22,752,000	\$22,752,000

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

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

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B. Covenant CIP Grants Summary

Activity: CNMI/Covenant Grants \$(000)						
SUMMARY TABLE						
	2009 Actual	2010 Enacted	2011			Change From 2010 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
CNMI Construction	11,330	10,995	0	-995	10,000	-995
American Samoa Construction	9,380	9,383	0	+1,117	10,500	+1,117
Guam Construction	4,840	5,360	0	-334	5,026	-334
Virgin Islands Construction	2,170	1,982	0	+212	2,194	+212
Totals	27,720	27,720	0	0	27,720	0
FTEs	0	0	0	0	0	0

Covenant Capital Improvement Project funds address a variety of infrastructure needs in the U.S. territories including critical infrastructure such as hospitals, schools, wastewater and solid waste systems. 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:

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

Competitive Criteria for the Proposed Allocation of Mandatory Covenant Funding

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

presence of a qualified independent auditor with an adequately funded office and strong safeguards to its independence.

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

While the total available for funding stays constant (\$27.7m), 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 2011 request for Guam increased \$1,666,000 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 2010 and FY 2011 requests based on each insular government's score on the competitive criteria.

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

Territory	Baseline Funding	FY 2010	FY 2011	Total FY 2010	Total FY 2011	Diff +/- FY 2010
		+/- Baseline	+/- Baseline			
CNMI	11,000	-5	-1,000	10,995	10,000	-995
American Samoa	10,000	-617	+500	9,383	10,500	+1,117
Guam	3,360	+2,000	+1,666	5,360	5,026	-334
Virgin Islands	<u>3,360</u>	<u>-1,378</u>	<u>-1,166</u>	<u>1,982</u>	<u>2,194</u>	<u>+212</u>
Total	27,720	0	0	27,720	27,720	0

1.

Activity: CNMI/Covenant Grants						
Subactivity: CNMI Construction \$(000)						
			2011			
	2009 Actual	2010 Enacted	Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	Change from 2010 (+/-)
	11,330	10,995	0	-995	10,000	-995
FTEs	0	0	0	0	0	0

SUMMARY OF 2011 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
CNMI Construction	-995	0

JUSTIFICATION OF 2011 PROGRAM CHANGES

The FY 2011 budget request for the CNMI CIP program is \$10.0 million, a program change of -\$995,000 with no additional FTEs from the FY 2010 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.....	<u>-\$1,000,000</u>
Programmed funding for FY 2011.....	\$10,000,000

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.

2011 PROGRAM PERFORMANCE

This past year saw substantial progress made on several CIP-funded infrastructure projects in the CNMI including completion of the Rota Junior High School Classrooms project. In addition, Saipan's power supply stabilized and normal service returned to residents as critical power plant rehabilitation projects were completed. The CNMI Water Task Force made progress towards its goal of bringing 24 hour potable water to the residents of Saipan by completing the rehabilitation of the Isley and Capitol Hill Water Reservoirs as well as the construction and connection of the As Matus Waterline.

The requested \$10.0 million for FY 2011 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, wastewater and solid waste management. The proposed projects to be funded in FY 2011 are briefly explained below.

The delivery of 24 hour potable water to Saipan continues to be a priority and would receive \$4.9 million of the proposed CIP funding. The funds would be used to continue leak detection and repair activities as well as to replace the one million gallon Puerto Rico Reservoir. 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 69% of the population had access to 24 hour water at the end of 2009.

In addition to the delivery of potable water, the CNMI has put an emphasis on developing solid waste infrastructure in recent years. In FY 2011, \$1.3 million each would be allocated to the

Tinian Landfill and the Rota Landfill projects which are in intended to provide environmentally compliant solid waste disposal facilities for the islands' residents.

The Garapan Revitalization project would receive \$1.4 million to continue rehabilitation activities in Saipan's largest village. The funds would be used to rebuild drainage systems, install underground utilities as well as traffic and pedestrian signals and other similar infrastructure improvements.

Finally, \$1 million would be dedicated to replacing aged sewer main transmission lines connecting residents of Saipan to the Sadog Tasi and the Agingan wastewater treatment plants. The U.S. Environmental Protection Agency and the U.S. Department of Justice issued a Stipulated Order to the CNMI on November 19, 2008 for violations of the Clean Water Act at both treatment plants. These sewer line replacements are intended to address key requirements of that Order.

The following chart reflects the CNMI's funding priorities for FY 2009, FY 2010 and FY 2011:

Funding Category	2009	2010	2011
	Award	Award	Proposed Award
Economic Development	\$4,139,000	-	-
Solid Waste	\$4,416,000	\$4,374,000	\$2,500,000
Wastewater	-	\$1,000,000	\$2,610,000
Water	\$2,775,000	\$2,052,000	\$4,890,000
Power	-	\$3,569,000	-
Total	\$11,330,000	\$10,995,000	\$10,000,000

2.

Activity: CNMI/Covenant Grants						
Subactivity: American Samoa Construction \$(000)						
	2009 Actual	2010 Enacted	2011			Change from 2010 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	9,380	9,383	0	+1,117	10,500	+1,117
FTEs	0	0	0	0	0	0

SUMMARY OF 2011 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
American Samoa Construction	+1,117	0

JUSTIFICATION OF 2011 PROGRAM CHANGES

The FY 2011 budget request for American Samoa Construction is \$10.5 million and 0 FTE, a program change of +\$1,117,000 with no additional FTE from the FY 2010 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.....	+ \$500,000
Proposed funding for FY 2010.....	\$10,500,000

The FY 2011 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.

2011 PROGRAM PERFORMANCE

Over the past year, several important Covenant CIP projects in American Samoa were completed including the medical ward and life safety improvements at the LBJ Tropical Medical Center as well as a new Central Administrative Building for the Department of Education. The Department of Education also completed the Manulele Elementary School Classroom Buildings while the American Samoa Power Authority completed their Water Maintenance Building.

In addition, FY 2009 saw the completion of a new Bathroom Facility at Faga'alu Park as well as the installation of over 50 septic tanks in areas where connections to the main sewer line are unavailable. Substantial progress was made on road projects as the Papatai and Leala village roads were completed and the Petesa Happy Valley road was started. While ongoing projects such as the Tafuna Plains Sewer System, Manu'a Water System and the LBJ Communications System have made steady progress, new projects such as the Alofau Classroom Building, Pavaiai Elementary Classroom Building and Leone Dispensary have broken ground.

The requested \$10.5 million for FY 2011 will be used to continue meeting critical infrastructure needs in American Samoa similar to previous years. Approximately \$2.92 million of the FY 2011 request will be utilized to provide quality education for a growing population of students in

American Samoa. About \$1.5 million of these funds will be used to construct classroom buildings at Siliaga and Alataua Lua Elementary Schools. An additional \$1 million will be used to design and construct a multipurpose building to house an Auditorium and a Student Services Center for the American Samoa Community College.

The \$1 million requested for water will be used to replace many of the antiquated asbestos cement pipes of the Tutuila central water system and make improvements to the outer island water system pipelines. To help address American Samoa's wastewater needs, approximately \$1.4 million of the FY 2011 request will provide much needed upgrades to the Utulei Wastewater Treatment Plant.

The \$1.9 million requested for Health will be utilized to renovate the Labor Delivery Room and Operating Room areas. These new facilities will improve patient services and help the LBJ Medical Center meet life safety code requirements.

The following chart reflects the ASG's funding priorities for FY 2009, FY 2010 and FY 2011:

Funding Category	2009	2010	2011
	Award	Award	Proposed Award
Economic Development	\$3,000,000	-	-
Health	\$1,400,000	\$1,900,000	\$1,900,000
Education	\$2,150,000	\$2,790,000	\$2,920,000
Water	\$674,000	\$1,000,000	\$1,000,000
Wastewater	\$800,000	-	\$1,355,000
Solid Waste	\$200,000	\$1,755,000	-
Port	\$687,000	\$1,200,000	\$1,945,000
Public Safety	-	\$268,850	\$380,000
Roads	-	-	\$380,000
Parks	-	-	\$95,000
O&M Set-Aside	\$469,000	\$469,150	\$525,000
Total	\$9,380,000	\$9,383,000	\$10,500,000

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

3.

Activity: CNMI/Covenant Grants						
Subactivity: Guam Construction \$(000)						
	2009 Actual	2010 Enacted	2011			Change from 2010 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	4,840	5,360	0	-334	5,026	-334
FTEs	0	0	0	0	0	0

SUMMARY OF 2011 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Guam Construction	-334	0

JUSTIFICATION OF 2011 PROGRAM CHANGES

The FY 2011 budget request for Guam Construction is \$5.0 million, a program change of -\$334,000 with no additional FTEs from the FY 2010 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.....	+ \$1,666,000
Proposed funding for FY 2011.....	\$5,026,000

The FY 2011 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.

2011 PROGRAM PERFORMANCE

Over the past year, progress has been made towards the successful completion of several infrastructure projects on Guam funded by CIP grants. The Guam Community College's Allied Health Center was completed in December 2009. The state-of-the-art science building will house the College's growing Practical Nursing and Medical Assisting Programs. The Revitalization of Hagatna – Heritage Walking Trail project was also completed in December. In addition, construction began of cells one and two of the new solid waste municipal landfill.

In FY 2011, Guam proposes to use its allocation of CIP funding to meet infrastructure needs in the areas of health, ports and public buildings. The projects to be funded are briefly explained below.

The Department of Public Health and Social Services would receive \$3,000,000 to expand existing office space and to create an environmental health laboratory and training center. The Department anticipates increased demands to be placed upon it in the future as Guam's population grows and these projects will allow it to better meet those demands.

The Port Authority of Guam would receive \$440,000 to continue renovations funded by previous CIP grants of the Gregorio D. Perez Marina sheet piles. The Marina was built prior to World War II and was last renovated in 1977.

In addition, \$1,586,000 would be used to expand the Nieves M. Flores Public Library System Building in Hagatna to better meet current and future demands. The project will involve construction of a new child literacy area as well as an administrative support unit.

The chart on the following page reflects Guam's funding priorities for FY 2009, FY 2010 and FY 2011:

Funding Category	2009	2010	2011
	Award	Award	Proposed Award
Health	\$388,000	\$1,015,000	\$3,000,000
Education	\$1,203,000	\$1,445,000	-
Solid Waste	-	-	-
Power	\$1,000,000	-	-
Port	\$2,000,000	\$430,000	\$440,000
Public Buildings	\$249,000	-	\$1,586,000
Water	-	\$2,000,000	-
Public Safety	-	\$470,000	-
Total	\$4,840,000	\$5,360,000	\$5,026,000

4.

Activity: CNMI/Covenant Grants						
Subactivity: Virgin Islands Construction \$(000)						
	2009 Actual	2010 Enacted	2011			Change from 2010 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	2,170	1,982	0	+212	2,194	+212
FTEs	0	0	0	0	0	0

SUMMARY OF 2011 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Virgin Islands Construction	+212	0

JUSTIFICATION OF 2011 PROGRAM CHANGES

The FY 2011 budget request for Virgin Islands Construction is \$2.194 million, a program change of +\$212,000 with no additional FTE from the FY 2010 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>-\$1,166,000</u>
Proposed funding for FY 2011.....	\$2,194,000

The FY 2011 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.

2011 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 types of projects including pump station construction or upgrades, extensive collection pipe replacement, replacement of portions of the LBJ and Lagoon Street force mains and rehabilitation of significant numbers of manholes.

While wastewater infrastructure improvements continue to remain a priority, substantial progress has been made. Consequently, in recent years the U.S. Virgin Islands has requested to use its CIP funding to address equally critical solid waste problems that the U.S. Environmental Protection Agency (EPA) has determined pose a serious threat to human health and the physical environment. There are two active landfills in the U.S. Virgin Islands: the Anguilla Landfill on St. Croix, and the Bovoni Landfill on St. Thomas. Both are unlined, lack leachate collection systems, and are sited within the coastal zone (immediately adjacent to vibrant mangrove lagoons). Disposal of medical, septic, and small amounts of hazardous waste into these landfills

has allowed the potential for leachate to contaminate ground water supplies and coastal waters and fisheries. In addition, both landfills have suffered from underground methane fires, as well as sporadic above-ground fires, which have raised public health concerns regarding the potential impact of landfill gas emissions and ash on air quality and on the widespread rain water collection systems in the adjacent area. The U.S. EPA has exercised strict scrutiny of solid waste operations in the U.S. Virgin Islands and has issued nine Orders for the two landfills. In order to comply with EPA's mandates, the U.S. Virgin Islands must bring into compliance and close the Anguilla Landfill and sections of the Bovoni Landfill. The closures must occur in full compliance with all applicable EPA and other governmental regulations. The \$2.2 million proposed in FY 2011 will be used to help fund the engineering and design costs associated with the compliance and closure of the landfills.

The following chart summarizes the U.S. Virgin Islands' funding priorities for FY 2009, FY 2010 and FY 2011:

Funding Category	2009	2010	2011
	Award	Award	Proposed Award
Solid Waste	\$2,170,000	\$1,982,000	\$2,194,000
Total	\$2,170,000	\$1,982,000	\$2,194,000

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C. Territorial Assistance

Activity: Territorial Assistance \$(000)						
SUMMARY TABLE						
	2009 Actual	2010 Enacted	2011			Change from 2010 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
Office of Insular Affairs	8,850	9,280	+50	-250	9,080	-200
General Technical Assistance	11,018	15,302	0	-3,218	12,084	-3,218
Maintenance Assistance	2,241	2,241	0	0	2,241	0
Brown Tree Snake Control	2,631	3,000	0	0	3,000	0
Insular Management Controls	1,453	0	0	0	0	0
Coral Reef Initiative	1,000	1,000	0	0	1,000	0
Water and Wastewater	1,000	1,900	-207	-900	793	-1,107
Guam Infrastructure	0	2,000	0	-2,000	0	-2,000
Empowering Insular Communities	0	0	0	+5,000	5,000	+5,000
Total	28,193	34,723	-157	-1,368	33,198	-1,525
FTEs	34	41	0	0	41	0

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.

Activity: Territorial Assistance						
Subactivity: Office of Insular Affairs (OIA) \$(000)						
	2009 Actual	2010 Enacted	2011			Change from 2010 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	8,850	9,280	+50	-250	9,080	-200
FTEs	31	38	0	0	38	0

SUMMARY OF 2011 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Office of Insular Affairs	-250	0

JUSTIFICATION OF 2011 PROGRAM CHANGES

The FY 2011 budget request for the Office of Insular Affairs (OIA) is \$9.08 million and 41 FTE, a decrease of -\$200,000 with 0 additional FTE from the FY 2010 enacted level.

The 2011 budget request for the Office of Insular Affairs includes \$50,000 for fixed costs and related changes. The request contains a \$250,000 general program decrease. In addition, OIA will be absorbing \$33,000 in fixed cost increases in 2011.

OIA's operations account has virtually no flexibility, the only substantial costs OIA can control are its salaries and benefits costs, and its travel. OIA's oversight and accountability for its grants and other Federal grants programs would need to be reduced in order to absorb the \$200,000 reduction in fiscal year 2011. OIA intends to accommodate this reduction by delaying the filling of 1.5 field grants oversight positions planned for 2011.

OIA's travel budget is utilized to ensure adequate oversight and accountability for Federal funds including OIA grant funds. Reducing travel negatively impacts OIA's capability to oversee and monitor Federal grants programs. GAO and the OIG have pointed out on numerous occasions the need for OIA to increase site monitoring visits and to increase staff dedicated to the oversight of Federal funds. OIA has been working to comply with these directives within its strained

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

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.

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

Providing effective and meaningful 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.

2011 PROGRAM PERFORMANCE

In FY 2011, 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 2011 level of funding OIA will:

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

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

**Office of Insular Affairs
2011 Working Capital Fund Direct Bill
(Dollars in thousands)**

Activity/Program	2009	2010 PY Collections	2010	2011
NISC - Guam Detail	22.5		11.3	0.0
Single Audit Clearinghouse	0.0	3.8	2.1	2.1
Federal Assistance Award Data System	0.0	0.1	0.1	0.1
Central Services (CFO Audit)	0.0	15.8	0.0	11.6
NBC – Administrative Operations	1.0		0.6	0.6
NBC – Financial Management Directorate	142.0		144.7	151.0
Total	165.5	19.8	158.8	165.5

**Office of Insular Affairs
2011 Working Capital Fund Centralized Bill
(Dollars in thousands)**

Activity/Program	2009	2010	2011
Secretary's Immediate Office	28.3	29.5	29.5
Departmental Communications Office	0.5	0.5	0.5
Departmental Museum	0.0	1.0	1.0
Office of Financial Management	11.7	11.6	11.6
Office of Property and Acquisition Management	0.3	0.2	0.2
Office of Human Resources	0.9	0.9	0.9
DOI University	0.0	0.9	0.9
Office of Civil Rights	0.2	0.2	0.2
Office of Law Enforcement and Security	0.0	83.7	83.7
Office of the Chief Information Officer	336.9	345.5	345.5
CFO Financial Statement Audit	62.4	65.0	65.0
e-Government Initiatives	2.6	2.6	2.6
NBC Human Resources Directorate	1.9	0.0	0.0
NBC Information Technology Directorate	181.6	199.6	200.4
NBC Administrative Operations Directorate	151.4	79.7	77.6
Total	778.6	821.0	819.7

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

(Total Employment)

	2009 Actual	2010 Estimate	2011 Estimate
SES	1	1	1
SL-0*	1	1	1
GS-15	5	6	6
GS-14	8	8	8
GS-13	13	12	12
GS-12	4	5	11
GS-11	0	6	2
GS-10	0	0	0
GS-9	1	2	0
GS-8	1	1	1
GS-7	2	0	0
GS-6	0	0	0
GS-5	0	2	2
GS-4	0	0	0
GS-3	0	0	0
GS-2	0	0	0
Total Employment (actual/projected) at the end of the Fiscal Year	36	44	44

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

2.

Activity: Territorial Assistance						
Subactivity: General Technical Assistance \$(000)						
	2009 Actual	2010 Enacted	2011			Change from 2010 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	11,018	15,302	0	-3,218	12,084	-3,218
FTEs	1	1	0	0	1	0

SUMMARY OF 2010 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
General Technical Assistance	-3,218	0

JUSTIFICATION OF 2011 PROGRAM CHANGES

The FY 2011 budget request for General Technical Assistance is \$12.1 million and 1 FTE (Ombudsman), a program change of -\$3,218,000 from the FY 2010 enacted level. The reduction will decrease the amount available for direct grant awards to the insular areas.

PROGRAM OVERVIEW

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

The 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 emergency 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.

2011 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. In addition, OIA withholds a reserve for adhoc needs which occur throughout the fiscal year.

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

In 2010, approximately \$7.6 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. Due to a program reduction in 2011, it is anticipated that only \$5.5 million will be available for direct grants to these insular areas.

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

- Accountability; Financial Management; Tax Systems and Procedures; Insular Management Controls; Economic Development; Training/Education; Energy; Public Safety and Health Issues.

In 2010 and 2011, it is anticipated that approximately \$5.9 million of the TA funds will be utilized for programs which benefit multiple insular areas. Please see the table below.

**Technical Assistance
Grant Awards 2009 /Estimate for 2010 & 2011**

Recipient	2009 Awards	2010 Estimate	2011 Estimate
Direct Grants to Insular Areas			
American Samoa	\$1,150,295	\$1,000,000	TBD
American Samoa Tsunami Recovery	\$0	\$1,200,000	\$0
CNMI	\$1,604,129	\$1,000,000	TBD
Guam	\$1,396,066	\$1,000,000	TBD
U.S. Virgin Islands	\$901,252	\$1,000,000	TBD
Federated States of Micronesia	\$497,800	\$800,000	TBD
Republic of the Marshall Islands	\$396,794	\$800,000	TBD
Republic of Palau	\$546,663	\$800,000	TBD
Total, Direct Grants	\$6,492,999*	\$7,600,000	\$5,500,000
*Includes insular management control grants			
Crosscutting & Other TA Programs (Provides Benefits to Multiple Insular Areas)	2009 Awards	2010 Estimate	2011 Estimate
USDA Grad. School PITI VITI www.pitiviti.org	\$1,580,158	\$1,600,000	\$1,600,000
U.S. Bureau of Commerce, BEA (for GDP data)	\$1,000,000	\$600,000	\$0
Closeup Foundation	\$900,000	\$1,000,000	TBD
Junior Statesman	\$236,100	\$266,100	\$266,100
Pacific Basin Development Center	\$169,283	\$197,126	TBD
4 Atoll Health Care Program (RMI)	\$984,000	\$985,235	\$985,235
Prior Service Benefits Program	\$837,000	\$1,000,000	\$1,000,000
Judicial Training	\$320,000	\$320,000	\$320,000
Economic Development	\$201,314	\$200,000	\$200,000
CDC	\$50,000	\$50,000	\$50,000
CNMI Ombudsman's Office	\$84,534	\$250,000	\$250,000
CNMI Immigration, Labor and Law Enforce.*	\$300,000	TBD	TBD
University of Hawaii/Pacific Business Center Pr.	\$151,314	TBD	TBD
Total, Other	\$6,813,703	\$6,468,461	\$4,671,335
To Be Determined		\$1,233,539	\$1,912,665
Grand Total, Technical Assistance	\$13,306,702	\$15,302,000	\$12,084,000

2009 Appropriation: \$11,018,000 (additional grants made from carryover funds). Grants include insular management control grants.

Direct Grants to Insular Areas

In 2009, \$6.5 million of Technical Assistance funds were provided as direct grants to the seven insular areas. Grants awarded in FY 2009 included grants such as: American Samoa (AS) Master Tourism Plan, AS Judicial Branch system upgrades, AS Waste Composition Study, AS LBJ medical center software upgrade, CNMI Department of Finance insular management control grants, CNMI Revenue and Taxation grants, CNMI Office of Public Auditor, CNMI Strategic Planning grant, CNMI Customs system upgrade, Guam insular management control grants, Guam American Pacific Nursing Leaders support, Guam GIS system, University of Guam projects, USVI Taxation system and IRS support grants, USVI Healthcare Insurance Survey, USVI Single Audit Support, USVI Economic Development, FSM 2010 Census grant, FSM Public Auditor support, FSM fraud prevention outreach program, FSM survey and mapping project, FSM workforce training plan, Palau 2010 Census, Palau investigator training, Palau environmental design manual, RMI All Islands Tax Administration support grant, and RMI financial management improvement projects.

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 2009, the Technical Assistance program funded \$984,000 for medical professionals and needed medical supplies for the population of the 4 RMI Atolls of Kili/Bikini - 751 people; Enewetak/Ujelang - 812 people; Rongelap/Mejatto - 372 people; and Utrik- 450 people. The funds provided a full time primary care physician to each of the four atolls to work in collaboration with a full time island based health assistant; standard, updated medical instruments, equipment and supplies on all atolls; provided routine and specialty clinic hours; and provided specialty missions. The specialty missions included: Dental, Health/Education, Women's Mission, Immunizations, Food Safety and Water Treatment, Reporting of Women and Children Abuse (Domestic Violence), Diabetic Assessment Program, Community Health Education, Cancer Screenings and Health Surveys.

In FY 2010, the Assistant Secretary for Insular Areas Tony Babauta signed a technical assistance grant in the amount of \$985,235 to continue primary health care for members of the Bikini, Enewetak, Rongelap and Utrik communities in the Marshall Islands. The Four Atoll Health Care Program addresses the medical needs of those Marshall Island residents injured by the nuclear weapons testing program which the U.S. Department of Defense carried out in the Marshall Islands between 1946-1958.

"The Department of the Interior takes very seriously," Assistant Secretary Babauta said, "the U.S. Government's commitment to assist the local governments of the four atolls to provide medical care for their community members, still bearing health burdens caused by the U.S. military's testing of nuclear weapons."

The grant will fund a full-time primary care physician to work in a dispensary in each of the four atoll communities. In addition, it will fund the education of health care assistants in the fields of assessment and treatment skills and support women's and children's health programs. In recent years this grant has provided standard and updated medical instruments for the four atolls as well

as other medical equipment and supplies. Through this grant, members of the four atoll communities receive routine and specialty clinic care, including dental, OB/GYN, immunizations, food safety and water treatment, diabetic assessment and cancer screening.

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

Prior Service Benefits Program

The Prior Service Benefits Trust Fund provides payments to beneficiaries that are citizens of the Commonwealth of the Northern Mariana Islands, Federated States of Micronesia, the Republic of the Marshall Islands and the Republic of Palau who worked for the U.S. Department of Navy and the U.S. Trust Territory of the Pacific Islands for the period from 1944 through June 30, 1968. The Prior Service Benefits Trust Fund helps ensure the solvency of the Fund so that payments to beneficiaries will continue uninterrupted. Without the funds provided by OIA, the Prior Service Benefits Trust fund will be unable to continue payments to its beneficiaries. In fiscal year 2009, the beneficiaries were located as follows: 361 in CNMI, 808 in FSM, 249 in RMI, and 309 in Palau. 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.

The Department of the Interiors' Insular Assistant Secretary, Tony Babauta, made available \$837,000 in FY 2009 and \$1,000,000 in FY 2010 to support the Prior Service Trust Fund Administration (PSTFA).

The PSTFA administers benefit payments to individuals in the Northern Mariana Islands (CNMI), the Federated States of Micronesia (FSM), the Marshall Islands (RMI) and the Republic of Palau who worked for the U.S. Department of the Navy and the U.S. Trust Territory of the Pacific Islands (TTPI). The program is designed to provide social security-type benefits to former employees of the TTPI government (or the predecessor-U.S. Navy administration) who were employed for at least five full years prior to 1968, when a TTPI Social Security System was created. The program also provides benefits to survivors of the former employees.

—The benefits we are able to provide are clearly only a small measure of the gratitude we have for the men and women of Micronesia and the Marianas who helped support the U.S. military as it made its way across the Pacific Islands during World War II,” said Babauta.

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

In June 2009, an updated census of beneficiaries was conducted for distribution of fiscal year 2010 benefits, revealing 359 beneficiaries in the CNMI, 753 in the FSM, 236 in the RMI, and 319 in the Republic of Palau.

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 through 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.

For 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.

For 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.

For 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.

For FY 2009 and FY 2010, \$300,000 in total was provided to continue support for the 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 is devoted entirely to enforcement of federal laws addressing the labor, immigration and law enforcement initiative.

For the report due May 2010 on foreign workers in the CNMI, OIA is gathering statistics on the numbers of foreign workers, their length of stay and their immigration status under CNMI law. Additionally, the report will include an economic analysis related to this issue. Also included in

the report will be recommendations for future political statuses that the Congress may decide to confer on foreign workers in the CNMI.

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 \$900,000 in funds in FY 2009 and \$1 million in FY 2010 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.

The technical assistance grant will provide funds for students and teachers from American Samoa, Commonwealth of the Northern Mariana Islands, Guam, Federated States of Micronesia, Republic of the Marshall Islands, Republic of Palau and the United States Virgin Islands to participate on Close Up Washington and other island-based programs.

Close Up is planning to conduct a Washington Insular Areas Program in February 2010. Students and teachers will spend a week in the nation's capital meeting with federal officials, engaging in public policy workshops, current issues debates and visiting historical sites. They will also be travelling to New York City, Philadelphia and Williamsburg, Virginia as part of their Close Up experience.

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

The Close Up programs address the educational needs of the insular areas and fosters the knowledge and skills needed for island residents to effectively participate in the United States model of democracy. The program for educators provides training and materials to improve teacher civic education skills. The programs also seek to increase mutual understanding between the diverse citizenry of the United States with special emphasis on public policy concerns and culture.

Close Up is pleased that Congressional leaders and the Interior Department have renewed our long-standing partnership providing transformative civic education experiences for students and teachers in the islands communities. The island participants add so much richness to the

program. They educate their fellow students and teachers by offering their unique political and cultural perspectives to the public policy debate.

Close Up Foundation exists to educate and inspire young people to participate in our democracy. Close Up has been providing civic education programming to the Pacific Islands under Office of Insular Areas grants for over twenty years. In addition to the Insular Areas Washington Program, Close Up conducts and funds local civic education classroom and other programming as well as student workshops at island-based education conferences.

The Close Up Foundation, founded in 1971, is a nonprofit organization that educates and inspires young people to become informed and engaged citizens. Close Up provides challenging, hands-on civic education programs that positively impact student civic attitudes and give teachers valuable insights to take back to classrooms nationwide.

Junior Statesman Foundation

OIA awarded a technical assistance grant in the amount of \$236,100 in FY 2009 for Junior Statesmen Foundation (JSF) scholarships for twenty-four high school students from the insular areas to attend the 2009 Junior Statesmen Summer Schools. That was the 19th year that the Junior Statesmen Foundation has worked in partnership with the Office of Insular Affairs to identify, educate and train outstanding insular-area high school students for active, effective and ethical participation in public affairs.

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

At the month-long Summer Schools, students take a Political Science college level course, along with high level instruction in debate and leadership. Six insular areas will participate in the 2009 Scholarship Program: American Samoa, the Northern Mariana Islands, the Federated States of Micronesia, Guam, Palau and the U.S. Virgin Islands. In 2010, it is anticipated that the Republic of the Marshall Islands will also participate in the program.

The Interior Department grant also funds Academic Prep Programs in colleges in American Samoa, the Northern Mariana Islands, Guam, Palau and the U.S. Virgin Islands to help prepare their students for their Summer School experience.

From its founding 75 years ago, the Junior Statesmen program now has nearly 15,000 high school students a year participate in school-year and summer programs, representing all 50 states and 30 countries, including the insular areas.

Over the past 19 years, 1,709 outstanding insular areas high school students have graduated from a Junior Statesmen Summer School. Of these, 240 truly outstanding students were awarded a

Department of the Interior Scholarship. The others were able to raise scholarship funding from their islands' governments, businesses, and community groups.

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

Department of the Interior/Junior Statesmen Summer School alumni are actively involved in every area of civic and community life in the islands. Alums can be found in the island legislature in the CNMI, governor's office in American Samoa, among legislative staff members in American Samoa and Guam, and in the St. Thomas government. In addition, a few are working for the U.S. Congress and Federal government agencies.

Pacific Basin Development Council (PBDC)

The Pacific Basin Development Council is a non-profit, public organization incorporated and headquartered in Hawaii. The Governors of American Samoa, Guam, the Northern Mariana Islands and Hawaii collectively established PBDC in February 1980 to articulate and address economic and social development issues of the Pacific Islands. The Governor's and Island's staff play an integral role in PBDC. Formal policy and project decisions are determined by the PBDC Board of Directors. The Pacific Way generally requires decisions by Board consensus, rather than majority rule. Each Governor appoints key aides to PBDC's Technical Advisory Committee (TAC). TAC offers alternatives (for action by the Governors); provides local coordination and follow-ups; and gives the staff guidance on day-to-day activities.

PBDC and the U.S. Department of the Interior's Office of Insular Affairs (OIA)

In March 2005, the Office of Insular Affairs (OIA) provided \$250,000 to the PBDC, to support its economic development mission. The PBDC Governors determined that maximum benefit would accrue from targeted initiatives. The initial two targeted areas are regional homeland security and regional capacity-building. In June 2007, the OIA provided \$123,682 to continue to further implement Homeland Security and capacity-building activities. In October 2008, OIA provided \$169,283 to further expand activities in the targeted initiatives areas.

PBDC and Homeland Security

The PBDC regional homeland security initiative began in February 2004 at the encouragement of the U.S. Department of Homeland Security. After initial contact and discussions with the Naval Postgraduate School (NPS), a formal staff alliance agreement was executed. The partnership focused on pursuing mutually desired, executive training opportunities for the region. Whenever possible, such sessions would be held in conjunction with PBDC meetings to allow for the participation of the Governors. The initial two sessions were supported by NPS through funding from the Department of Homeland Security.

The homeland security activities in 2005-2007 included establishing the Chief Executive's consultation system, annual executive seminars that determine regional priorities, and conducting technical seminars. These technical seminars included: (1) Emergency Resource Challenges-Lessons learned from the Southeast Asia tsunami were studied to help define the region's challenges, identify policy options or operational barriers, and to develop solutions to expedite provision of emergency resources in the region and (2) Public Health Emergencies –To explore whether natural versus intentional outbreaks require different policies for prevention, preparedness, and response. It also explored the economic, sociological, and psychological implications of potential public health events. In 2007-08, efforts focused on enhancing regional strategic preparedness including the development of specific systems for the Pacific; and to collaborate on science and technology efforts of the Department of Homeland Security Centers for Excellence to ensure research included technologies appropriate to insular areas.

Capacity-Building activities beginning in 2007 focused on implementing the PBDC Fellows Program. This training at PBDC is aimed at increasing local capacity. Funding is also utilized to foster regional dialogue, strengthen partnerships, and leverage outside resources to address regional problems. Whenever feasible, PBDC holds an ancillary Outlook Forum which generally examines a long-term, global issue of particular relevance to the Pacific.

The Governors believe PBDC with its capability to identify, understand, and strategically plan is a critical vehicle to enhance the region's economic competitiveness. As globalization rapidly changes economic risks, challenges, and opportunities, PBDC is constantly assessing its role and mission in today's society.

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 2009 was \$85,000 due to the loss and replacement of the Ombudsman. Cost for 2010 and 2011 is estimated at \$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. \$320,000 was provided for this program in FY 2009. (Detailed report available upon request).

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

The Pacific & Virgin Islands Training Initiatives (PITI-VITI) are funded by Technical Assistance, and managed by the Graduate School. 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 governments 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.

2009 PITI-VITI Initiatives included:

Training and Technical Assistance Support

Thirty-four classroom training courses were delivered in 2009 for 2,521 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, seventeen consult-training activities were provided that over 455 insular government employees took part in support of various government-specific initiatives.

Island Government Finance Officers' Association (IGFOA)

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

professional development seminars on leadership skills and team building in the finance environment.

Two IGFOA conferences were held in 2009. The first IGFOA conference was held during the week of June 28-July 2 in Seattle, WA in conjunction with the 2009 Government Finance Officers' Association (GFOA) annual conference. The theme for both conferences was "Financial Strategies for Challenging Times." The objectives of the IGFOA conference were to: follow up on discussions held in December 2008 for developing strategies for recruiting and retaining qualified professional financial staff; review progress and plan for next steps on key financial initiatives: the Audit Improvement Project, Executive Leadership Development Program, and Finance Office Assessment Tool; develop strategies for managing and reporting American Reinvestment and Recovery Act (ARRA) funds; and to develop action plans to address each government's highest priority issues in improving their performance.

The second IGFOA conference was held December 8 - 10, 2009 in Maui, Hawaii. The conference had the following goals: To provide IGFOA members the information needed, and opportunity, to conduct a self-assessment/risk assessment of their own finance offices; to build government-specific plans to address the risks identified in the self-assessment; to exchange information on the latest *Performer* analysis and accounting standards changes; to provide training to IGFOA members in procurement, accounting best practices, and management/leadership; and to discuss current hot topics—key issues affecting OIA, OIA's new strategic plan, ARRA implementation, reporting and accounting requirements, receivership and high-risk programs.

Association of Pacific Island Public Auditors (APIPA)

The Association of Pacific Islands Public Auditors (APIPA) is a forum made up of public auditors from each of the Pacific insular areas. The U.S. Virgin Islands Office of the Inspector General has also been an active member in APIPA since the late 1990's. The Association holds annual conferences to discuss issues related to the field of auditing and to provide practitioners an opportunity to attain continuing professional education required by the field. Since its inception in 1991, PITI has provided auditors with the opportunity to attain up to 40 hours of continuing professional education (CPE) credits annually. By providing training during the annual APIPA conference and providing targeted audit training at each insular jurisdiction, PITI/VITI plays a critical role in working with APIPA to strengthen institutional support to the various public audit offices in the region. PITI-VITI delivered 22 courses for the 323 participants of the 20th annual APIPA conference, held on Guam during the week of July 27 – 31, 2009. 2,255 course certificates were awarded to conference participants. In addition, PITI-VITI provided forty hours of customized CPE training to each of the public audit offices in the U.S.-affiliated Pacific and the U.S. Virgin Islands.

Executive Leadership Development Project (ELDP)

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

Twenty participants from throughout the insular areas completed the first year of the program in September 2009. The second group of participants are expected to start Year 2 of the ELDP program in July 2010.

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

PITI-VITI developed diagnostic tools to measure each insular government's audit and finance offices against a standard, broad set of criteria. In 2009, a finance office assessment was conducted for Palau's Ministry of Finance. The assessment identified the aspects of Palau's Ministry of Finance most critical to enabling high performance. The diagnostic data collected will be used to create a development plan to better focus donor resources on high-priority issues identified through the assessment process.

The Performer and AFTER Analysis

The Performer provides an independent assessment of each insular government's financial health and success, based on their audited financial statements. Using various financial ratios, most governments now have five years of Performer data with which to measure financial trends—both positive and negative. New Performers were developed for all eleven entities in 2009 based on information in the insular government's 2008 audited financial statements, 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's website (www.pitiviti.org) contains comprehensive information on the PITI-VITI program, including background on staff and training curricula, recent news, conference announcements and reports, APIPA and IGFOA institutional information, and specific documentation on initiatives such as the Audit Improvement Plan, the Performer, the ELDP, and Assessments. Additionally, a dedicated section of the website is being used by ELDP participants to interact dynamically with each other via an online discussion forum.

FSM and RMI Compact Support

In 2009, 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.

Other projects managed by the Graduate School 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 developed a Performance Measurement Manual and updated DOI-OIA's Strategic Plan during 2008 and 2009. 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 provided a long-term accountant, project manager, and a consultant specializing in chart of accounts development to the project. A local project manager has been hired by the FSM, phasing out the Graduate School consultant, and the new financial management information system 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 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.

Island Business Opportunities Missions

The Graduate School 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 provided management and consulting assistance to the April 2009 conference in Honolulu, Hawaii. 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 to provide a software specialist to assist with developing 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.

Financial Statement Reviews

OIA continues to work with each insular government to assist in its compliance with the Single Audit Act of 1984, P.L. 98-502, and the Single Audit Act Amendments of 1996, P.L. 104-156 as implemented under OMB Circular A-133. Currently, with the exception of the U.S. Virgin Islands, all of the insular areas are in compliance with the single audit completion deadlines. The U.S. Virgin Islands is scheduled to be compliant by February 2010.

As a result of OIA's efforts, all of the insular areas have shown marked improvements in the reliability of their financial data and in the administration of Federal grant programs. Four of the insular governments (Guam, Palau, the Marshall Islands, and the states of Pohnpei and Kosrae which are part of the Federated States of Micronesia) have consistently received unqualified (clean) opinions from their respective independent auditors who review their financial statements. In addition, there is a material reduction in the amount of questioned costs.

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 various activities undertaken that affect operations. The information is considered by OIA when determining levels of OIA funding to be awarded.
2. The extent to which OIA may 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 the progress, OIA identified specific areas in which assistance such as technical advice, training and outside expertise was provided.

3.

Activity:		Territorial Assistance				
Subactivity:		Maintenance Assistance \$(000)				
	2009 Actual	2010 Enacted	2011			Change from 2010 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	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 (also referred to as the Operations and Maintenance Improvement Program) was created to stimulate and support the development of maintenance institutions in the island governments.

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

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

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

fire fighting training easily accessible to all insular areas. The maintenance assistance program has proven to be an effective method of institutionalizing better maintenance practices throughout the U.S. affiliated islands.

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

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

2011 PROGRAM PERFORMANCE

In FY 2009, the Maintenance Assistance program awarded a number of grants for programs to enhance operation and maintenance efforts within each insular area.

An example of a direct grant to an insular area was awarded to the CNMI to start the second year of an Environmentally Responsible Regional Solid Waste Training Program. This program provides site-specific assistance for the groundwork needed to establish effective solid waste management systems in each insular area. Furthermore, a grant was awarded for the Micronesia Water and Wastewater Training Program. A revised project training schedule was completed in August, with the first training class scheduled for October 2009.

Additionally, Maintenance Assistance 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 provided a total of 38 weeks of professional linemen training and more than 1,600 hours of instruction, both in the classroom and hands-on training in the field. In addition, 6 veteran linemen from Yap completed the Advance Certification class and received their U.S. Department of Labor certification. The PLT program plans to train additional linemen in 2010 and 2011. Another example of a regional effort is the Aircraft Rescue and Fire Fighting Training program. Participants in the training program receive national level fire certification upon successfully completing certain courses.

In FY 2010 and FY 2011, the Maintenance Assistance program plans to continue funding immediate needs for maintenance in the insular areas while maintaining support for regional initiatives.

The table on the following page identifies the allocation of maintenance assistance funding from FY 2007 – 2009.

MAINTENANCE ASSISTANCE
FY 2007-2009
 Grant Award Amounts

<u>Insular Area</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
American Samoa	\$87,000	\$658,500	\$319,000
Guam	\$20,000	\$443,993	\$325,000
U.S. Virgin Islands	\$0	\$35,000	\$0
Commonwealth of the Northern Mariana Islands	\$1,417,991	\$1,030,118	\$98,040
Republic of Palau	\$483,325	\$183,700	\$279,500
Republic of the Marshall Islands	\$0	\$174,000	\$250,000
Federated States of Micronesia	\$19,878	\$0	
Chuuk	\$0	\$40,000	\$0
Kosrae	\$0	\$319,140	\$0
Pohnpei	\$120,000	\$0	\$505,000
Yap	\$553,824	\$449,112	\$99,500
Other Grants* (Other Regional Programs)	<u>\$120,381</u>	<u>\$931,389</u>	<u>\$1,019,336</u>
TOTAL	\$2,822,399**	\$4,264,953**	\$2,895,376**

* Includes Regional Programs which benefit the islands such as Lineman Training, Aircraft Rescue and Fire Fighting Training, Micronesia Water and Wastewater Training, Solid Waste Training, 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 2007, FY 2008 and FY 2009 are higher than budgeted amounts due to prior year recoveries from closed grants being re-obligated.

4.

Activity:		Territorial Assistance				
Subactivity:		Brown Treesnake Control \$(000)				
	2009 Actual	2010 Enacted	2011			Change from 2010 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	2,631	3,000	0	0	3,000	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. Geological Survey (basic and applied research); the U.S. Fish and Wildlife Service (Pacific and overall program coordination); the U.S. Department of Agriculture (control management); the Department of Defense (financial assistance and control management on military facilities); and the Governments of Hawaii, Guam, and the Commonwealth of the Northern Mariana Islands (restoration, control and management).

2011 PROGRAM PERFORMANCE

Although OIA has not yet received the FY 2011 BTS program plans, it is anticipated that the funds will be used in similar manner to FY 2010 which is detailed below:

- Guam plans to use its FY 2010 BTS funding to maintain 550 BTS traps in order to continue its endangered species recovery efforts. The Cocos Island restoration project and public awareness activities will also be continued.
- The CNMI will maintain approximately 350 BTS traps at CNMI ports of entry, ensure a 90% canine inspection rate of Guam-based cargo arrivals, and continue to send staff to

USGS Rapid Response Training in FY 2010.

- The State of Hawaii will reinstate its BTS Detector Dog Program which was abolished in June 2009 due to the state's economic downturn. The program will ensure that high-risk cargo arriving from Guam is inspected for BTS.
- USDA Wildlife Services will continue to maintain BTS traps at the Guam International Airport, the Port Authority of Guam, and commercial shipping warehouses in support of BTS interdiction. USDA staff (through OIA funds) will ensure inspection of at least 90% of commercial cargo and aircraft departing Guam.
- USDA National Wildlife Research Center will concentrate on bringing their BTS pheromone technology closer to the state of practical operational implementation.
- USGS researchers will continue the development and testing of tools intended improve BTS interdiction, control, and management. These include testing the efficacy of BTS bait tubes as well as the development of small snake traps and low density snake detection methods. The USGS Rapid Response Team (RRT) will continue to respond to snake sighting and will conduct sight response training to snake searchers in the Pacific region.
- USFWS will continue to provide overall BTS program coordination to ensure that progress is made.

The program strategies and performance measures for 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 key entities, to achieve the strategy results identified on the following page.

Strategy 1

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

Performance Measures:	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
1. Number of products tested and evaluated.	14	10	6	9
2. Successful testing of wide-area application of acetaminophen-treated baits.	NA	NA	NA	NA

Strategy 2

To improve methods for detection, monitoring, and control of BTS through activities such as (but not limited to), developing rapid response plans, identifying and controlling potential pathways for infestations, implementing and maintaining control methodologies and practices in programs to reduce impacts of BTS to the human environment. Evaluate and improve efforts to prevent the establishment of BTS on further U.S. insular areas.

Performance Measures:	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
1. Number of detection and monitoring methods evaluated.	6	7	1	3
2. Number of BTS captured on CNMI.	0	0	1	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	1,400	1,400

Strategy 3

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

Performance Measures:	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
1. Number of enclosed acres where BTS barriers have been constructed and are being maintained.	NA	12.5	12.5	12.5
2. Number of traps maintained in areas in order to protect endangered species from predation.	800	650	635	550

5.

Activity: Territorial Assistance						
Subactivity: Coral Reef Initiative (CRI) \$(000)						
	2009 Actual	2010 Enacted	2011			Change from 2010 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	1,000	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 (LAS)”, biodiversity and management plans developed by the FAS and the Task Force’s “National Action Plan to Conserve Coral Reefs”, a comprehensive program of research, mapping, monitoring, conservation and management. LAS are updated regularly by each of the insular areas and form the basis for a significant portion of the annual grant awards. Members of the Coral Reef Task Force meet semi-annually to evaluate progress and work out specific plans and priorities for the next half-year. OIA is also actively engaged in advancing efforts to establish a new research and education in St. Croix, USVI, that will provide not only world-class science and educational opportunities for the Virgin Islands and across the region, but serve as a model for green building design and operations to island communities.

2011 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 the insular areas, education and internship opportunities for students in the Pacific insular areas, conservation planning for local

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

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

Specific ongoing outputs for the Coral Reef program include:

- Partnering with the National Park Service and a consortium of universities known as the Joint Institute for Caribbean Marine Studies (Rutgers University, University of North Carolina Wilmington, University of the Virgin Islands and University of South Carolina) to establish a new marine research and education center in St. Croix, USVI. The Salt River Bay Marine Research and Education Center (MREC) will be a nexus for marine research and education in the Caribbean, supporting science-based decision making for managers throughout the region, providing education and outreach to students and the public, and restoring a world-class facility to the island. With OIA's support, the feasibility study and the environmental assessment have been completed. OIA also supported an engineering study of existing structures at the proposed site to determine structural integrity and appropriateness for use by the MREC. OIA is meeting regularly with the partners to develop the design concepts and institutional capacity, and to address the National Park Service's requirements for a project of this scope and complexity. The project will be reviewed by the National Park Service's Development Advisory Board in 2010.
- 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 2010.
- Support for community-based marine conservation planning and management in communities of the Marshall Islands, including Majuro, Arno, Ailinginae, Rongelap, Namdrik, Mili and Ailuk Atolls. These efforts will further the goal of assisting communities with resource management planning in all of the 21 inhabited atolls by 2014.

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

6.

Activity: Territorial Assistance						
Subactivity: Water & Wastewater \$(000)						
	2009 Actual	2010 Enacted	2011			Change from 2010 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	1,000	1,900	-207	-900	793	-1,107
FTEs	0	0	0	0	0	0

SUMMARY OF 2011 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Water & Wastewater	-900	0

JUSTIFICATION OF 2011 PROGRAM CHANGES

The FY 2011 budget request for Water & Wastewater is \$793,000 and 0 FTE, a program change of -\$900,000 from the FY 2010 enacted level. The \$1.1 million decrease in Water and Wastewater Projects is comprised of the removal of a \$900,000 2010 earmark for the U.S. Virgin Islands and a \$207,000 decrease in fixed costs and related changes resulting from mandated acquisition and travel reductions that could not be absorbed by the Office of Insular Affairs account without impacting financial assistance oversight capabilities.

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 \$793,000 is requested for water and wastewater projects in the U.S. Virgin Islands, Guam, the Commonwealth of Northern Mariana Islands (CNMI) and American Samoa for FY 2011. The funds will be distributed, based upon submitted project proposals, among the territories to assist them in addressing their most urgent water and wastewater needs.

2011 PROGRAM PERFORMANCE

Previously awarded water and wastewater funding has played a key role in assisting the territories over the past year. In FY 2008, the CNMI hired a water and wastewater division deputy director and a U.S. Public Health Service Commissioned Corps engineer with water and wastewater grant funding to comply with the requirements of a draft stipulated order it was negotiating 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. In the time they have been working, these two individuals have reorganized the Commonwealth Utilities Corporation's water and wastewater division, improved disinfection capabilities, enhanced compliance with the Clean Water Act and the Safe Drinking Water Act, and begun actively addressing the requirements of the Stipulated Order which was finalized on November 19, 2008.

The \$1.9 million in water and wastewater funding made available in FY 2010 is being used to address critical projects in Guam, the U.S. Virgin Islands, and the CNMI. They are briefly described below.

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

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

Finally, \$750,000 of the \$1.9 million was awarded to the CNMI to allow them to continue to address the requirements of the November 19, 2008 Stipulated Order. The funds will be used by the Commonwealth Utilities Corporation to prepare a water and wastewater master plan, a requirement of the Order.

Although project proposals for the \$793,000 in water and wastewater funding proposed for FY 2011 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.

7.

Activity: Territorial Assistance						
Subactivity: Guam Infrastructure \$(000)						
	2009 Actual	2010 Enacted	2011			Change from 2010 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	0	2,000	0	-2,000	0	-2,000
FTEs	0	0	0	0	0	0

SUMMARY OF 2011 PROGRAM CHANGES

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

JUSTIFICATION OF 2011 PROGRAM CHANGES

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

PROGRAM OVERVIEW

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

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

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

The Guam Infrastructure program provides 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.

2011 PROGRAM PERFORMANCE

OIA is consulting 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. OIA may transfer Guam Infrastructure funding to USDA as a subsidy for its loan programs thereby leveraging limited resources.

8.

Activity: Territorial Assistance						
Subactivity: Empowering Insular Communities \$(000)						
	2009 Enacted	2010 President's Budget	2011			Change From 2010 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
Empowering Insular Communities	0	0	0	+5,000	5,000	+5,000
Total	0	0	0	+5,000	+5,000	+5,000
FTEs	0	0	0	0	0	0

SUMMARY OF 2011 PROGRAM CHANGES

Request Component		
	Amount	FTE
Empowering Insular Communities	+5,000	0
Total Program Change	+5,000	0

JUSTIFICATION OF 2011 PROGRAM CHANGES

The FY 2011 budget request for the Empowering Insular Communities (EIC) program is \$5.0 million and 0 FTE, a program change of +\$5.0 million with 0 additional FTE from the FY 2010 President's Budget.

Insular communities face unique economic development challenges due to their geographic isolation and finite resources. To assist the islands in meeting these challenges, and consistent with the Interior Department's role to assist in the development of these jurisdictions, OIA is requesting \$5.0 million to implement a program Empowering Insular Communities.

PROGRAM OVERVIEW

The Empowering Insular Communities program is designed to:

- 1.) Strengthen the foundations for economic development in the islands by addressing challenges preventing reliable delivery of critical services needed to attract investment.

Critical services include power (with an emphasis on sustainable green alternatives), water, sewer, solid waste, healthcare and public safety.

- 2.) Pursue economic development initiatives that encourage private sector investment in the insular areas.

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

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

Compliance with Guidance

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

Delivery of Services

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

Economic Development Impact

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

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

2011 PROGRAM PERFORMANCE

In 2011, the designated theme for Empowering Insular Communities funding will be two critical public service delivery issues; 1) upgrading civilian infrastructure on Guam that will be overwhelmed by the military build-up population increase; and 2) the creation and implementation of comprehensive renewable energy strategies.

Sample Application Walkup Table

Application for EIC		Total
Proposal #1	\$1,250,000	
<i>Subtotal – Tier 1</i>	<i>\$1,250,000</i>	<i>\$1,250,000</i>
Proposal #1	\$500,000	
Proposal #2	\$750,000	
<i>Subtotal – Tier 2</i>	<i>\$1,250,000</i>	<i>\$2,500,000</i>
Proposal #2	\$200,000	
Proposal #3	\$1,050,000	
<i>Subtotal – Tier 3</i>	<i>\$1,250,000</i>	<i>\$3,750,000</i>
Proposal #4	\$1,250,000	
<i>Subtotal – Tier 4</i>	<i>\$1,250,000</i>	<i>\$5,000,000</i>

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

Activity: Compact of Free Association (Current Appropriation)						
Subactivity: Federal Services Assistance \$(000)						
	2009 Actual	2010 Enacted	2011			Change from 2010 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	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.

2011 PROGRAM PERFORMANCE

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

2.

Activity: Compact of Free Association (Current Appropriation)						
Subactivity: Palau Program Grant Assistance \$(000)						
	2009 Actual	2010 Enacted	2011			Change from 2010 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	2,000	2,000	0	-2,000	0	-2,000
FTEs	0	0	0	0	0	0

SUMMARY OF 2011 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Palau Program Grant Assistance	-2,000	0

JUSTIFICATION OF 2011 PROGRAM CHANGES

The provision under P.L. 99-658 which provides for Palau Program Grant Assistance will expire prior to FY 2011. As a result, no funding and 0 FTE are requested for Palau Program Grant Assistance in the FY 2011 budget request, a program change of -\$2.0 million and 0 FTE from the FY 2010 enacted level.

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.

2011 PROGRAM PERFORMANCE

FY 2010 program funding will be administered as it was under the Compact in section 221(b) according to the Fiscal Procedures Agreement for the Republic of Palau.

3.

Activity: Compact of Free Association (Current Appropriation)						
Subactivity: Enewetak \$(000)						
	2009 Actual	2010 Enacted	2011			Change from 2010 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	500	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.

2011 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 2011 to continue these activities.

4.

Activity: Compact of Free Association (Current Appropriation)						
Subactivity: Palau Compact Extension \$(000)						
	2009 Actual	2010 Enacted	2011			Change from 2010 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	0	12,000	0	-12,000	0	-12,000
FTEs	0	0	0	0	0	0

SUMMARY OF 2011 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Palau Compact Extension	-12,000	0

JUSTIFICATION OF 2011 PROGRAM CHANGES

The FY 2011 budget request does not contain funding for another Palau Compact Extension similar to that provided by Public Law 111-88 resulting in a program change of -\$12.0 million with 0 FTE from the FY 2010 President's Budget.

PROGRAM OVERVIEW

Financial assistance provided under P.L. 99-658, the Palau Compact, expired on September 30, 2009. However, Congress subsequently approved a one year extension of the Palau Compact authorization under Public Law 111-88 to prevent Palau from having to use its trust fund to pay for continued government operations.

The FY 2011 budget request includes a placeholder of \$20.8 million and 0 FTE in recognition of ongoing review of the relationship between the United States (U.S.) and the Republic of Palau (ROP). A legislative proposal is being developed to extend Compact of Free Association funding to Palau through 2024. Under the proposal, a total of \$250.0 million would be provided over 15 years for assistance to Palau and reimbursement to the United States Postal Service for Compact of Free Association services.

2011 PROGRAM PERFORMANCE

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

5.

Account: Compact of Free Association (Permanent and Indefinite)						
Activity: Economic Assistance						
Subactivity: Federated States of Micronesia and Republic of the Marshall Islands \$(000)						
	2009 Actual	2010 Enacted	2011			Inc (+) Dec(-) From 2010
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
RMI	67,009	66,172	0	+1,170	67,342	+1,170
FSM	102,541	104,004	0	+1,844	105,848	+1,844
Judicial Training	331	337	0	+6	343	+6
Disaster Assistance Emergency Fund	456	458	0	+9	467	+9
Total	170,337	170,971	0	+3,029	174,000	+3,029
FTEs	0	0	0	0	0	0

SUMMARY OF 2011 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
RMI	+1,170	0
FSM	+1,844	0
Judicial Training	+6	0
Disaster Assistance Emergency Fund	+9	0

JUSTIFICATION OF 2011 PROGRAM CHANGES

The FY 2011 budget request for Compact of Free Association - Economic Assistance to the Marshall Islands and Federated States of Micronesia is \$174,000 a program change of +\$3.0 million with no additional FTEs from the FY 2010 enacted level. The program changes in this account are required inflation adjustments under the amended Compact of Free Association. The

increases are based on changes in the United States Gross Domestic Product Implicit Price Deflator but may not exceed 5% annually.

PROGRAM OVERVIEW

Article I of Title Two of the Compacts of Free Association describes the financial assistance commitment by the United States to the Federated States of Micronesia (FSM) and the Republic of the Marshall Islands (RMI). The first period of financial assistance expired on September 30, 2003. Following four years of negotiations led by the Department of State with support from OIA, Congress enacted amendments to the Compact as Public Law 108-188. These amendments also include a new permanent and indefinite appropriation that ensures continuation of direct financial assistance through 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) ensure national security rights for the United States in the freely associated states. The two primary goals could not have been achieved without the stability compact funding gave the FSM and RMI economies.

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

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

The amended Compact provides assistance in the form of direct grants in six sectors: education, health care, infrastructure, public sector capacity building, private sector development, and environment. Joint economic management committees, comprised of high ranking officials from the U.S. and the RMI or FSM, meet no less than annually to agree on the allocation of Compact funds among the sectors and to discuss performance, accountability issues and conditions for the

use of assistance. OIA serves as the administrator of the financial assistance and ensures enforcement of conditions. An office for monitoring Compact assistance has been established in Honolulu and personnel have also been located in the RMI and FSM capitals. Through a negotiated fiscal procedures agreement, accountability and control standards similar to those which apply domestically to grant agreements between the Federal Government and State and local governments have been implemented.

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

2011 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 250 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 2011 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 2011 are not submitted by the FSM and RMI until 90 days before the start of the fiscal year. However, a brief summary of FY 2010 program performance information for the FSM and RMI sector grants is provided on the next few pages.

i. Fiscal Year 2010 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	\$845,334	\$493,140	\$0	\$0	TBD
COM	\$3,800,000	\$0	\$0	\$0	\$0	TBD
Chuuk	\$10,047,249	\$8,977,642	\$1,098,200	\$764,679	\$690,096	TBD
Kosrae	\$2,524,286	\$2,217,716	\$406,048	\$687,760	\$253,342	TBD
Pohnpei	\$7,599,557	\$5,853,231	\$451,739	\$0	\$315,589	TBD
Yap	\$4,199,923	\$3,113,946	\$438,689	\$881,199	\$320,482	TBD
Total	\$28,774,255	\$21,007,869	\$2,887,816	\$2,333,638	\$1,579,509	\$24,303,552

Education

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

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

The Compact and two other Federal programs continue to provide the entire budget for Education in the FSM. The FSM has 228 elementary and 37 secondary schools with a total of 35,806 students enrolled. The FSM continues to provide performance data of varying quality.

Health

In FY 2010, the FSM received a Compact health sector grant of \$21 million. As has been the case historically, health sector grant funding primarily supported regular recurring operations of the four state in-patient facilities. Expansion of programs took the back seat to the need to maintain current services. Funding made possible long-neglected salary adjustments for some categories of health professionals; better managed tertiary medical referral management and care; the hiring of staff to strengthen in- and out-patient service capacity; and minor and/or emergency repairs.

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

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

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

Public Infrastructure

The FSM received a public sector infrastructure grant of \$24.3 million during FY 2010.

The JEMCO provided the FSM with concurrence to proceed with design and engineering phases of the following projects:

Education

- 1) Early Childhood Education Classrooms – Pohnpei State
- 2) Yap High School Vocational Education Building – Yap State
- 3) PICS High School Library/Classroom Building – Pohnpei State
- 4) Yap High School Classroom Building – Yap State
- 5) Madolenihmw High School Library/Classroom Building – Pohnpei State
- 6) Nanpei Memorial High School Library/Classroom Building – Pohnpei State
- 7) Chuuk Campus - College of Micronesia Phase 1 – National Government
- 8) Chuuk Campus - College of Micronesia Phase 2 – National Government
- 9) National Campus - College of Micronesia Student Center– National Government
- 10) Pohnpei Campus – College of Micronesia Vocational Center and Classroom Building – National Government

Health

- 1) Chuuk State Hospital Renovation – Chuuk State
- 2) Chuuk State Dispensaries – Chuuk State

Health – Water/Sewer

- 1) Kinakapw to Lehn Diadi Water line – Pohnpei State
- 2) Sekere to Nanpei Memorial High School Water line – Pohnpei State
- 3) Lelu Water System – Kosrae State
- 4) Kolonia to Palikir Sewer System Expansion – Pohnpei State
- 5) Kolonia to U Sewer System Expansion – Pohnpei State

Health – Sanitation

- 1) Closure and Relocation of Public Solid Waste Disposal Site – Pohnpei State
- 2) Emergency Generator - Pohnpei State Hospital

Public Sector Capacity Building

The FSM received \$2.9 million for the capacity building sector. Fiscal Year 2010 is the first year that the uses of funding have been well articulated by the FSM states. The FSM has not developed a medium-term plan to guide how the sector grant should be best used.

Environment

In FY 2010, the FSM received an allocation of approximately \$1.6 million for its environment sector. Each State received funding for an Environmental Protection Agency or similar agency with a like mission. Financial assistance also supported marine and forestry conservation efforts. Public education programs were a part of all programs funded under this sector. The lack of national goals for the environment sector continued to hamper the evaluation of performance progress.

Private Sector Development

In FY 2010, the FSM received an allocation of \$2.3 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 2010 Allocations for the RMI

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

Sector	Funds Allocated
Education	\$11,600,728
Health	\$7,159,858
Capacity Building	\$413,380
Infrastructure	\$11,189,235
Total	\$30,363,201

Ebeye Special Needs	\$3,451,055
Kwajalein Environmental Impact	\$230,202
Total	\$3,681,257

Education

In FY 2010, Compact and Ebeye Special Needs funding again provided just less than one half of the total funds available for education in the RMI. Over 11,000 students were enrolled in 76 elementary and 6 secondary schools. The student teacher ratio in elementary schools was 13 to 1 and 18 to 1 in secondary schools. Lack of credentialed teachers and low student achievement continue to be associated and persistent problems. The RMI is working to improve these issues through a number of efforts.

During FY 2010, 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 2011.

Health

In FY 2010, Compact and Ebeye Special Needs funding and special revenue financing for medical supplies and referrals both made up approximately forty percent (40%) of the health care budget in the RMI. Basic Compact support decreased 3% over the previous year to \$7.1 million, primarily as a result of lower utility costs. Ebeye Special Needs funding 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 RMI, with the support of the Centers for Disease Control, investigated an outbreak of multiple drug resistant tuberculosis on Ebeye and within Majuro atoll. Funding support of approximately \$1.7 million was requested by the RMI to assist in efforts to contain the disease.

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 2010, 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 Fiscal Years 2008 and 2009 because of inadequate attention within the Ministry of Health, weak conceptual design and exorbitant cost and phasing projections, resumed on track in FY 2010 after significant course corrections.

Public Infrastructure

The RMI allocated approximately \$11.2 million for infrastructure improvements and maintenance in FY 2010. 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 2011 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.

Public Sector Capacity Building

The RMI received \$413,380 in Compact funds to support performance based budgeting efforts in FY 2010.

Environment

In FY 2010, the RMI received an allocation of \$230,202 for Kwajalein Environmental Impact. This amount is used to support the RMI Environmental Protection Agency (EPA) activities and programs on Ebeye.

iii. Fiscal Year 2011 Judicial Training Program

Section 105(i)(1) of Public Law 108-188 established an annual program for the training of judges and officials of the judiciary in the Federated States of Micronesia and the Republic of the Marshall Islands in cooperation with the Pacific Islands Committee of the Ninth Circuit Judicial Council. The base amount of the program was established at \$300,000, an amount adjusted annually by Section 118 of the Compact of Free Association. The FY 2011 program funding level is estimated at \$343,000. The goals of the program are to:

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

iv. Fiscal Year 2011 Disaster Assistance Emergency Fund

The Disaster Assistance Emergency Fund is established under Section 211(d) of the FSM Compact and Section 211(e) to provide an annual amount of \$200,000 (adjusted for inflation by Section 218) to each government to be used for assistance and rehabilitation resulting from disasters and emergencies. The governments are required to provide an equal amount of matching funds from local sources. Disaster Assistance Emergency funds are transferred to the respective government after notification of deposit of the local requirement. Use of the funds is governed by a separate agreement under the review of the U.S. ambassador.

6.

Account: Compact of Free Association (Permanent and Indefinite)						
Activity: Compact Impact \$(000)						
	2009 Actual	2010 Enacted	2011			Change from 2010 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
Hawaii	10,571	11,229	0	0	11,229	0
Guam	14,242	16,827	0	0	16,827	0
CNMI	5,172	1,930	0	0	1,930	0
American Samoa	15	14	0	0	14	0
Census	0	0	0	0	0	0
Total	30,000	30,000	0	0	30,000	0
FTEs	0	0	0	0	0	0

PROGRAM OVERVIEW

Section 104 (e) of Title One of the amended Compacts of Free Association describes the financial assistance committed by the United States to the State of Hawaii, Guam, the Commonwealth of the Northern Mariana Islands and American Samoa. The goal of this financial support is to provide through 2023, \$30.0 million in grants to affected jurisdictions to aid in defraying costs incurred 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 by the U.S. Census Bureau and the results were used to determine the distribution of the \$30.0 million beginning in 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.

2011 PROGRAM PERFORMANCE

The following FY 2010 grants were made to each eligible jurisdiction based on the population of qualified migrants:

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

Compact Impact grant assistance may be used only for health, educational, social, or public safety services, or infrastructure related to such services, specifically affected by qualified nonimmigrants. Each jurisdiction is to provide a program plan to the Office of Insular Affairs (OIA) for the use of the funds prior to the awarding of the grant. Although OIA has not yet received the FY 2011 program plans, it is anticipated that the funds will be used in a manner similar to FY 2010 as detailed below:

In FY 2010, the State of Hawaii is using its full amount of its \$11.2 million to supplement state funds to support indigent health care as in past years.

Guam is using its FY 2010 grant of \$16.8 million in the following manner:

- DPW Schools Leaseback \$7,100,000
- GMHA Capital Improvements & Equipment \$3,500,000
- DPR Northern Sports Recreation Complex \$2,700,000
- GFD Equipment (Fire Pumper Trucks) \$ 750,000
- GPD Equipment (Patrol Vehicles) \$ 527,026
- DPH&SS Pharmaceutical Supplies \$ 500,000
- DOC Equipment (Standby Generators) \$ 500,000
- DMH&SA Permanent Injunction Projects \$ 500,000
- DISID Permanent Injunction Projects \$ 500,000
- DYA Building Renovations & Equipment \$ 250,000

In FY 2010 The Commonwealth of the Northern Mariana Islands is using its Compact Impact grant for \$1.9 million to supplement the operational budgets of the following agencies:

- Department of Public Health \$ 414,453
- Division of Youth Services \$ 44,616
- Department of Public Safety \$ 371,316
- Department of Corrections \$ 154,698
- Office of Public Defender \$ 37,151
- Northern Marianas College \$ 122,291
- Public School System \$ 785,918

American Samoa will use its FY 2010 grant of \$13,789 to fund operational services for the Department of Health.

7.

Account: Compact of Free Association (Permanent and Indefinite)						
Activity: Economic Assistance						
Subactivity: Republic of Palau Compact \$(000)						
			2011			
	2009 Actual	2010 Enacted	Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	Inc (+) Dec(-) From 2010
Palau Compact	11,148	0	0	+20,750	20,750*	+20,750
FTEs	0	0	0	0	0	0

* Republic of Palau Legislative Proposal

SUMMARY OF 2011 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Palau Compact	+20,750	0

JUSTIFICATION OF 2011 PROGRAM CHANGES

The FY 2011 budget request includes a placeholder of \$20.8 million and 0 FTE in recognition of ongoing review of the relationship between the United States (U.S.) and the Republic of Palau (ROP). A legislative proposal is being developed to extend Compact of Free Association funding to Palau through 2024. Under the proposal, a total of \$250.0 million would be provided over 15 years for assistance to Palau and reimbursement to the United States Postal Service for Compact of Free Association services.

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 2010.

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 2011 and beyond.

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 2011 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. Discussions within the United States Government and the ROP are on-going.

IV. Miscellaneous Schedules

DEPARTMENT OF THE INTERIOR
OFFICE OF INSULAR AFFAIRS
ASSISTANCE TO TERRITORIES

Program and Financing (in millions of dollars)

OMB ACCOUNT ID: 01085-0412-0 14-0412-0-1-806		2009	2010	2011
		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	15	12
00.14	Insular Management Controls	2	0	0
00.15	Coral Reef Initiative	1	1	1
00.16	Water and Wastewater Projects	1	2	1
00.17	Maintenance Assistance Fund	3	2	2
00.18	American Samoa Operations	23	23	23
00.20	Guam Infrastructure	0	2	0
00.21	Empowering Insular Communities	0	0	5
00.91	Direct subtotal, discretionary	52	57	56
01.01	Covenant Grants (mandatory)	33	28	28
09.00	Reimbursable program	1	1	1
09.09	Reimbursable program - subtotal line	1	1	1
10.00	Total new obligations	86	86	85
Budget resources available for obligation:				
21.40	Unobligated balance carried forward, start of year	15	17	17
22.00	New budget authority (gross)	80	86	85
22.10	Resources available from recoveries of prior year obligations	8	0	0
23.90	Total budgetary resources available for obligation	103	103	102
23.95	Total New obligations	-86	-86	-85
24.40	Unobligated balance carried forward, end of year	17	17	17
New budget authority (gross), detail:				
Discretionary:				
40.00	Appropriation	51	57	56
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)	80	86	85
Change in obligated balances:				
72.40	Obligated balance, start of year	131	126	130
73.10	Total new obligations	86	86	85
73.20	Total outlays (gross)	-83	-82	-83
73.45	Recoveries of prior year obligations	-8	0	0
74.40	Obligated balance, end of year	126	130	132
Outlays (gross), detail:				
86.90	Outlays from new discretionary authority	37	38	37
86.93	Outlays from discretionary balances	13	17	17
86.97	Outlays from new mandatory authority	5	1	1
86.98	Outlays from mandatory balances	28	26	28
87.00	Total outlays (gross)	83	82	83
Offsetting collections (cash) from:				
88.00	Federal sources	1	1	1
Net budget authority and outlays:				
89.00	Budget authority	79	85	84
90.00	Outlays	82	81	82
95.02	Unpaid obligation, end of year	130		

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		2009	2010	2011
		Actual	Estimate	Estimate
Obligations by program activity:				
00.01	Federal services assistance	3	17	3
01.01	Program grant assistance, mandatory	2	0	0
01.92	Subtotal	5	17	3
02.01	Assistance to the Marshall Islands	73	66	67
02.02	Assistance to the Federated States of Micronesia	133	104	106
02.03	Assistance to the Republic of Palau	11	0	0
02.04	Compact Impact	30	30	30
02.05	RMI FSM Judicial Training	1	1	1
02.91	Subtotal, permanent indefinite	248	201	204
09.01	Reimbursable program	35	18	18
10.00	Total new obligations	288	236	225
Budget resources available for obligation:				
21.40	Unobligated balance carried forward, start of year	65	50	50
22.00	New budget authority (gross)	251	236	225
22.10	Resources available from recoveries of prior year obligations	23	0	0
23.90	Total budgetary resources available for obligation	339	286	275
23.95	Total new obligations	-288	-236	-225
23.98	Unobligated balance expiring or withdrawn	-1	0	0
24.40	Unobligated balance carried forward, end of year	50	50	50
New budget authority (gross), detail:				
Discretionary:				
40.00	Appropriation (discretionary)	3	17	3
Spending authority from offsetting collections:				
58.00	Offsetting collections (cash)	10	18	18
58.10	Change in uncollected customer payments from Federal sources (unexpired)	25	0	0
58.90	Spending authority from offsetting collections (total discretionary)	35	18	18
Mandatory:				
60.00	01 Appropriation	213	201	204
60.00	02 Appropriation	0	0	0
62.50	Appropriation (total mandatory)	213	201	204
70.00	Total new budget authority (gross)	251	236	225
Change in obligated balances:				
72.40	Obligated balance, start of year	74	119	137
73.10	Total new obligations	288	236	225
73.20	Total outlays (gross)	-217	-218	-214
73.45	Recoveries of prior year obligations	-23	0	0
74.00	Change in uncollected customer payments from Federal sources (unexpired)	-25	0	0
74.10	Change in uncollected customer payments from Federal sources (expired)	22	0	0
74.40	Obligated balance, end of year	119	137	148
Outlays (gross), detail:				
86.90	Outlays from new discretionary authority	15	16	5
86.93	Outlays from discretionary balances	5	16	18
86.97	Outlays from new mandatory balances	178	171	173
86.98	Outlays from mandatory balances	19	15	18
87.00	Total outlays (gross)	217	218	214
Offsetting collections (cash) from:				
88.00	Federal sources	15	18	18
Against gross budget authority only:				
88.95	Change in uncollected customer payments from Federal sources (unexpired)	25	0	0
88.96	Portion of offsetting collections (cash) credited to expired accounts	-5	0	0
Net budget authority and outlays				
89.00	Budget authority	216	218	207
90.00	Outlays	202	200	196
95.02	Unpaid obligation, end of year	148		

Note: Certain 2010 numbers in this table do not match the President's Budget Appendix A

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	1
10.00	Total new obligations (object class 25.2)	1	1	1
Budgetary resources available for obligation:				
21.40	Unobligated balance carried forward, start of year	5	4	3
23.95	Total new obligations	-1	-1	-1
24.40	Unobligated balance carried forward, end of year	4	3	2
Change in obligated balances				
72.40	Obligated balance, start of year	0	1	1
73.10	Total new obligations	1	1	1
73.20	Total outlays (gross)	0	-1	-1
74.40	Obligated balance, end of year	1	1	1
Outlays (gross), detail:				
86.93	Outlays from discretionary balances	0	1	1
Net budget authority and outlays				
89.00	Budget authority	0	0	0
90.00	Outlays	0	1	1
95.02	Unpaid obligation, end of year	0		

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

Program and Financing (in millions of dollars)

OMB ACCOUNT ID: 010-85-0418-0		2009	2010	2011
14-0418-0-1-806		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	110	138	107
10.00	Total new obligations	149	177	146
Budgetary resources available for obligation:				
22.00	New budget authority (gross)	149	177	146
23.95	Total new obligations	-149	-177	-146
24.40	Unobligated balance carried forward, end of year	0	0	0
New budget authority (gross), detail				
Mandatory:				
60.00	Appropriation (Mandatory)	149	177	146
Change in obligated balances:				
73.10	Total new obligations	149	177	146
73.20	Total outlays (gross)	-149	-177	-146
Outlays (gross), detail:				
86.97	Outlays from new mandatory authority	149	177	146
Net budget authority and outlays:				
89.00	Budget authority	149	177	146
90.00	Outlays	129	177	146

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	2009 Actual	2010 Estimate	2011 Estimate
Obligations by program activity:			
00.02 Interest paid to Treasury	1	1	1
08.02 Downward Reestimate	0	4	0
08.04 Interest on Downward Restimate	0	1	0
08.91 Direct Program by Activities - Subtotal	0	5	0
10.00 Total new obligations	1	6	1
Budgetary resources available for obligation:			
21.40 Unobligated balance carried forward, start of year	2	0	0
22.00 New financing authority (gross)	3	6	1
22.60 Portion applied to repay debt	-4	0	0
23.90 Total budgetary resources available for obligation	1	6	1
23.95 Total new obligations	-1	-6	-1
24.40 Unobligated balance carried forward, end of year	0	0	0
Mandatory:			
67.10 Authority to borrow	0	4	0
69.00 Offsetting collections (cash)	3	2	2
69.47 Portion applied to repay debt	0	0	-1
69.90 Spending authority from offsetting collections (total mandatory)	3	2	1
70.00 Total new financing authority (gross)	3	6	1
Change in obligated balances:			
72.40 Obligated balance, start of year	0	0	6
73.10 Total new obligations	1	6	1
73.20 Total financing disbursements (gross)	-1	0	0
74.40 Obligated balance, end of year	0	6	7
Outlays (gross), detail:			
87.00 Total financing disbursements (gross)	1	0	0
Offsets against gross financing authority and financing disbursements:			
Offsetting collections (cash) from			
88.40 Non-Federal sources - interest payments from American Samoa	1	1	1
88.40 Non-Federal sources - Principal Repayment from American Samoa	2	1	1
88.90 Total, offsetting collections (cash)	3	2	2
Net financing authority and financing disbursements:			
89.00 Financing authority	0	4	-1
90.00 Financing disbursements	-2	-2	-2

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

Program and Financing (in millions of dollars)

OMB ACCOUNT ID: 010-85-0415-4		2009	2010	2011
14-0415-4		Actual	Estimate	Estimate
Obligations by program activity				
00.01	Republic of Palau Compact	0	0	21
01.92	Subtotal, Permanent Indefinite	0	0	21
10.00	Total new obligations (object class 41.0)	0	0	21
Budgetary resources available for obligation:				
22.00	New budget authority (gross)	0	0	21
23.95	Total new obligations	0	0	-21
24.40	Unobligated balance carried forward, end of year	0	0	0
New budget authority (gross), detail				
Mandatory:				
60.00	Appropriation (Mandatory)	0	0	21
Change in obligated balances:				
72.40	Obligated balance, start of year	0	0	0
73.10	Total new obligations	0	0	21
73.20	Total outlays (gross)	0	0	-21
74.40	Obligated balance, end of year	0	0	0
Outlays (gross), detail:				
86.97	Outlays from new mandatory authority	0	0	21
Net budget authority and outlays:				
89.00	Budget authority	0	0	21
90.00	Outlays	0	0	21
95.02	Unpaid obligation, end of year	0	0	(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'S in 000S**

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

Revised January 2010

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>	FY 2004-2014 10 Year Total
<u>Federated States of Micronesia</u>												
Sector Grants	76,000	77,099	79,215	79,388	80,762	81,129	81,950	82,496	83,010	83,492	83,941	888,481
Trust Fund	16,000	16,189	16,442	17,689	19,054	20,912	21,554	22,852	24,182	25,544	26,938	227,356
Audit	500	500	500	500	500	500	500	500	500	500	500	5,500
<u>TOTAL</u>	<u>92,500</u>	<u>93,788</u>	<u>96,157</u>	<u>97,577</u>	<u>100,316</u>	<u>102,541</u>	<u>104,004</u>	<u>105,848</u>	<u>107,692</u>	<u>109,536</u>	<u>111,380</u>	<u>1,121,337</u>
<i>Inflation at actual for 2005-2009, then +2% for out years</i>		1.99%	4.24%	6.51%	8.26%	10.23%	12.26%	14.26%	16.26%	18.26%	20.26%	
<u>Republic of the Marshall Islands</u>												
Sector Grants	35,200	35,109	35,144	35,482	35,942	37,181	36,148	36,220	36,273	36,306	38,724	397,729
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	16,239	17,110	16,839	17,139	17,439	17,739	18,440	182,329
Enewetak - Section 103 (f)(2)(c)(i)	1,300	1,315	1,336	1,369	1,407	1,433	1,459	1,485	1,511	1,537	1,563	15,717
Trust Fund	7,000	7,588	8,221	8,950	9,743	10,784	11,226	11,997	12,789	13,600	14,431	116,330
Audit Grants	500	500	500	500	500	500	500	500	500	500	500	5,500
<u>TOTAL</u>	<u>59,000</u>	<u>61,457</u>	<u>62,375</u>	<u>63,854</u>	<u>63,832</u>	<u>67,009</u>	<u>66,172</u>	<u>67,342</u>	<u>68,512</u>	<u>69,682</u>	<u>73,658</u>	<u>722,894</u>
<i>Inflation at actual for 2005-2008, then +2% for out years</i>		1.99%	4.24%	6.51%	8.26%	10.23%	12.26%	14.26%	16.26%	18.26%	20.26%	
Grand Total FSM & RMI	151,500	155,245	158,532	161,431	164,148	169,550	170,176	173,190	176,204	179,218	185,038	1,844,231
<u>COMPACT IMPACT</u>												
Section 104	30,000	30,000	30,000	29,684	30,000	30,000	30,000	30,000	29,651	30,000	30,000	329,335
OIA cost reimb.				316					349			665
Judicial Training	300	304	308	316	325	331	337	343	349	355	361	3,627
Disaster Assistance Emergency Fund					432	456	458	467	476	486	496	3,271
GRAND TOTAL	181,800	185,549	188,840	191,747	194,905	200,337	200,971	204,000	207,029	210,058	215,894	2,181,129
<i>(includes Compact Impact, Judicial Training)</i>												

Revised January 2010

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
<u>Federated States of Micronesia</u>											
Sector Grants	84,359	84,745	85,099	85,421	85,711	91,259	92,639	94,019	95,399	798,654	1,687,135
Trust Fund	28,364	29,822	31,312	32,835	34,389	35,975	37,593	39,243	40,925	310,458	537,813
Audit	500	500	500	500	500	500	500	500	500	4,500	10,000
TOTAL	113,224	115,068	116,912	118,756	120,600	127,734	130,732	133,762	136,824	1,113,612	2,234,949
<i>Inflation at actual for 2005-2009, then +2% for out years</i>	22.26%	24.26%	26.26%	28.26%	30.26%	32.26%	34.26%	36.26%	38.26%		
<u>Republic of the Marshall Islands</u>											
Sector Grants	38,756	38,769	38,762	38,735	38,687	38,620	38,533	38,425	38,298	347,585	745,314
Rongelap Resettlement	0	0	0	0	0	0	0	0	0	0	5,288
Lease Payments	22,007	22,367	22,727	23,087	23,447	23,807	24,167	24,527	24,887	211,021	393,351
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	15,240	30,958
Trust Fund	15,283	16,154	17,045	17,956	18,888	19,839	20,810	21,802	22,813	170,589	286,919
Audit Grants	500	500	500	500	500	500	500	500	500	4,500	10,000
TOTAL	78,135	79,405	80,675	81,945	83,215	84,485	85,755	87,025	88,295	748,936	1,471,830
<i>Inflation at actual for 2005-2008, then +2% for out years</i>	22.26%	24.26%	26.26%	28.26%	30.26%	32.26%	34.26%	36.26%	38.26%		
Grand Total FSM & RMI	191,359	194,473	197,587	200,701	203,815	212,219	216,487	220,787	225,119	1,862,547	3,706,778
<u>COMPACT IMPACT</u>											
Section 104	30,000	30,000	29,621	30,000	30,000	30,000	30,000	29,591	30,000	269,212	598,548
OIA cost reimb.			379					409		788	1,452
Judicial Training	367	373	379	385	391	397	403	409	415	3,517	7,144
Disaster Assistance Emergency Fund	506	516	526	537	548	559	570	581	593	4,935	9,870
GRAND TOTAL	222,232	225,362	228,492	231,622	234,753	243,175	247,460	251,777	256,127	2,141,000	4,323,793
<i>(includes Compact Impact, Judicial Training)</i>											