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## OFFICE OF INSULAR AFFAIRS GENERAL STATEMENT

### Introduction

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

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

#### OIA's Mission Goal

*Increase Economic Self-Sufficiency  
Of Insular Areas*

The budget request for FY 2007 continues to promote implementation of the management reform initiatives advanced by the President. Developed within the framework of Secretary Norton's 4 C's Vision – consultation, cooperation and communication – all in the service of conservation – the request reflects the ongoing effort of the Office of Insular Affairs to adapt to changing needs of the insular areas. OIA's top priority for the insular areas is to help them develop their economies by expanding and strengthening the private sector. In FY 2007, OIA will continue its efforts to make private sector companies in targeted industries aware of investment opportunities in the U.S.-affiliated insular areas. Planned efforts for FY 2007 also include continued integration of performance criteria during formulation of the FY 2008 budget, and continued implementation of improvements to financial management practices in the insular areas. OIA continues to facilitate the involvement of others, including communities, partners, grantees and the interested public as it carries out its mission. Regular input, monitoring and feedback will continue to enhance our programs, processes, and future planning.

#### Key Performance Objectives

- ✓ Increase the level of local revenues in the insular areas.
- ✓ Improve timeliness of financial statements.
- ✓ Enhance assessment of grant awards based on performance and stated outcomes.
- ✓ Maintain positive assessments of technical assistance efforts based on surveys of customers.

OIA continues to provide assistance to help develop more efficient and effective government in the insular areas. This assistance meets a variety of needs, including resources for critical infrastructure like wastewater systems, hospitals, and schools. In FY 2005 and FY 2006, OIA received over \$75 million, annually, in Assistance to Territories funding, providing over

96 percent of these funds to insular areas in the form of grants to provide financial assistance. OIA plans to continue this effort in FY 2007.

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**FY 2007 BUDGET REQUEST (dollars in thousands)**


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| Budget Authority                            | 2005 Actual | 2006 Enacted | 2007 Request | 2007 Request Change from 2006 |            |
|---|-------------|--------------|--------------|-------------------------------|------------|
|   |             |              |              | Amount                        | Percent    |
| <b>Mission:<br/>Serving<br/>Communities</b> |             |              |              |                               |            |
| Current                                     | 81,031      | 81,473       | 79,223       | -2,250                        | - 3%       |
| Permanent                                   | 341,491     | 344,134      | 347,103      | +2,969                        | +1%        |
| Total                                       | 422,522     | 425,607      | 426,326      | +719                          | 0%         |
| <i>FTEs</i>                                 | <i>40</i>   | <i>42</i>    | <i>44</i>    | <i>+2</i>                     | <i>+5%</i> |

The total estimated OIA budget for FY 2007 is \$426.3 million. OIA's permanent funding of \$347.1 million is a reflection of long-term commitments made to the insular areas that are guaranteed in law. In current funding, both mandatory and discretionary, OIA requests \$79.2 million. This is a \$2.3 million decrease from 2006 that reflects the reduction of Congressional earmarks. Included in the 2007 budget proposal is \$102,000 to provide for additional oversight related to the Compact of Free Association.

The following table shows the FY 2006 Enacted – current funding, with across the board reductions for current appropriation activities, and the OIA FY 2007 President’s Request Level with a comparison between the FY 2006 Enacted and the FY 2007 Request.

**Current Funding - Dollars in 000's**

|   | FY 2006 Enacted | FY 2007 President's<br>Request | FY 2007 +/-<br>FY 2006 Enacted    |
|---|-----------------|--------------------------------|-----------------------------------|
| American Samoa Operations   | \$22,770        | \$22,880                       | +\$110                            |
| Covenant Grants (Mandatory)<br><i>(see table that follows for detail)</i> | 27,720          | 27,720                         | 0                                 |
| Territorial Assistance Activities<br>Total                                | 25,670          | 23,761                         | -1,909                            |
| <b>Included in Territorial Assistance</b>                                 |                 |                                |                                   |
| OIA Salaries and Expenses   | 7,273           | 7,624                          | +351                              |
| General TA*   | 10,524          | 8,226                          | -2,298                            |
| Maintenance Assistance  | 2,266           | 2,277                          | +11                               |
| Brown Tree Snake  | 2,660           | 2,673                          | +13                               |
| Insular Management Controls   | 1,469           | 1,476                          | +7                                |
| Coral Reef Initiative   | 493             | 495                            | +2                                |
| Water & Wastewater Projects   | 985             | 990                            | +5                                |
| * includes CNMI Labor & Immigration Projects for FY 2006 & 2007           |                 |                                |                                   |
|   | FY 2006 Enacted | FY 2007 President's<br>Request | FY 2007<br>+/-<br>FY 2006 Enacted |
| <b>Compact of Free Association</b>  |                 |                                |                                   |
| Palau Health and Ed. Grant  | 2,000           | 2,000                          | 0                                 |
| Federal Services Assistance   | 2,820           | 2,862                          | +42                               |
| Enewetak Support  | 493             | 0                              | -493                              |
| <b>Totals</b>   | \$81,473        | \$79,223                       | -\$2,250                          |
| <i>FTEs</i>   | 42              | 44                             | +2                                |



The following table below shows the Covenant Funding Levels compared between FY 2006 and FY 2007.

## Covenant Grant Funding Levels

Dollars in thousands (000's)

| Territory      | Baseline Funding | FY 2006 +/- Baseline | FY 2007 +/- Baseline | Total FY 2006 | Total FY 2007 | Diff +/- FY 2006 |
|----------------|------------------|----------------------|----------------------|---------------|---------------|------------------|
| CNMI           | 11,000           | +208                 | -371                 | 11,208        | 10,629        | -579             |
| American Samoa | 10,000           | -458                 | +543                 | 9,542         | 10,543        | +1,001           |
| Guam           | 3,360            | +42                  | -29                  | 3,402         | 3,331         | -71              |
| Virgin Islands | <u>3,360</u>     | <u>+208</u>          | <u>-143</u>          | <u>3,568</u>  | <u>3,217</u>  | <u>-351</u>      |
| <b>Total</b>   | 27,720           | 0                    | 0                    | 27,720        | 27,720        | 0                |

The following table shows the FY 2006 and FY 2007 permanent funding.

## Permanent Funding - estimated - Dollars in 000's

|  | <u>FY 2006</u>      | <u>FY 2007</u>      |
|--|---------------------|---------------------|
| <b>Compacts of Free Association</b><br><i>Republic of the Marshall Islands,<br/>Federated States of Micronesia and<br/>the Republic of Palau</i> | \$199,434           | \$202,403           |
| <b>Payments to the Territories</b><br><i>Guam</i>  | 144,700<br>[56,800] | 144,700<br>[56,800] |
| <i>Virgin Islands</i>  | [87,900]            | [87,900]            |
| <b>Totals</b>  | <b>\$344,134</b>    | <b>\$347,103</b>    |

**FY 2007 Budget Summary and Highlights**

The FY 2007 OIA budget continues to focus on strategies that contribute to increasing the self-sufficiency of insular areas. The FY 2007 request includes \$1.0 million in Assistance to Territories to provide for a grant program for water and wastewater projects in the U.S. Virgin Islands, Guam, the Commonwealth of the Northern Mariana Islands, and American Samoa. These territories face a myriad of water problems on a daily basis, including a lack of running water 24 hours a day, wastewater infrastructure deficiencies that have caused violations of Federal environmental laws, and drinking water quality which is not always up to the U.S. standards.

OIA continues to use funds to provide assistance to develop more efficient and effective government in the insular areas. This assistance meets a variety of needs, including resources for critical infrastructure like hospitals, schools and wastewater systems. The OIA budget also promotes sound financial management practices in the insular governments,

increasing economic development and self-sufficiency, and increasing federal responsiveness to the unique needs of island communities.

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 (\$347.1 million). Within current appropriations, two activities are considered mandatory, Covenant grants (\$27.7 million) that provide for Capital Improvement Projects (CIP) in U.S. territories and an annual Health and Education Block Grant given to the Republic of Palau (\$2 million).

American Samoa Operations (\$22.9 million), the second largest budget activity is considered discretionary but is a directed appropriation that provides fundamental assistance to help the American Samoa Government provide the basic services of health care, education, public safety and support for the judiciary.

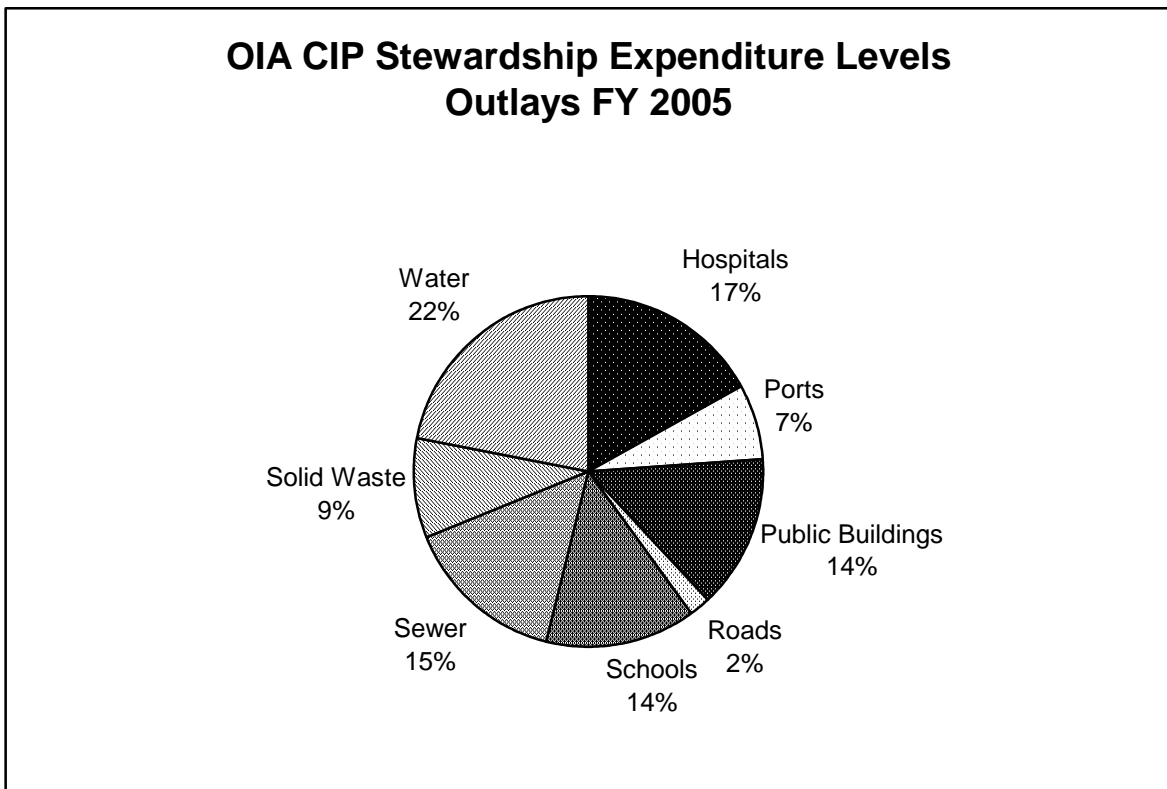
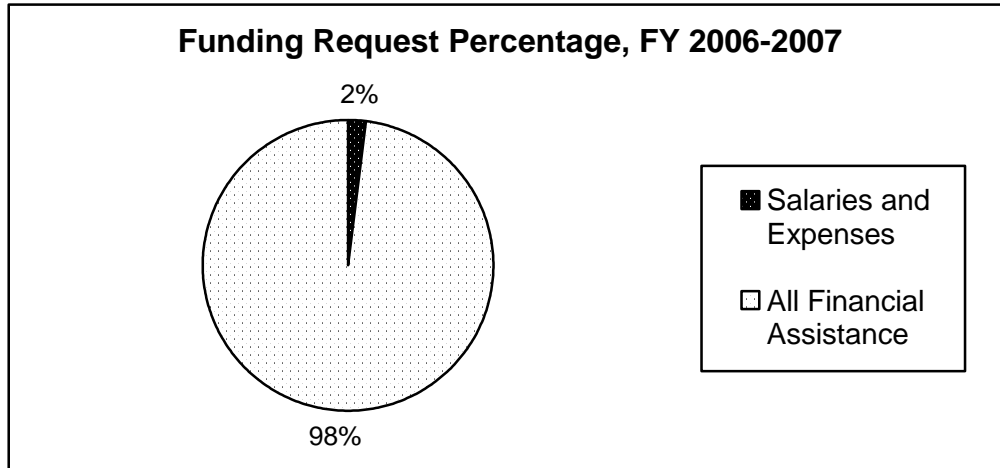
While not officially considered a mandatory program, Federal Services assistance (\$2.9 million) is comprised of two subactivities that were negotiated and are defined in law. The first is reimbursement to the U.S. Postal Service for continuation of mail service to the freely associated states. Failure to provide this service would be a breach of the negotiated Compact. The other activity is annual audit support for the Republic of Palau. The Compact of Free Association guarantees this support for compliance with the Single Audit Act at no cost to the freely associated states. In the case of the Federated States of Micronesia and the Republic of the Marshall Islands, audit assistance is incorporated in the permanent appropriations.

That leaves only the OIA Salaries and Expenses account (\$7.6 million) and the Territorial Assistance activity (\$16.1 million) as truly discretionary programs, \$23.8 million out of a total OIA budget of \$426.3 million in fiscal year 2007. OIA Salaries and Expenses includes uncontrollable expenses of \$248,000 and a program increase of \$103,000 to increase oversight of Compact of Free Association grants.

In FY 2007, OIA is proposing an increase of \$42,000 in the Federal Services activity to maintain support to the U.S. Postal Service at \$2.4 million. The budget also proposes a reduction of \$493,000 in Enewetak operations as it is now permanently appropriated through the Compact of Free Association.

OIA's current appropriation history shows an increase in permanent funding for Compact areas, due to required inflation increases, and a relative decline in current levels for all insular areas.

All but two percent of the total funding received by OIA goes toward assistance to the territories. High priority projects such as those identified as stewardship expenditures make up a large portion of OIA’s discretionary funding.



Stewardship expenditures are investments OIA makes in insular area capital infrastructure. The total expended in FY 2005 was \$28,338,476.

### Office of Insular Affairs Management Reforms and Activities to Implement the President's Management Agenda

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

- Budget and Performance Integration;
- Strategic Management of Human Capital;
- Competitive Sourcing;
- Improved Financial Performance; and
- Expanded e-Government.

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

#### Budget Performance Integration:

*Program Assessment Rating Tool:* OIA programs have been exempted from PART evaluations. OIA programs, such as those under the Compact of Free Association which constitutes the bulk of its funding, have on-going evaluation processes built in. The joint economic management committees require an annual evaluation of performance outcomes of each past fiscal year's sector grant spending. The committees also review and approve grant allocations, performance objectives and assessment tools for the current year. This budget requests an additional \$102,000 to increase Compact oversight.

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

In March 2005, an independent panel released its review of the brown tree snake control program and made recommendations on its effectiveness and future priorities. The program is a Departmental priority and part of an Administration crosscut budget effort regarding invasive species. The panel found that significant opportunities for long-term eradication are emerging because of the program. It recommended enhancing the program by (1) creating a legal basis for inspections and enforcement, (2) establishing a greater and more stable funding base in all participating agencies, (3) promoting stronger senior leadership and ownership, (4) implementing a comprehensive action plan with milestones, and (5) progressing on research and program integration. The panel found the interagency approach is effective and should be enhanced and maintained. OIA was praised for making funding decisions with decisive leadership and with minimal layers of bureaucracy.

Beginning in FY 2003, OIA has taken an annual major programmatic review of its Covenant grants to develop a new system for allocating the annual budget. In order to provide incentives to the insular governments to improve financial performance, OIA has tied the annual allocation grant funds to a measure of each islands performance on Single Audits and other objective criteria. A more detailed description of this effort appears later in this budget presentation.

*Cost and Performance:* OIA is tracking time spent on grants management through the activity based costing initiative. This information will be used to compare OIA grants staffing to other similar programs. In addition, OIA continues to use accounting information to track the timing of grant outlays and is reporting with the annual budget the amount of time required to complete various projects. OIA is using this cost and performance information to improve efficiency of island spending by speeding up projects. By reducing the amount of time required to complete major infrastructure projects from grant award to project closeout, inflationary costs are reduced and the return on major investments is advanced.

*Capital Asset Planning and Control:* OIA has no capital assets other than office equipment and systems shared with other parts of the Office of the Secretary.

*Base Analysis:* In making FY 2007 budget decisions, OIA considered base funding for all activities. As mentioned earlier, several of these programs are mandatory and the amount of funding is dictated by legislation. However, in deciding whether to seek additional funding for any activity, OIA considered several factors including carryover balances (all of OIA funding except salaries and expenses is no-year funding) and the possibility of new legislation to require matching contributions.

Areas of review include infrastructure projects where OIA is using benchmarking rating systems for assigning numerical values to the condition and maintenance of certain infrastructure in the insular areas. Selected infrastructure is broken into seven categories, roads, schools, hospitals, airports, seaports, solid waste disposal facilities and significant government buildings. The intent is to provide a range of conditions and maintenance levels across all the insular areas relative to each other. The values assigned will provide information on the strong and weak points of asset management within the insular areas. Identified exemplary infrastructure will be used as “best practices” and to encourage more effective maintenance.

In implementing Compact of Free Association funding and related grant reviews, OIA works closely with the respective island governments and the joint economic management committees. The committees each consist of two representatives of the respective island government, and three Federal representatives. Two of the Federal representatives are from Interior and State, with the third currently from Health and Human Services. The committees meet annually to review planning documents and budgets as developed by the governments. Priorities and goals focus on the funding sectors of health, education, capacity building, private sector development, environment and infrastructure. A minimum of 30 percent of funding is targeted on infrastructure. Performance measures in use include reports

on disease, number of students, test scores, benchmarking, and private sector employment compared to total employment. Local and Federal managers will use these measures and others to monitor program functioning and take corrective actions as necessary.

Strategic Management of Human Capital: As an office under the Assistant Secretary for Policy, Management and Budget, OIA is part of a larger plan for management of human capital and has limited strategic capability. However, OIA is taking advantage of those opportunities it has. For a number of years, it has hired interns from the U.S. territories and has helped place several in Federal positions. Recently, OIA hired three young people under the “Outstanding Scholar” program in an effort to counteract its aging workforce. Three of the six positions filled in a new Hawaii office are minorities, including two Asian/Pacific Islanders and a Native American. Another Asian/Pacific Islander has been hired as a senior economist at a management level.

Competitive Sourcing: Because of the inherently governmental nature of its program, OIA has not been targeted for competitive sourcing studies.

Financial Performance: OIA has a history of clean audit opinions under the Chief Financial Officer Act requirements. The FY 2004 Financial Statement Audit identified a noncompliance issue regarding Single Audits of the Insular Governments. Actions taken in 2005 by OIA’s accountability specialist have resolved this issue. OIA is updating its Corrective Action Plan to continue assisting the insular governments to meet their Single Audit responsibilities.

OIA has been extremely active in the Department’s efforts to streamline and simplify grants management and has participated in planning sessions for the new Financial Business Management System. OIA’s participation in this project is extremely important because it is one of the few offices within the Office of the Secretary that provides grants and also has other unique needs associated with the insular areas funding assistance which OIA provides.

*Accountability:* OIA’s most important efforts in the financial performance area are those designed to improve financial performance and accountability in the territories and freely associated states. Among these efforts is the aforementioned paradigm that allocates Capital Improvement Project (CIP) funding based on competitive financial performance criteria. An increased focus is now being placed on bringing the insular governments in full compliance with the requirements of the Single Audit Act. One incentive is the allocation criteria for participation in the CIP program. A territory cannot receive capital funding unless it is in compliance with the Single Audit Act or has presented a plan, approved by OIA that will bring it into compliance by a certain date. OIA is currently conducting a joint program with the USDA Graduate School to address the longstanding problem of non-resolution of audit findings and recommendations by insular governments. Finally, OIA has increased its efforts to improve the internal audit capability in the territorial governments. Technical assistance has been provided to train auditors, including an on-the-job training program conducted by the Inspector General’s Office and funded by OIA. The presence of a qualified independent auditor is also one of the threshold criteria for receiving CIP funding from OIA.

Expanding Electronic Government: OIA is working closely with the other offices in Policy, Management and Budget to institute E-government initiatives. E-Government is extremely important to OIA. OIA's territorial constituents are remotely located in the Pacific Ocean and the Caribbean. Twenty years ago, communication was by key-punched cable machines or by operator-assisted telephone. These were gradually replaced by facsimile machines and direct dial telephone capability. Now the primary linkage, and one of the most important social changes in the islands, is access to electronic mail and the internet. OIA has supported studies for financing and installing undersea cable to improve electronic capacity. OIA has provided significant technical assistance for an E-Commerce business initiative in American Samoa. OIA has developed its own website and has helped the insular governments improve the quality and usefulness of their websites. OIA has funded both technical assistance and capital acquisitions for installation of teleconferencing and other telecommunication capacity in the islands. A recently initiated effort is to use the internet to electronically publish business opportunities in the islands and thus increase competition and improve the quality of procurements funded by OIA.

### Performance Summary

OIA is the principal office responsible for achieving the Department's mission of quality communities for insular areas and its end outcome goal to accomplish this mission by increasing the islands' economic self-sufficiency.

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

More recently, however, OIA has recognized a need to more directly facilitate private sector economic development. The insular area economies have generally been heavily oriented around the public sector, and some insular area officials had arguably become complacent about their ability to continue to use substantial financial support from the Federal Government as a substitute for private sector economic development. OIA therefore perceived a need to educate insular area officials about the importance of promoting private sector economic development, and to provide technical assistance to help them identify and implement the necessary steps to make their economies more sustainable. Specifically, technical assistance was required to help the insular areas to identify their competitive advantages; to identify industries that have the most potential to prosper in and bring prosperity to the insular areas; to identify companies in those industries that might consider investing in the insular areas; to identify specific investment opportunities for those companies; to reach out to as many of those companies as possible, and to effectively educate them on the competitive advantages offered by the insular areas; to help foster strategic

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

OIA has launched a multi-pronged program to address these needs. OIA launched the Island Fellows Program in 2003, which has sent graduate students from business schools such as Wharton and Harvard to the insular areas to study their economies, identify competitive advantages, identify industries with potential, identify specific investment opportunities, facilitate outreach to mainland companies and help insular area business and government officials to follow up with potential investors. The work of the Island Fellows has supported the year-round efforts of OIA full-time staff and contractors in all of these activities. The work of the Island Fellows also helped OIA to organize conferences in 2003 and 2004 that gave island business and government officials the opportunity to meet and market opportunities to businesses from around the country. OIA has worked actively to help insular area officials follow up on contacts made at the conferences. For example, in 2004 the Assistant Secretary for Policy, Management and Budget led an OIA-organized business opportunities mission in which representatives of 17 potential private sector investors traveled, at their own expense, to Guam, Saipan and Palau. OIA also ensured that each of the potential investors—which included companies involved in tourism, information technology, environmental technology, defense systems, financial services, health care, education, agriculture and construction—had a full schedule of site tours and meetings with government officials and potential local business partners.

OIA plans to organize business opportunities missions to the U.S. Virgin Islands and American Samoa in FY 2006, and is considering conducting a business opportunities mission in FY 2007 in Hawaii in which all U.S. Territories and the Freely Associated States can participate. In calendar year 2006, the Island Fellows program will focus on assessing the business climate in the U.S. Territories.

OIA has also worked with the Asian Development Bank to discuss with insular area government officials ways to improve the business climate in their islands. This effort will continue.

OIA has worked to find ways to make significant progress on economic development without the need for a large commitment of resources. In fact, less than 1% of the Assistance to Territories appropriations is spent on private sector development. Nevertheless, this effort is proving to be successful, with business opportunities in the insular areas having been consummated with the help of OIA's facilitation efforts. The following are examples of results from the initiative: The following are projects under way, stemming from contacts made at DOI's Business Opportunities Conferences and Missions.

- A California nursing home company that participated in the 2004 conference and the first business opportunities mission is moving forward to develop a nurse-training



- facility on Saipan, and has purchased a hotel to house students. They are negotiating with the Northern Marianas College for a reciprocity agreement on their curriculum, which is already certified in California, and will operate out of the defunct La Fiesta mall. The school may already be open.
- That same company has also opened the first privately-operated pharmacy on Saipan. The pharmacist is awaiting reciprocity on his license, but the facility is already open, selling durable medical supplies and over-the-counter medication.
  - Two cruise lines that were visited by OIA officials in connection with the first business opportunities mission have informed OIA of plans to run Micronesia cruises in 2007.
  - A Seattle-based financial services company that participated in the first business opportunities mission has received approval to begin operations in Guam from the local Department of Taxation and is awaiting approval from Department of Banking.
  - Guam issued a certificate to a California-based company at the 2004 conference to authorize it to engage in the captive insurance business in Guam.
  - Guam utility officials made a presentation on privatization opportunities at the 2003 conference. The privatization of Guam Telecom Authority took place the following year. During the 2003 conference, the Governor of Guam met with the law firm that was eventually hired to prepare the bid request to privatize the Guam Waterworks Authority.
  - An American Samoa company and a Palau company, after meeting at the 2004 conference, teamed up to win the bid to design and implement an immigration system for Palau. The American Samoa company, which participated in both conferences and the business opportunities mission, is pursuing three other projects in the Western Pacific in partnership with local companies on Saipan, Palau, and in the RMI that it met at the conferences, in local satellite television, computer software and systems, and additional border management. The company has hired additional staff to meet demand for new business.
  - A software entrepreneur in Southern California started a software company in American Samoa after attending the 2003 conference. The new American Samoa company is intended to be a base for operations throughout the South Pacific.
  - A company from Oklahoma that attended the 2004 conference will now be providing insurance actuarial services in Guam
  - A Hawaii-based internet applications firm that attended the business opportunities mission has been retained by a major tour company on Palau for both back office and web services.
  - A university that attended the 2004 Conference and participated in the 2004 Trade Mission will offer MA and PhD-level courses in education on both Guam and Saipan, through a combination of on-site and distance methods. They have already received the necessary clearances on Saipan.
  - A company that participated in the Mission and the Conference has started a new newspaper and television station on Saipan.
  - A company that participated in the Conference and Mission is working to develop recreational/entertainment facilities on Saipan aimed at both the local population and the tourist market. They have already hired fifteen local staff to manage the facilities,

- and are planning to either import or purchase locally six or more buses to support these businesses.
- A company that participated in the 2004 Conference and the Mission has formed a partnership in the CNMI to mine volcanic pozzolan, an essential component of concrete, from the island of Pagan in the Commonwealth of the Northern Mariana Islands. They have secured tentative commitments for financing. The supply would be aimed at large construction companies in China, several of which have already made tacit commitments to purchase the material.
  - A financial services, asset management, and real estate development firm based in the U.S. Virgin Islands will be opening a branch in the CNMI, aimed at the Chinese market. The company attended both Conferences, and would offer international lending, investments, and consulting services. Their initial investment is expected to be \$12 million.
  - An Ohio-based venture capital firm that attended the 2004 conference is opening a financial services firm in the U.S. Virgin Islands, aimed at the local market.
  - In the pipeline:
    - A live-aboard dive-boat operator who attended the first business opportunities mission is working on plans to bring divers to Palau and/or Chuuk.
    - A company that participated in the first business opportunities mission is currently working out a partnership agreement with a local tour company in Palau for a dive attraction. The company made a follow-up visit to Guam, Saipan and Palau after the mission.
    - A company that participated in the first business opportunities mission has indicated that it wants to do either an airport commercial area development project in Guam or two other development projects in the Western Pacific this year. The company several follow-up trips to Guam, Saipan and Palau beginning in August 2005, bringing several business partners to examine the potential projects.
    - A group of three partners from the mainland United States, who learned of opportunities on Tinian through OIA's marketing of the first business opportunities mission, is working to develop Tinian's second resort hotel. They have secured an investor, and are currently pursuing the requisite licenses.
    - The same group is also having preliminary talks with an American firm based out of New York City that has distribution rights for a variety of Asian clothing labels, to develop retail opportunities on Tinian.
    - A company that was introduced to insular area business opportunities through OIA's marketing efforts is exploring placing plastic bag production facilities on Saipan or Yap.
    - A ceramics designer currently based in Hawaii and producing in China is considering moving his production site to the CNMI. A representative of the company, which participated in the first Business Opportunities Mission, recently made a second trip to review properties on the south end of the island.
    - A direct-mail company aimed at the Japanese market is considering placing a production/mass mailing facility on Saipan. Domestic postal rates in Japan

are so high that it would be more economical to base the facility in Saipan and mail internationally into Japan. A representative of the company, which participated in the first Business Opportunities Mission, recently made a second trip to review properties on the south end of the island.

- A California-based construction firm that attended the 2004 Conference is building 128 homes on Saipan.
- A company that participated in the 2005 Mission and the 2004 Conference has expressed interest in building power plants in Palau and the CNMI; the power would be sold directly to the local utility by means of a PPA.
- Two companies that participated or were represented on the 2005 trade mission are planning to build an OTEC power/potable water plant for the Kwajalein Atoll military base, and is also showing some interest in Guam and Saipan.
- A company from California is working with an electronics company on Saipan to introduce new wireless service.
- A company from Texas that participated in the Mission is working with the CNMI and Palau on homeland security projects.
- A company that participated in the Mission has bid on a contract with the Navy Communications Facility on Guam.
- A company that participated in the Mission is working with a local electronics firm in Palau to offer wireless service on-island.
- A company based in Florida was brought out to the islands by a participant in the first Mission; they are seeking to build power plants that burn a renewable fuel source derived from plant matter to be farmed in the Philippines. The company is already operating in Florida, and would build plants in Palau and Saipan, producing power to be sold under power purchase agreements with the local utilities. They are also negotiating to sell the fuel to Guam. They plan a trip in a month to the Philippines to close the land deals and sign PPAs.

Despite these successes, it will take patience and sustained commitment in order for this relatively new initiative to achieve its full potential. We recognize that the only alternative to these efforts is resignation to the insular areas' permanent dependence on substantial Federal financial assistance for their survival.

A measure of success is to look at the ratio of private sector jobs to total employment with anticipated increases in private sector jobs. OIA's emphasis on economic development is geared to assist the private sector with an anticipated result in the long term of increased private sector jobs availability to lessen dependence on Federal and local government employment.

**The second strategic goal is to improve insular governments' financial practices.** OIA is planning several strategies to accomplish this goal. One is to use the allocation of scarce budget resources as an incentive for financial improvements. Beginning with the FY 2005 budget, OIA established a competitive process by which Covenant grant funding is allocated in accordance with competitive criteria, most of which are related to good financial management. The allocation process for Covenant funding along with the specific criteria

are detailed in the CNMI/Covenant Grant section of this budget. OIA continues to review the criteria to ensure that they are valid, collectable and comparable to all insular areas.

OIA has been working with all of the territories and freely associated states to help the island governments' improve financial policies and procedures, upgrade automated financial management systems (FMS), train staff, complete accurate financial statements and meet the Single Audit Act requirements. At the start of this comprehensive approach by OIA, all of the areas were several years behind in completing financial statements and annual audits.

The following chart identifies the progress the areas have made in completing delinquent audits, current status and estimated compliance with the statutory deadlines. OIA will continue to assist the areas in obtaining the resources necessary to comply with the Single Audit Act and, when necessary, will impose sanctions if determined such are required to encourage the grantee to prioritize its efforts.

| <b>Timeliness of Annual Audits:</b>           |                         |   |  |                         |
|---|-------------------------|---|--|-------------------------|
| <u>Insular Area</u>                           | Year Ended Audit Period | Timely - per OIA within 1 yr of fiscal year end | Completed Audit - OIA Approved Extension | # of Months over Timely |
| American Samoa                                | 2002                    | 09/30/03  | 02/28/05                                 | 17                      |
|   | 2003                    | 09/30/04  | 08/16/05                                 | 11                      |
|   | 2004                    | 09/30/05  | Expected 02/06                           | 5                       |
| Commonwealth of the Northern Marianas Islands | 2002                    | 09/30/03  | 08/09/04                                 | 11                      |
|   | 2003                    | 09/30/04  | 07/06/05                                 | 10                      |
|   | 2004                    | 09/30/05  | Expected 02/06                           | 5                       |
| Guam  | 2002                    | 09/30/03  | 02/05/04                                 | 6                       |
|   | 2003                    | 09/30/04  | 12/03/04                                 | 3                       |
|   | 2004                    | 09/30/05  | 08/05/05                                 | 0                       |
| US Virgin Islands                             | 2002                    | 09/30/03  | 07/19/04                                 | 10                      |
|   | 2003                    | 09/30/04  | 05/31/05                                 | 8                       |
|   | 2004                    | 09/30/05  | Expected 03/06                           | 6                       |
| Federated States of Micronesia                | 2002                    | 09/30/03  | 01/14/05                                 | 16                      |
|   | 2003                    | 09/30/04  | Expected 03/06                           | 18                      |
|   | 2004                    | 09/30/05  | Expected 11/06                           | 14                      |
| Republic of the Marshall Islands              | 2002                    | 09/30/03  | 10/14/03                                 | 1                       |
|   | 2003                    | 09/30/04  | 07/06/04                                 | 0                       |
|   | 2004                    | 09/30/05  | 07/08/05                                 | 0                       |
| Republic of Palau                             | 2002                    | 09/30/03  | 10/20/03                                 | 1                       |
|   | 2003                    | 09/30/04  | 06/06/05                                 | 9                       |
|   | 2004                    | 09/30/05  | Expected 01/06                           | 4                       |

A second approach to achieve the goal of improving financial practices is to provide technical assistance to carry out specific plans for financial management improvements. To help accomplish this goal, OIA has contracted with the USDA Graduate School. The Graduate School provides training in a wide variety of financial disciplines. It also provides technical expertise to provide on-site assistance and advisory services, including development and implementation of long term improvement plans. To help appraise the effectiveness of these three approaches to improving the financial practices of the insular areas OIA will use the following performance indicator: “(Targeted reduction) in the total average months late for all insular general fund financial statements.”

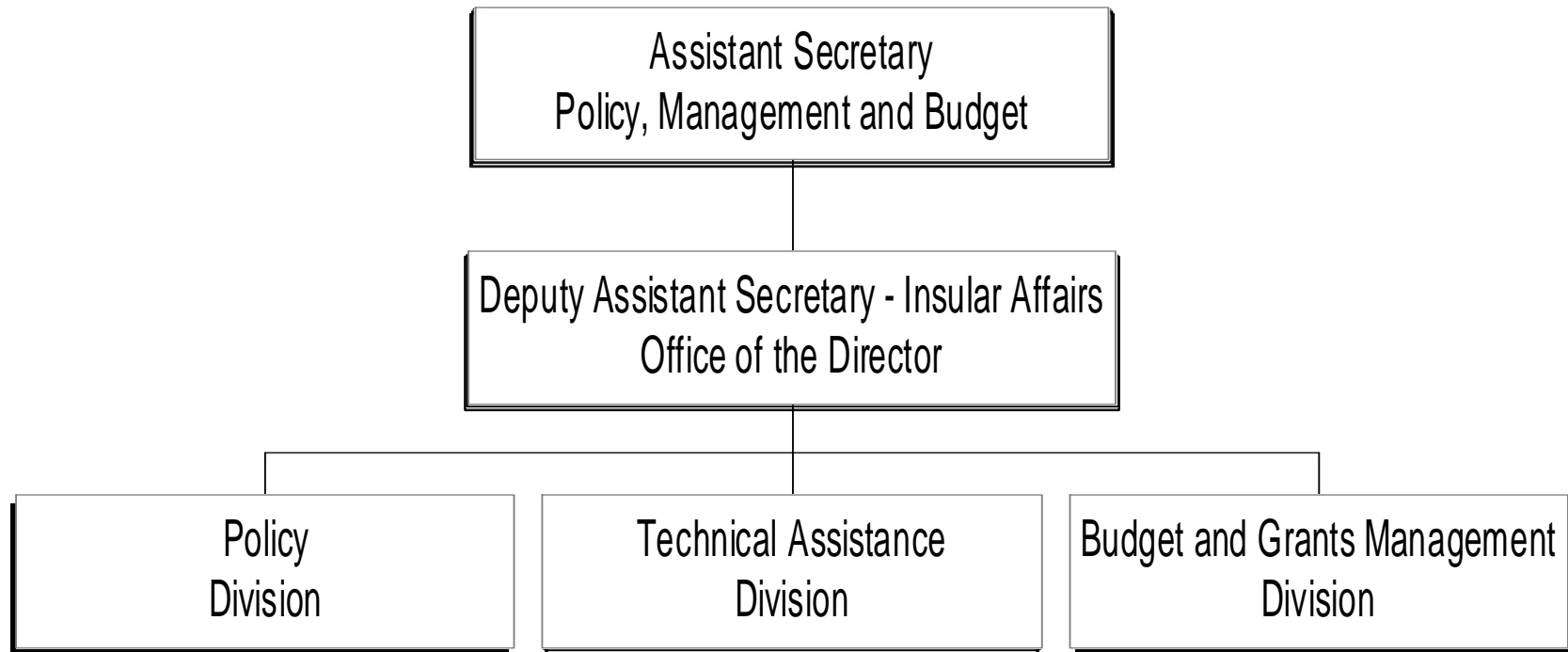
A third approach to improving financial practices is to provide assistance to bolster and institutionalize improvements to the local audit capacity. This is carried out through peer reviews, through direct classroom training, through membership and attendance at audit conferences and through coordinated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

**The final goal is to increase Federal responsiveness to unique needs of island communities.** OIA has developed a number of approaches to advance this goal. The first was creation, by Presidential Executive Order, of an Interagency Group on Insular Areas. This group meets periodically under the Chairmanship of the Secretary to bring together Federal agencies to hear the concerns of the insular governments, identify problems and develop solutions, and create an excellent forum for sharing information. OIA also is a key partner with the State Department in the Interagency Group on Freely Associated States. This group meets periodically to resolve problems and coordinate efforts in the Federated States of Micronesia, the Republics of Palau and the Marshall Islands. OIA is also making a strong effort to improve communications with the insular areas and those who do business with them. Particular attention has been placed on improving electronic communications. This is extremely important to the territories and freely associated states because of their remote locations. Technical assistance and capital funding has been provided to improve undersea cabling, satellite communications, video conferencing and distance learning, and website innovations. One form of assessing the effectiveness of activities to increase Federal responsiveness to unique needs of island communities is OIA’s customer satisfaction survey. The most recent survey showed improvements in six measured areas over the previous year, showing an average 69% favorable rating. Only satisfaction with the technical assistance grant process showed a decline.

GPRA Performance Data Validation and Verification: In keeping with departmental and OMB policy for performance data verification and validation, OIA has complied with requirements for performance data credibility directly connected to the DOI Strategic Plan goals and measures as related to the territories. OIA’s approach to achieving performance data credibility includes reimbursable agreements with the U.S. Bureau of Census to determine the capability and availability of realistic, measurable economic indicators in the territories that could be collected, compiled and assessed. This approach continues with U.S. Bureau of Census surveys including housing, income, and expenditure surveys in the territories, along with training workshops to calculate Gross Domestic Product. Included are compilation and data validation and verification assessments on private and public sector

employment ratios for the territories to ensure quality assurance measures are in place and to verify and certify data accuracy.

**ORGANIZATION CHART  
OFFICE OF INSULAR AFFAIRS**



**AUTHORIZATIONS**

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

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

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

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

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



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

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

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

## GOAL PERFORMANCE TABLE

### End Outcome Goal: Serving Communities. Increase Economic Self Sufficiency of Insular Areas

| End Outcome Measures/Intermediate or PART Measure/PART Efficiency or Other Outcome Measures   | 2004 Actual | 2005 Final Plan | 2005 Actual | 2006 Enacted | 2007 Plan | Change from 2006 revised to 2007 | Long-term Target (2008) 2006 Pres Bud | Long-term Target (2008) Revised | Explanations of Changes: for changes from 2006 to 2007 and 2006 and 2008 target revisions   |
|---|-------------|-----------------|-------------|--------------|-----------|----------------------------------|---------------------------------------|---------------------------------|---|
| <i>End Outcome Measures: Increase Self-Sufficiency of Insular Areas</i>   |             |                 |             |              |           |                                  |                                       |                                 |   |
| Non Federal Revenue (in billions)   | N/A         | N/A             | \$1.501     | \$1.501      | \$1.501   | \$0                              | N/A                                   | N/A                             |   |
| Federal Revenue (in billions)   | N/A         | N/A             | \$.725      | \$.725       | \$.725    | \$0                              | N/A                                   | N/A                             |   |
| Federal assistance as a percentage of GDP for insular economies – Annual proxy measure: “ratio of Federal Revenue to Total revenues in insular areas.” (SP) | 26%         | 24%             | 33%         | 33%          | 33%       | 0%                               | 22%                                   | 32%                             | The 2004 Actual and 2005 Final Plan figures were based on estimates from the CIA World Fact Book. Data in the CIA World Fact Book is inconsistently available and inaccurate for all insular areas. As a result of OIA’s Single Audit compliance efforts, more accurate and consistent data is now available from the insular areas’ annual audited financial statements. This data is now reflected beginning in the 2005 Actual column of this chart. |
| <i>Intermediate Outcome: Improve Insular Governments Financial Management Practices</i>   |             |                 |             |              |           |                                  |                                       |                                 |   |
| <i>Intermediate Outcome Measures (Key and Non-Key) and Office Outcome Measures</i>  |             |                 |             |              |           |                                  |                                       |                                 |   |
| <u>Timeliness of Financial Statements</u> : Total average months late for all insular general fund financial statements. (SP)                               | 8           | 7               | 19          | 12           | 5         | -7                               | 4                                     | 4                               | In the 2004 Actual and in the 2005 Final Plan figures, the insular areas were not in compliance with the Single Audit Act. OIA has been working with the insular areas to bring them into compliance and as a result audited financial statements are now being submitted by the insular areas. The timeliness of financial statements is now improving as is reflected in the data in the chart beginning in the 2005 Actual column.                   |
| <i>Intermediate Outcome: Increase Economic Development</i>  |             |                 |             |              |           |                                  |                                       |                                 |   |
| <i>Intermediate Outcome Measures (Key and Non-Key) and Office Outcome Measures</i>  |             |                 |             |              |           |                                  |                                       |                                 |   |

|   |      |      |     |     |     |     |     |     |  |
|---|------|------|-----|-----|-----|-----|-----|-----|--|
| <u>Private Sector Employment</u> : Ratio of private sector jobs to total employment. (SP)   | 0.76 | 0.72 | N/A | N/A | N/A | N/A | N/A | N/A | 2004 Actual and 2005 Final Plan figures were based on estimates from the 4 U.S. Territories. The insular areas do not consistently collect this data annually and this data is no longer available. OIA is currently considering an alternate measure to replace this one. |
| <b><i>Intermediate Outcome: Increase Federal Responsiveness to Unique Needs of Island Communities Striving for Economic Self-Sufficiency</i></b><br><b><i>Intermediate Outcome Measures (Key and Non-Key) and Office Outcome Measures</i></b> |      |      |     |     |     |     |     |     |  |
| OIA Customer Satisfaction and Confidence Rating: Percent Numeric Rating (SP-BUR-Non-Key)  | 70%  | 72%  | 72% | 73% | 74% | +1% | 75% | 75% | The 2005 Actual figure is an estimate. The actual percentage will be available from OIA pending OMB approval of the Customer Satisfaction Confidence Rating Survey Format. To receive a copy, please contact Roger Stillwell at (202) 208-6816.                            |

### FY 2007 BUDGET REQUEST FUNDING GOAL TABLES

OIA's FY 2007 budget falls 100 percent under the Strategic Plan Mission Goal of *Serve Communities*- End outcome Goal: *Increase Economic Self-Sufficiency of Insular Areas*.

#### FUNDING ARRAYED BY APPROPRIATION AND END OUTCOME GOAL

| Program Description  | FY 2007<br>Budget<br>Request                                | End Outcome Goal<br>Advanced   |
|--|---|--|
| Assistance to Territories  | \$74,361,000  | <b>Serving Communities:<br/><br/>Increase Economic Self-Sufficiency of Insular Areas</b> |
| Compact of Free Association – current account  | \$4,862,000   |  |
| <b>Total FY 2007 Budget Request – CURRENT account</b>                                | <b>\$79,223,000</b>   |  |
|  |   |  |
| Compact of Free Association – Permanent account                                      | \$202,403,000   |  |
| Fiscal Payments to Territories<br><i>Guam</i><br><i>Virgin Islands</i>               | \$144,700,000<br><i>\$56,800,000</i><br><i>\$87,900,000</i> |  |
| <b>Total FY 2007 Budget Request – PERMANENT account</b>                              | <b>\$347,103,000</b>  |  |
| <b>Total FY 2007 Budget Request – <u>Current</u> &amp; <u>Permanent</u> accounts</b> | <b>\$426,326,000</b>  |  |

The following table summarizes proposed budgetary changes in the FY 2007 budget and the end outcome goals they impact.

**FUNDING ARRAYED BY CURRENT APPROPRIATION/PROPOSED  
BUDGETARY CHANGE AND END OUTCOME GOAL**

| <b>Program Change Description</b>   | <b>Budget Change</b> | <b>Goal Advanced</b>                                |
|---|----------------------|---|
| <u>Assistance to Territories</u> - uncontrollables  | +\$248,000           | Serving Communities:                                |
| <u>Assistance to Territories</u> – net amount which includes elimination of one-time technical assistance projects; partial restoration of 2006 across the board reductions for insular projects; and increase in OIA for oversight of Compact: | - \$2,047,000        | Increase Economic Self-Sufficiency of Insular Areas |
| <i>American Samoa Operations</i>  | +110,000             |   |
| <i>Office of Insular Affairs</i>  | +103,000             |   |
| <i>General Technical Assistance</i>   | -2,298,000           |   |
| <i>Maintenance Assistance Fund</i>  | +11,000              |   |
| <i>Brown Tree Snake Control</i>   | +13,000              |   |
| <i>Insular Management Controls</i>  | +7,000               |   |
| <i>Coral Reef Initiative</i>  | +2,000               |   |
| <i>Water and Wastewater Projects</i>  | +5,000               |   |
| <u>Compact of Free Association</u> – current account: Federal Services: Increase in postal services charges.  | +\$42,000            |   |
| <u>Compact of Free Association</u> – current account: Enewetak Support (only current funding eliminated, permanent funding remains)   | -\$493,000           |   |
| <b>Total Net Budget Change</b>  | <b>-\$2,250,000</b>  | <b>Net – Serving Communities</b>                    |

**APPROPRIATION LANGUAGE – ASSISTANCE TO TERRITORIES**

For expenses necessary for assistance to territories under the jurisdiction of the Department of the Interior, \$[74,263,000]74,361,000 of which: (1) \$[67,382,000]66,737,000 shall be available until expended for technical assistance, including maintenance assistance, disaster assistance, insular management controls, coral reef initiative activities, and brown tree snake control and research; grants to the judiciary in American Samoa for compensation and expenses, as authorized by law (48 U.S.C. 1661(c)); grants to the Government of American Samoa, in addition to current local revenues, for construction and support of governmental functions; grants to the Government of the Virgin Islands as authorized by law; grants to the Government of Guam, as authorized by law; and grants to the Government of the Northern Mariana Islands as authorized by law (Public Law 94-241; 90 Stat. 272); and (2) \$[6,881,000]7,624,000 shall be available for salaries and expenses of the Office of Insular Affairs: Provided, That all financial transactions of the territorial and local governments herein provided for, including such transactions of all agencies or instrumentalities established or used by such governments, may be audited by the Government Accountability Office, at its discretion, in accordance with chapter 35 of title 3 I, United States Code: *Provided further*, That Northern Mariana Islands Covenant grant funding shall be provided according to those terms of the Agreement of the Special Representatives on Future United States Financial Assistance for the Northern Mariana Islands approved by Public Law 104-134: [*Provided further*, That of the amounts provided for technical assistance, sufficient funds shall be made available for a grant to the Pacific Basin Development Council: *Provided further*, That of the amounts provided for technical assistance, sufficient funding shall be made available for a grant to the Close Up Foundation:] *Provided further*, That the funds for the program of operations and maintenance improvement are appropriated to institutionalize routine operations and maintenance improvement of capital infrastructure with territorial participation and cost sharing to be determined by the Secretary based on the grantee's commitment to timely maintenance of its capital assets: *Provided further*, That any appropriation for disaster assistance under this heading in this Act or previous appropriations Acts may be used as non-Federal matching funds for the purpose of hazard mitigation grants provided pursuant to section 404 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5170c). (Department of the Interior and Related Agencies Appropriations Act, 2006.)

### Justification of Proposed Language Change

1. Deletion of the following wording:

[*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:]

This change removes language that directs specific funding to two non-governmental organizations that, as a result, do not have to compete with the insular governments for limited technical assistance funding. Each entity will continue to be eligible for technical assistance grants, but will not be guaranteed annual funding, and will have to compete with other priority projects.

OFFICE OF INSULAR AFFAIRS

ASSISTANCE TO TERRITORIES -FY 2007 REQUEST Summary of Requirements

| Comparison by Activity/Subactivity                   | FY 2005   |                        | FY 2006   |               |                           | Program Changes (+/-) |               | FY 2007 Budget Request |               | Incr. (+) or Decr. (-) from 2006 |               |
|--|-----------|------------------------|-----------|---------------|---------------------------|-----------------------|---------------|------------------------|---------------|----------------------------------|---------------|
|  | FTE       | Actual Amount w/ ATB * | FTE       | Estimate      | Fixed Cost Changes Amount | FTE                   | Amount        | FTE                    | Amount        | FTE                              | Amount        |
| <b>ASSISTANCE TO TERRITORIES</b>                     |           |                        |           |               |                           |                       |               |                        |               |                                  |               |
| (1) American Samoa                                   |           |                        |           |               |                           |                       |               |                        |               |                                  |               |
| Operations Grants                                    | 2         | <u>22,779</u>          | 2         | <u>22,770</u> | 0                         | 110                   | 2             | <u>22,880</u>          | 0             | 110                              |               |
| (2) Covenant Grants                                  |           |                        |           |               |                           |                       |               |                        |               |                                  |               |
| (a) Northern Mariana Islands Construction            |           | 12,423                 |           | 11,208        | 0                         | 0                     |               | 10,629                 |               | -579                             |               |
| (b) American Samoa Construction                      |           | 9,731                  |           | 9,542         | 0                         | 0                     |               | 10,543                 |               | 1,001                            |               |
| (c) Guam Construction                                |           | 1,398                  |           | 3,402         | 0                         | 0                     |               | 3,331                  |               | -71                              |               |
| (d) Law Enforcement, Labor & Immigration Initiative  | -1        | 0                      |           | 0             | 0                         | 0                     |               | 0                      |               | 0                                |               |
| (e) Virgin Islands Construction                      |           | 4,168                  |           | 3,568         | 0                         | 0                     |               | 3,217                  |               | -351                             |               |
|  |           | 0                      |           | 0             | 0                         | 0                     |               | 0                      |               | 0                                |               |
|  |           | 0                      |           | 0             | 0                         | 0                     |               | 0                      |               | 0                                |               |
| Subtotal, Covenant Grants                            |           | <u>27,720</u>          |           | <u>27,720</u> | <u>0</u>                  | <u>0</u>              |               | <u>27,720</u>          |               | <u>0</u>                         |               |
| (3) Territorial Assistance                           |           |                        |           |               |                           |                       |               |                        |               |                                  |               |
| (a) Office of Insular Affairs (OIA)                  | 37        | 6,472                  | 39        | 7,273         | 248                       | 2                     | 103           | 41                     | 7,624         | 2                                | 351           |
| (b) General Technical Assistance                     | 1         | 7,456                  | 1         | 8,436         | 0                         |                       | -210          | 1                      | 8,226         | 0                                | -210          |
| <i>Judicial Training U.S Territories</i>             |           | 316                    |           | 315           | 0                         |                       | -315          |                        | 0             |                                  | -315          |
| <i>Four Atoll Health Care</i>                        |           | 986                    |           | 985           | 0                         |                       | -985          |                        | 0             |                                  | -985          |
| <i>Water System Rehab - CNMI</i>                     |           | 986                    |           | 0             | 0                         |                       | 0             |                        | 0             |                                  | 0             |
| <i>Prior Service Benefits Trust Fund</i>             |           | 986                    |           | 788           | 0                         |                       | -788          |                        | 0             |                                  | -788          |
| <i>Insular Measures and Assessments</i>              |           | 986                    |           | 0             | 0                         |                       | 0             |                        | 0             |                                  | 0             |
| Subtotal, Technical Assistance                       |           | <u>11,716</u>          |           | <u>10,524</u> | <u>0</u>                  |                       | <u>-2,298</u> |                        | <u>8,226</u>  |                                  | <u>-2,298</u> |
| (c) Maintenance Assistance Fund                      |           | 2,268                  |           | 2,266         | 0                         |                       | 11            |                        | 2,277         |                                  | 11            |
| (d) Brown Tree Snake Control                         |           | 2,663                  |           | 2,660         | 0                         |                       | 13            |                        | 2,673         |                                  | 13            |
| (e) Insular Management Controls                      |           | 1,470                  |           | 1,469         | 0                         |                       | 7             |                        | 1,476         |                                  | 7             |
| (f) Coral Reef Initiative                            |           | 494                    |           | 493           | 0                         |                       | 2             |                        | 495           |                                  | 2             |
| (g) Water and Wastewater projects                    |           | 0                      |           | 985           | 0                         |                       | 5             |                        | 990           |                                  | 5             |
| Subtotal, Territorial Assistance                     |           | <u>25,083</u>          |           | <u>25,670</u> | <u>248</u>                |                       | <u>-2,157</u> |                        | <u>23,761</u> |                                  | <u>-1,909</u> |
| <b>TOTAL REQUIREMENTS, ASSISTANCE TO TERRITORIES</b> | <b>40</b> | <b>75,582</b>          | <b>42</b> | <b>76,160</b> | <b>248</b>                |                       | <b>-2,047</b> | <b>44</b>              | <b>74,361</b> | <b>2</b>                         | <b>-1,799</b> |



**2007 BUDGET REQUEST**  
**Fixed Cost and Related Changes**  
 BUREAU: Office of Insular Affairs  
*(in thousands)*

**FIXED COST AND RELATED CHANGES SUMMARY TABLE:**

| <i>Appropriation/Activity/Subactivity</i>                                      | <i>Item</i>                                  | <i>2007<br/>Change</i> |
|--|--|------------------------|
| Assistance to Territories/Territorial Assistance,<br>Office of Insular Affairs | 2006 Pay Raise                               | +\$34                  |
| Assistance to Territories/Territorial Assistance,<br>Office of Insular Affairs | 2007 Pay Raise                               | +\$81                  |
| Assistance to Territories/Territorial Assistance,<br>Office of Insular Affairs | Space Rental Changes                         | +\$36                  |
| Assistance to Territories/Territorial Assistance,<br>Office of Insular Affairs | Departmental Working Capital<br>Fund Changes | +\$73                  |
| Assistance to Territories/Territorial Assistance,<br>Office of Insular Affairs | Health costs                                 | +\$24                  |
| <b>TOTAL, REQUESTED FIXED COST<br/>CHANGES</b>                                 |  | <b>+\$248</b>          |

**Description of Uncontrollable Changes:**

ASSISTANCE TO TERRITORIES/TERRITORIAL ASSISTANCE,  
OFFICE OF INSULAR AFFAIRS

**Additional cost Pay Raises**

|   | 2006<br><u>Budget</u> | 2006<br><u>Revised</u> | 2006<br><u>Change</u>          |
|---|-----------------------|------------------------|--------------------------------|
| <b>2006 Pay Raise- 3 quarters in 2006</b> ..... | \$4,052               | \$3,993                | +\$34                          |
| <b>2006 Pay Raise- 1 quarter</b>                |                       | [1,468]                |                                |
| <b>2007 Pay Raise</b> .....                     |                       |                        | 2006<br><u>Change</u><br>+\$81 |

These adjustments are for an additional amount needed in 2007 to fund the remaining 3-month portion of the estimated cost of the, on average, 3.1 percent pay increases effective in January 2006 and the additional costs of funding for an estimated 2.2 percent January 2007 pay increase for GS-series employees and the associated pay rate changes made in other pay series.

**Other Fixed Cost Changes:**

|   | <u>2006</u><br><u>Budget</u> | <u>2006</u><br><u>Revised</u> | <u>2007</u><br><u>Change</u> |
|---|------------------------------|-------------------------------|------------------------------|
| <b>Rental payments to GSA and others.....</b> | \$654                        | \$647                         | +36                          |
|   |                              | [7]                           |                              |

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. Costs of mandatory office relocations, i.e., relocations in cases where due to external events there is no alternative but to vacate the currently occupied space, are also included.

|   | <u>2006</u><br><u>Budget</u> | <u>2006</u><br><u>Revised</u> | <u>2007</u><br><u>Change</u> |
|---|------------------------------|-------------------------------|------------------------------|
| <b>Department Working Capital Fund Changes.....</b> | \$489                        | \$488                         | +\$73                        |
|   |                              | [5]                           |                              |

The change reflects expected changes in the charges for services funded through the working capital fund. These charges are displayed in the Budget Justification for Department Management.

|  | <u>2006</u><br><u>Budget</u> | <u>2006</u><br><u>Revised</u> | <u>2005</u><br><u>Change</u> |
|--|------------------------------|-------------------------------|------------------------------|
| <b>Employer Share of Federal Health Costs.....</b> | \$220                        | \$217                         | +\$24                        |
|  |                              | [3]                           |                              |

The adjustment is for changes in the Federal Government's share of the cost of health insurance coverage for Federal employees. The increase is estimated at 11 percent, the average increase for the past few years.

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

| Appropriation:               | Assistance to Territories          | <u>2006 Estimate</u> |               | <u>Uncontrollable and Related Changes</u> |               | <u>Program Changes</u> |                | <u>2007 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        | 42                   | 3,367         |   | 85            |                        | 78             | 44                  | 3,530         |
| 11.3                         | Positions other than permanent     |                      | 100           |   | 0             |                        | 0              |                     | 100           |
| 11.5                         | Other personnel Compensation       |                      | 100           |   | 0             |                        | 0              |                     | 100           |
|                              | Total personnel compensation       | 42                   | 3,567         |   | 85            |                        | 78             | 44                  | 3,730         |
| <u>Other Object Classes</u>  |                                    |                      |               |   |               |                        |                |                     |               |
| 12.1                         | Personnel benefits                 |                      | 997           |   | 54            |                        | 25             |                     | 1,076         |
| 13.0                         | Benefits to former employees       |                      | 0             |   | 0             |                        | 0              |                     | 0             |
| 21.0                         | Travel & transportation of persons |                      | 580           |   | 0             |                        | 0              |                     | 580           |
| 22.0                         | Transportation of things           |                      | 0             |   | 0             |                        | 0              |                     | 0             |
| 23.1                         | Rental payments to GSA             |                      | 138           |   | 36            |                        | 0              |                     | 174           |
| 23.2                         | Other rent, comm., and utilities   |                      | 0             |   | 0             |                        | 0              |                     | 0             |
| 24.0                         | Printing and reproduction          |                      | 15            |   | 0             |                        | 0              |                     | 15            |
| 25.0                         | Other services                     |                      | 1,827         |   | 73            |                        | 0              |                     | 1,900         |
| 26.0                         | Supplies and materials             |                      | 48            |   | 0             |                        | 0              |                     | 48            |
| 31.0                         | Equipment                          |                      | 76            |   | 0             |                        | 0              |                     | 76            |
| 41.0                         | Grants, subsidies & contributions  |                      | 68,912        |   | 0             |                        | (2,150)        |                     | 66,762        |
| 99.0                         | Total requirements                 |                      | <b>76,160</b> |   | <b>248</b>    |                        | <b>(2,047)</b> |                     | <b>74,361</b> |

DEPARTMENT OF THE INTERIOR  
OFFICE OF INSULAR AFFAIRS  
ASSISTANCE TO TERRITORIES

Program and Financing (in millions of dollars)

| OMB ACCOUNT ID: 01085-0412-0               |   | 2005   | 2006     | 2007     |
|--|---|--------|----------|----------|
| 14-0412-0-1-806                            |   | Actual | Estimate | Estimate |
| Obligations by program activity:           |   |        |          |          |
| 00.01                                      | American Samoa Operations                                     | 23     | 23       | 23       |
| 00.02                                      | (a) Office of Insular Affairs                                 | 6      | 7        | 8        |
| 00.03                                      | (b) Technical Assistance                                      | 13     | 11       | 8        |
| 00.05                                      | (c) Direct Loan Subsidy                                       | --     | 2        | --       |
| 00.06                                      | (d) Interest on Loan Subsidy                                  | --     | 1        | --       |
| 00.10                                      | (e) Brown Tree Snake Control                                  | 3      | 3        | 3        |
| 00.11                                      | (f) Insular Management Controls                               | 4      | 1        | 1        |
| 00.12                                      | (g) Maintenance Assistance Fund                               | 3      | 2        | 2        |
| 00.13                                      | (h) Coral Reef Initiative                                     | --     | 1        | 1        |
| 00.14                                      | (i) Water and Wastewater Projects                             | --     | 1        | 1        |
| 00.91                                      | Direct subtotal, discretionary                                | 52     | 52       | 47       |
| 01.01                                      | Covenant Grants (mandatory)                                   | 37     | 28       | 28       |
| 10.00                                      | Total new obligations   | 89     | 80       | 75       |
| Budget resources available for obligation: |   |        |          |          |
| 21.40                                      | Unobligated balance carried forward, start of year            | 16     | 16       | 12       |
| 22.00                                      | New budget authority (gross)                                  | 79     | 76       | 75       |
| 22.10                                      | Resources available from recoveries of prior year obligations | 10     | --       | --       |
| 23.90                                      | Total budgetary resources available for obligation            | 105    | 92       | 87       |
| 23.95                                      | Total New obligations   | -89    | -80      | -75      |
| 24.40                                      | Unobligated balance carried forward, end of year              | 16     | 12       | 12       |
| New budget authority (gross), detail       |   |        |          |          |
| 40.00                                      | Appropriation (discretionary)                                 | 49     | 49       | 47       |
| 60.00                                      | Appropriation (mandatory)                                     | 28     | 28       | 28       |
| 70.00                                      | Total new budget authority (gross)                            | 79     | 76       | 75       |

DEPARTMENT OF THE INTERIOR  
OFFICE OF INSULAR AFFAIRS  
ASSISTANCE TO TERRITORIES

Program and Financing (in millions of dollars)

| OMB ACCOUNT ID: 01085-0412-0     |  | 2005   | 2006     | 2007     |
|----------------------------------|--|--------|----------|----------|
| 14-0412-0-1-806                  |  | Actual | Estimate | Estimate |
| Change in obligated balances     |  |        |          |          |
| 72.40                            | Obligated balance, start of year   | 132    | 130      | 124      |
| 73.10                            | Total new obligations  | 89     | 80       | 75       |
| 73.20                            | Total outlays (gross)  | -79    | -86      | -91      |
| 73.45                            | Recoveries of prior year obligations                                       | -10    | --       | --       |
| 74.00                            | Change in uncollected customer payments from Federal sources (uncollected) | -2     | --       | --       |
| 74.40                            | Obligated balance, end of year   | 130    | 124      | 108      |
| Outlays (gross), detail:         |  |        |          |          |
| 86.90                            | Outlays from new discretionary authority                                   | 34     | 31       | 31       |
| 86.93                            | Outlays from discretionary balances  | 23     | 26       | 32       |
| 86.97                            | Outlays from new mandatory authority                                       | --     | 28       | 28       |
| 86.98                            | Outlays from mandatory balances  | 22     | 1        | --       |
| 87.00                            | Total outlays (gross)  | 79     | 86       | 91       |
| Net budget authority and outlays |  |        |          |          |
| 89.00                            | Budget authority   | 76     | 76       | 75       |
| 90.00                            | Outlays  | 79     | 86       | 91       |

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

*(Total Employment)*

|   | <b>2005 Actual</b> | <b>2006 Estimate</b> | <b>2007 Estimate</b> |
|---|--------------------|----------------------|----------------------|
| SES   | 1                  | 1                    | 1                    |
| SL-0*   | 1                  | 1                    | 1                    |
| GS-15   | 7                  | 7                    | 7                    |
| GS-14   | 7                  | 7                    | 7                    |
| GS-13   | 8                  | 10                   | 12                   |
| GS-12   | 3                  | 5                    | 4                    |
| GS-11   | 9                  | 7                    | 6                    |
| GS-10   | 0                  | 0                    | 0                    |
| GS-9  | 3                  | 3                    | 5                    |
| GS-8  | 0                  | 0                    | 0                    |
| GS-7  | 1                  | 1                    | 1                    |
| GS-6  | 0                  | 0                    | 0                    |
| GS-5  | 0                  | 0                    | 0                    |
| GS-4  | 0                  | 0                    | 0                    |
| GS-3  | 0                  | 0                    | 0                    |
| GS-2  | 0                  | 0                    | 0                    |
| Total Employment<br>(actual/projected) at the end of<br>the Fiscal Year | <b>40</b>          | <b>42</b>            | <b>44</b>            |

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

| Activity: <b>AMERICAN SAMOA</b><br>Subactivity: <b>OPERATIONS GRANTS</b> |                 |                  |  |                             |                           |                                 |
|--|-----------------|------------------|--|-----------------------------|---------------------------|---------------------------------|
|  | 2005<br>Enacted | 2006<br>Estimate | Fixed Costs &<br>Related<br>Changes<br>(+/-) | Program<br>Changes<br>(+/-) | 2007<br>Budget<br>Request | Change<br>from<br>2006<br>(+/-) |
| General<br>Operations  | 21,922          | 21,913           | 0  | +105                        | 22,018                    | +105                            |
| High Court   | 857             | 857              | 0  | +5                          | 862                       | +5                              |
| FTE  | 2               | 2                | 0  | 0                           | 2                         | 0                               |
| <b>Total<br/>Requirements</b>  | <b>22,779</b>   | <b>22,770</b>    | <b>0</b>                                     | <b>+110</b>                 | <b>22,880</b>             | <b>+110</b>                     |
| FTE  | 2               | 2                | 0  | 0                           | 2                         | 0                               |

### SUMMARY OF 2007 PROGRAM CHANGES

| Request Component   |        |     |
|---------------------|--------|-----|
| Program<br>Changes  | Amount | FTE |
| Operations<br>Grant | +110   | 0   |

### JUSTIFICATION OF 2007 PROGRAM CHANGES

The FY 2007 budget request provides a modest increase to the American Samoa Government operations grants to promote self-sufficiency. Over the years, American Samoa has assumed an increasing percentage of the total costs of government operations in keeping with the Department's policy to require American Samoa to absorb inflationary costs. The program increase of \$110,000 is necessary to allow the American Samoa government to continue current work on obtaining quality financial reports.

**Program Performance Change:** Although the provision of an operating subsidy is in keeping with the Department's Strategic Goal of Serving Communities through providing financial assistance to help ensure governments are providing adequate government systems and service, there are no performance measures specifically linked to this performance change.

## PROGRAM OVERVIEW

Each fiscal year, the Office of Insular Affairs provides grant funds to American Samoa for the operation of the local government, including the judiciary. The American Samoa Government does not have sufficient local revenues to fund the entire operating costs of its government. The purpose of this program activity is to fund the difference between budget needs and local revenues. The Department defines “budget needs” as the cost of maintaining current programs and services. Unless mutually agreed upon by the American Samoan Government and the Department new programs are funded from local revenues.

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

*Support for Strategic Plan:* Operational support for American Samoa is necessary to achieve the intermediate goal of economic development. An environment for economic development requires that government provide basic critical services such as health care, education and public safety. OIA subsidizes these basic services. However, OIA does

### Cost and Performance Information:

- In 2005, OIA designated American Samoa as a high risk grantee. OIA took this action to be able to enforce special terms and conditions in order to enhance fiscal reform, ensure greater accountability for Federal funds, to bring American Samoa into compliance with the Single Audit Act and to encourage American Samoa to achieve a balanced budget. All of these items directly related to OIA’s goal of increasing economic self sufficiency in the insular areas.
- In order to promote the efficient use of operations funding in FY 2006, OIA began to require ASG to detail the specific usage of the operations funding. This will allow OIA to begin collecting data on the use of these funds. In FY 2006 the funds are being used for the American Samoa Community College (\$1,358,000), Department of Education (\$7,291,000), LBJ Hospital Operations (\$11,264,000), LBJ Pharmaceuticals & Medical Supplies (\$2,000,000), and High Court (\$857,000).
- In the general operations grant, OIA has included a special requirement that ASG report on all revenues and expenditures. OIA will collect and use this data to determine whether fiscal reform goals and objectives are being met. This special requirement is directly related to OIA’s goal of increasing economic self sufficiency in the insular areas.



not increase the annual subsidy amount for inflation or increases in population. This policy supports the long term goal of self-sufficiency by requiring the local government to assume an increasing share of the financial burden each year.

*Program evaluations, data validation and verification:* Program evaluations take place in several forms. The operational grant has financial reporting requirements that keep OIA apprised of the general financial condition of the government. In addition, OIA has entered into a memorandum of agreement with the American Samoa Government on a plan for financial reform. This agreement calls for periodic reports and assessments. Finally, GAO and the Interior Inspector General's Office have conducted numerous reviews and audits of OIA's relationship with American Samoa.

*Means and Strategies:* This program is carried out by means of an annual grant with a stream of monthly payments. The strategy is to keep the grant at a constant level, thus requiring American Samoa to absorb inflationary costs and increased program needs. This progressively leads toward self-sufficiency

*1992 GAO Review and Joint Working Group:* The American Samoa Government has experienced serious financial problems for a number of years. As a result of a General Accounting Office Report issued on April 7, 1992, Congress directed the Department of the Interior and the American Samoa Government ("ASG") to form a joint working group to address ASG's financial management problems. In 1995, the Department hired a contractor with financial management expertise to assist the joint working group in developing and implementing a financial recovery plan. On January 26, 1996, the Governor submitted the financial recovery plan to the Department, endorsing all its recommendations and pledging to implement the plan. Unfortunately, progress reports revealed that the American Samoa Government was not taking substantive steps towards implementing cost-containment and revenue enhancement measures identified in the financial recovery plan. In 1997, Congress directed that \$2 million of capital improvement funding be withheld until the Secretary certifies that the financial recovery plan has been substantially implemented. These funds were released to American Samoa in fiscal year 2004.

*Fiscal Year 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, to be repaid from their share of the Tobacco Settlement Escrow Fund for the purpose of paying debts (\$14.3 million) and implementing financial reforms (\$4.3 million). American Samoa identified a list of creditors who were willing to accept less than full dollar on the money they were owed. These creditors have now been paid. As a condition to the loan and requirement of the 1980 legislation, ASG submitted an Initial Fiscal Reform Plan on July 30, 2001. Subsequent to discussions and meetings between ASG and OIA, a Memorandum of Agreement (MOA) was signed by Governor Tauese P. Sunia and Deputy Assistant Secretary David B. Cohen on August 2, 2002. The MOA defined the implementation of the fiscal reform plan designed to bring the ASG annual operating expenses into balance with projected revenues for the years 2003 and beyond as required

under Public Law 106-113 (H.R. 2466) Part 5, Section 125(b)(3). As authorized by the MOA, OIA released \$4.3 million for expenses incurred by ASG under the Fiscal Reform Plan. The MOA requires ASG to submit quarterly reports, substantiated by an independent auditor, that provide updated revenue and expenditure information.

*Revised Fiscal Reform Plan:* In July 2004, ASG submitted a revised Fiscal Reform Plan (Plan) to comply with the MOA and more accurately describe the on-going fiscal reform activities ASG was able to undertake with the financial and technical assistance provided by OIA. In September 2004, OIA accepted this Plan and, upon verification of progress, released \$2 million in CIP funds that had been withheld from ASG since 1997. ASG has continued to provide information as required under the MOA and Plan, and reported operational surpluses for Fiscal Years 2002 through 2004. A review of ASG's continued progress of the action items of the Plan is scheduled for March 2005. In addition to monitoring the progress of the current action items, it is OIA's goal to assist ASG in developing and implementing fiscal reforms that will have a long-term effect on ASG's financial management practices and result in a more responsive and accountable government.

## 2007 PROGRAM PERFORMANCE ESTIMATES

American Samoa plans to accomplish the following in FY 2007:

- Provide financial reports for quarter ending September 30, 2006.
- Provide financial reports for quarter ending December 31, 2006.
- Provide financial reports for quarter ending March 31, 2007.
- Provide financial reports for quarter ending June 30, 2007.

In order to better track ASG General Operations funding, OIA will award funding to specific operations.

| OPERATION                              | PROPOSED AWARDS (\$) |
|--|----------------------|
| AS Community College                   | TBD                  |
| Department of Education                | TBD                  |
| LBJ Hospital Operations                | TBD                  |
| LBJ Pharmaceuticals & Medical Supplies | TBD                  |
| High Court                             | \$862,000            |
| <b>TOTAL</b>                           | <b>\$22,880,000</b>  |

## 2006 PLANNED PROGRAM PERFORMANCE

American Samoa plans to accomplish the following in FY 2006:

- Provide financial reports for quarter ending September 30, 2005.
- Provide reports for quarter ending December 31, 2005.
- Provide financial reports for quarter ending March 31, 2006.
- Provide financial reports for quarter ending June 30, 2006.

In order to better track ASG General Operations funding, OIA has begun to award funding to specific operations.

| <b>OPERATION</b>                       | <b>AWARDS (\$)</b>  |
|--|---------------------|
| AS Community College                   | \$1,358,000         |
| Department of Education                | \$7,291,000         |
| LBJ Hospital Operations                | \$11,264,000        |
| LBJ Pharmaceuticals & Medical Supplies | \$2,000,000         |
| High Court                             | \$857,000           |
| <b>TOTAL</b>                           | <b>\$22,770,000</b> |

## 2005 PROGRAM PERFORMANCE ACCOMPLISHMENTS

American Samoa accomplished the following in FY 2005:

- Provide financial reports for quarter ending September 30, 2004.
- Provide financial reports for quarter ending December 31, 2004.
- Reports financial reports for quarter ending March 31, 2005.
- Reports financial reports for quarter ending June 30, 2005.

*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 shall be 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.

| <b>Activity: CNMI/COVENANT GRANTS</b> |                    |                      |  |                        |                            |                         |
|---------------------------------------|--------------------|----------------------|--|------------------------|----------------------------|-------------------------|
| <b>SUMMARY TABLE</b>                  |                    |                      |  |                        |                            |                         |
| <b>\$(000)</b>                        | <b>2005 Actual</b> | <b>2006 Estimate</b> | <b>Fixed Costs &amp; Related Changes</b> | <b>Program Changes</b> | <b>2007 Budget Request</b> | <b>Change From 2006</b> |
| CNMI Construction                     | 12,423             | 11,208               | 0  | -579                   | 10,629                     | -579                    |
| American Samoa Construction           | 9,731              | 9,542                | 0  | +1,001                 | 10,543                     | +1,001                  |
| Guam Construction                     | 1,398              | 3,402                | 0  | -71                    | 3,331                      | -71                     |
| Virgin Islands Construction           | 4,168              | 3,568                | 0  | -351                   | 3,217                      | -351                    |
| <b>Totals</b>                         | <b>27,720</b>      | <b>27,720</b>        | <b>0</b>                                 | <b>0</b>               | <b>27,720</b>              | <b>0</b>                |
| FTEs                                  | 0                  | 0                    | 0  | 0                      | 0                          | 0                       |

Covenant funding addresses a variety of infrastructure needs in the territories including critical infrastructure like hospitals, schools and wastewater systems. The establishment of critical infrastructure not only benefits the current population and businesses, but lays 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 CNMI Initiative can be funded from discretionary technical assistance money. The territories are being asked to submit CIP requests in a range both above and below base (target). The base-levels have been established on the basis of current historic trends with respect to the Commonwealth of the Northern Mariana Islands and American Samoa. With respect to base levels for Guam and the U.S. Virgin Islands, OIA has divided equally the balance of the funding since these two governments have a greater capacity to locally finance infrastructure and the historical trends are not as clear. In the case of Guam, infrastructure assistance over the past several years has been in the form of Compact Impact aid that has been increased in the budget, but moved to the Compact appropriation account. 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 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> |              |
| FY 2005 – FY 2010                |              |
| (\$000)                          |              |
| CNMI .....                       | 11,000       |
| American Samoa .....             | 10,000       |
| Guam .....                       | 3,360        |
| Virgin Islands .....             | <u>3,360</u> |
| TOTAL                            | 27,720       |

The determination of the annual allocation is made on the basis of a set of competitive criteria that measure the demonstrated ability of the governments to exercise prudent financial management practices and to meet Federal grant requirements. In addition to the application of these criteria to the allocation of capital improvement assistance, the Office of Insular Affairs will consider the capacity of the insular government to absorb the amount of capital assistance they would otherwise qualify for and any special or extenuating conditions that might require adjustments to the allocation. The competitive criteria measure the governments’ demonstrated financial and administrative capabilities. The competitive criteria are listed below:

Competitive Criteria for Proposed Allocation of Mandatory Covenant Funding

1. The extent to which the applicant is in general compliance with deadlines established under the Single Audit Act of 1984.
2. The extent to which the applicant’s financial statement were reliable.
3. The extent to which the applicant is exercising prudent financial management, is solvent, and is current in paying outstanding obligations.
4. The extent to which the applicant has demonstrated prompt and effective efforts to correct internal control deficiencies.
5. The extent to which the applicant has demonstrated prompt and effective efforts to resolve questioned costs.
6. The extent to which the applicant provides timely and comprehensive responses to any follow-up inquiries that OIA and other Federal agencies may have regarding audits, including those related to questioned costs and those related to internal control deficiencies.
7. The extent to which the applicant has demonstrated effective contract administration and compliance with local statutes and regulations regarding procurement practices and processes.
8. The extent to which the applicant has made improvements as measured by the Performer.
9. The extent to which the applicant has properly functioning internal controls, including the presence of a qualified independent auditor, with an adequately funded office and strong safeguards to its independence.
10. The extent to which the applicant’s capital improvement application is submitted on time.

11. The extent to which the applicant has complied with all reporting requirements applicable to past and ongoing grants.

Allocations will vary from year to year depending upon how the insular governments meet the 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 2007 request for American Samoa is increased \$543,000 over the baseline funding in the competitive process because it scored above the average of the insular areas on the 11 criteria. However, once every five years, OIA will re-calculate base levels based on the average allocation over the five-year period. Thus, long-term good performance will be rewarded and poor performance in the long-term will be penalized.

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

| <b>Territory</b> | <b>Baseline Funding</b> | <b>FY 2006 +/- Baseline</b> | <b>FY 2007 +/- Baseline</b> | <b>Total FY 2006</b> | <b>Total FY 2007</b> | <b>Diff +/- FY 2006</b> |
|------------------|-------------------------|-----------------------------|-----------------------------|----------------------|----------------------|-------------------------|
| CNMI             | 11,000                  | +208                        | -371                        | 11,208               | 10,629               | -579                    |
| American Samoa   | 10,000                  | -458                        | +543                        | 9,542                | 10,543               | +1,001                  |
| Guam             | 3,360                   | +42                         | -29                         | 3,402                | 3,331                | -71                     |
| Virgin Islands   | <u>3,360</u>            | <u>+208</u>                 | <u>-143</u>                 | <u>3,568</u>         | <u>3,217</u>         | <u>-351</u>             |
| <b>Total</b>     | 27,720                  | 0                           | 0                           | 27,720               | 27,720               | 0                       |

| <b>Activity: CNMI/COVENANT GRANTS</b> |                |                  |   |                             |                           |                                 |
|---------------------------------------|----------------|------------------|---|-----------------------------|---------------------------|---------------------------------|
| <b>Subactivity: CNMI CONSTRUCTION</b> |                |                  |   |                             |                           |                                 |
|                                       | 2005<br>Actual | 2006<br>Estimate | Fixed Costs &<br>Related Changes<br>(+/-) | Program<br>Changes<br>(+/-) | 2007<br>Budget<br>Request | Change<br>from<br>2006<br>(+/-) |
| \$(000)                               |                |                  |   |                             |                           |                                 |
| CNMI<br>Construction                  | 12,423         | 11,208           | 0   | -579                        | 10,629                    | -579                            |
| FTEs                                  | 0              | 0                | 0   | 0                           | 0                         | 0                               |

### SUMMARY OF 2007 PROGRAM CHANGES

#### CNMI Construction

*(-\$579,000) from FY 2006 funding level*

*(-\$371,000) from FY 2007 baseline funding level*

The FY 2007 budget request for the CNMI CIP program is \$10,629,000 with no additional FTE's.

| <b>Request Component</b> |        |     |
|--------------------------|--------|-----|
| Program Changes          | Amount | FTE |
| CNMI Construction        | -579   | 0   |

### JUSTIFICATION OF 2007 PROGRAM CHANGES

The CNMI's FY 2007 budget request for Covenant CIP funding is \$10,629,000 with no additional FTE's. The CNMI's allocation decreased to slightly below baseline between FY 2006 and FY 2007. 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 \$27,720,000 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 CNMI Initiative on Labor, Immigration, and Law Enforcement is funded from discretionary technical assistance money. The territories are being asked to submit their requests in a range both above and below the base (target) level of funding. The base-levels have been established on the basis of current historic trends with respect to the Commonwealth of the Northern Mariana Islands. The OIA capital improvement project requests from each government will be within a range \$2,000,000 above



and below these base-levels:

|                                  |                 |
|----------------------------------|-----------------|
| CNMI Baseline Funding            | \$11,000,000    |
| Results from Competitive Process | <u>-371,000</u> |
| Programmed funding for FY2007    | \$10,629,000    |

The amount requested in FY 2007 reflects the continued needs in the CNMI to invest in public infrastructure which will help improve the quality of life for residents. Another purpose of infrastructure development is to develop a foundation to support the economic development of the CNMI in order to fulfill the goal of self-reliance. The proposed projects to be funded in FY 2007 are briefly explained below.

The delivery of potable water to Saipan continues to be a main priority and would receive \$3,120,000 of the proposed CIP funding. Currently, the residents of Saipan do not have potable water available twenty-four hours a day. The CNMI formed the Water Task Force to coordinate this important effort for which CIP funds have been allocated since FY 2004.

Another important activity on the island of Saipan is the revitalization of the tourist district, Garapan. The CNMI plans to use \$1,851,750 for the Garapan Revitalization project. Past CIP funding has been used successfully to make Garapan more tourist friendly with pedestrian routes and parks. Garapan Revitalization continues these efforts.

In order to comply with EPA regulations, the CNMI recently commenced closure of the Puerto Rico Dump once a new dump was created. A few activities remain to be completed before the Puerto Rico dump will be permanently closed. The CNMI plans to use \$3,000,000 of the proposed FY 2007 CIP funding to ensure that the dump is closed properly.

The islands of Rota and Tinian both plan to use the proposed CIP funding to continue to fund their Wastewater Collection, Transmission, Treatment, and Disposal projects. Each island would receive \$1,328,625 for these projects.

## 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's financial commitment to the Covenant totals \$581 million in mandatory Capital Improvement Project (CIP) funding since the first seven-year period of financial assistance began in 1978. The second of the two subsequent guaranteed funding

periods expired in FY 2003. This last agreement, as modified by Congressional action, provided a total of \$148 million in mandatory CIP funding over an eleven-year period that was matched by the CNMI government. All of the funding has been used for the construction of infrastructure, as required by Public Law 104-134 and the Third Special Representatives Agreement. The US-CNMI partnership in capital development has produced tangible results in terms of infrastructure and economic development, which is especially significant when considering that the CNMI has the shortest history as part of the United States. This subactivity supports DOI's Serving Communities Strategic Goal, and is aimed at increasing economic self-sufficiency in the CNMI.

*Support for the Strategic Plan:* The investment in critical public sector infrastructure supports the intermediate goal of increasing economic development by building the public facilities that must be in place to support a healthy business climate that attracts and retains private sector investment. The construction contracting process provides income to the private sector and supports competitive practices and business efficiencies. A successful private sector results in improved health, higher levels of education and a safer community thereby accomplishing DOI's long-term goal of increasing economic self-sufficiency. Economic self-sufficiency will not exist where a community does not have an educated, healthy workforce and a safe environment.

*Program evaluation, data verification and validation:* The CIP programs are evaluated by the review of regularly submitted project progress and financial reports. Evaluation and verification of report data is also provided by regular site visits to project sites by OIA personnel. OIA also reviews annual plans, budgets and performance information related to planning and management capacities.

*Means and strategies:* CIP funds are provided as financial assistance through the Federal grant process. Through the management of the capital improvement programs, the CNMI continues to hone its skills related to community planning, accountability, and contract and project management, thereby bolstering self-governance.

## **2007 PROGRAM PERFORMANCE ESTIMATES**

The requested \$10,629,000 will be used to continue meeting critical infrastructure needs in the CNMI similar to previous years. Funds will be used to continue improvements to potable water, solid waste collection, wastewater treatment, and to continue promoting economic development.

## **2006 PLANNED PROGRAM PERFORMANCE**

The \$11,208,000 in CIP funds granted to the CNMI in FY 2006 will be used to meet critical infrastructure needs such as potable water, solid waste management, and sewer system improvements, as well as to promote economic development through the revitalization of the Garapan tourist district.

## 2005 PROGRAM PERFORMANCE ACCOMPLISHMENTS

FY 2005 saw a continued focus placed on critical needs related to basic infrastructure such as the delivery of potable water, sewer system improvements and power. These infrastructure needs are long standing and have been well documented in previous studies and CIP plans prepared by and for the CNMI. FY 2005 also saw the completion of several CIP funded projects, notably, the American Memorial Park, the Rota Courthouse, and the Adult Detention Center.

## PROJECTING LISTINGS AND UPDATES

With the financial assistance of OIA, the CNMI worked with the U.S. Army Corps of Engineers (USACOE) to evaluate its personnel, planning, contract management and reporting systems. In 1998, the CNMI, in conjunction with the USACOE, developed a capital needs plan. This plan has directed the expenditure of CIP funding. The following projects have been initiated with CIP funding during the past five years. The percent disbursed is generally indicative of percent of grant proposal construction completed.

In reviewing the following tables please note that the CNMI has made great strides to strengthen the government's ability to effectively manage infrastructure grants and accelerate the spending of grant funds. Working together with OIA, the CNMI is pushing vital infrastructure improvements forward, therefore, it is expected that unspent grant funds detailed in the following charts will become increasingly encumbered.

OIA continues to encourage the CNMI and other territories to practice sound grants management through the new competitive CIP allocation process.

### FY 2007 Proposed Projects

| <b>Funding Category</b> | <b>Proposed Awards</b> |
|-------------------------|------------------------|
| Economic Development    | \$1,851,750            |
| Solid Waste             | \$3,000,000            |
| Wastewater              | \$2,657,250            |
| Water                   | \$3,120,000            |
| <b>Total</b>            | <b>\$10,629,000</b>    |

## FY 2006

| <b>Funding Category</b> | <b>Amount Awarded (\$)</b> | <b>Percent Disbursed</b> |
|-------------------------|----------------------------|--------------------------|
| Economic Development    | \$1,500,000                | 0%                       |
| Solid Waste             | \$2,776,000                | 0%                       |
| Wastewater              | \$1,276,000                | 0%                       |
| Water                   | \$5,656,000                | 0%                       |
| <b>Total</b>            | <b>\$11,208,000</b>        | <b>0%</b>                |

## FY 2005

| <b>Funding Category</b> | <b>Amount Awarded (\$)</b> | <b>Percent Disbursed</b> |
|-------------------------|----------------------------|--------------------------|
| Power                   | \$2,673,000                | 43%                      |
| Wastewater              | \$3,270,000                | 0%                       |
| Water                   | \$6,480,000                | 26%                      |
| <b>Total</b>            | <b>\$12,423,000</b>        | <b>23%</b>               |

**FY 2004**

| <b>Funding Category</b> | <b>Amount Awarded (\$)</b> | <b>Percent Disbursed</b> |
|-------------------------|----------------------------|--------------------------|
| Economic Development    | \$1,700,000                | 71%                      |
| Health                  | \$1,022,000                | 1%                       |
| Ports                   | \$278,000                  | 38%                      |
| Roads                   | \$500,000                  | 0%                       |
| Solid Waste             | \$1,000,000                | 0%                       |
| Wastewater              | \$1,300,000                | 0%                       |
| Water                   | \$5,200,000                | 77%                      |
| <b>Total</b>            | <b>\$11,000,000</b>        | <b>48%</b>               |

**FY2003**

| <b>Funding Category</b> | <b>Amount Awarded (\$)</b> | <b>Percent Disbursed</b> |
|-------------------------|----------------------------|--------------------------|
| Education               | \$295,500                  | 32%                      |
| Health                  | \$196,500                  | 0%                       |
| Economic Development    | \$2,000,000                | 92%                      |
| Power                   | \$250,000                  | 0%                       |
| Ports                   | \$700,000                  | 0%                       |
| Public Buildings        | \$429,500                  | 70%                      |
| Roads                   | \$2,422,500                | 16%                      |
| Solid Waste             | \$3,100,000                | 0%                       |
| Wastewater              | \$1,086,000                | 82%                      |
| Water                   | \$520,000                  | 5%                       |
| <b>Total</b>            | <b>\$11,000,000</b>        | <b>32%</b>               |

## FY 2002

| <b>Funding Category</b> | <b>Amount Awarded (\$)</b> | <b>Percent Disbursed</b> |
|-------------------------|----------------------------|--------------------------|
| Education               | \$892,500                  | 13%                      |
| Health                  | \$1,418,500                | 0%                       |
| Ports                   | \$2,500,000                | 15%                      |
| Solid Waste             | \$1,550,000                | 7%                       |
| Wastewater              | \$2,766,000                | 2%                       |
| Unallocated             | \$1,873,000                | 0%                       |
| <b>Total</b>            | <b>\$11,000,000</b>        | <b>*6%</b>               |

\* The percentage disbursed in FY 2002 has remained low mainly due to the scope of the projects and the need to obtain all the necessary environmental clearances prior to commencement. The Tinian Landfill, Tinian Wastewater, and Rota Airport projects, which comprise \$6.8 million of the FY 2006 funds, are all currently undergoing environmental analysis. The Rota Health Center Project, which was allocated \$1.4 million, is funded under multiple years and the CNMI is working to expend older funds prior to utilizing 2002 funds. In addition, the CNMI has been diligently working on project proposals for the remaining unallocated balance.

| <b>Activity: CNMI/Covenant Grants</b>           |                |                  |  |                             |                           |                                 |
|---|----------------|------------------|--|-----------------------------|---------------------------|---------------------------------|
| <b>Subactivity: AMERICAN SAMOA CONSTRUCTION</b> |                |                  |  |                             |                           |                                 |
|   | 2005<br>Actual | 2006<br>Estimate | Fixed Costs &<br>Related<br>Changes<br>(+/-) | Program<br>Changes<br>(+/-) | 2007<br>Budget<br>Request | Change<br>from<br>2006<br>(+/-) |
| \$(000)   | 9,731          | 9,542            | 0  | +1,001                      | 10,543                    | +1,001                          |
| FTEs  | 0              | 0                | 0  | 0                           | 0                         | 0                               |

### SUMMARY OF 2007 PROGRAM CHANGES

#### American Samoa Construction

*(+\$1,001,000) from FY 2006 funding level*

*(+\$543,000) from FY 2007 baseline funding level*

The FY 2007, budget request for the American Samoa CIP program is \$10,543,000 with no additional FTE's.

| <b>Request Component</b>    |        |     |
|-----------------------------|--------|-----|
| Program Changes             | Amount | FTE |
| American Samoa Construction | +1,001 | 0   |

### JUSTIFICATION OF 2007 PROGRAM CHANGES

The FY 2007 recommended funding level for American Samoa construction is \$10,543,000. This is a funding increase of \$1,001,000 from FY 2006.

Beginning with FY 2005, OIA implemented a new competitive allocation system for the \$27,720,000 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 \$2,000,000 above and below these base-levels:

|                                       |              |
|---------------------------------------|--------------|
| American Samoa Baseline Funding.....  | \$10,000,000 |
| Results from competitive process..... | + \$543,000  |
| Proposed funding for FY 2007.....     | \$10,543,000 |

The entire FY 2007 request will be utilized for infrastructure projects in American Samoa. Approximately \$1,650,000 million of the \$2,420,000 request for Health will be utilized to make improvements to the Lyndon B. Johnson Tropical Medical Center including the renovation of the Maternity Ward. Repair and upgrade of the facility has reached a critical point due to age and overcrowding.

Approximately \$3,325,000 will be utilized to provide quality education for a growing population of students in American Samoa. \$2,536,000 of these funds will be used to construct new classroom buildings for Leone Junior High School, Alofau Elementary School and Manulele Elementary School in order to meet increased demand.

Approximately \$1,000,000 of the \$1,075,000 requested for Water will be utilized to replace a thirty year old one million gallon water tank which is corroding and poses a safety risk due to its location in extremely steep terrain above homes.

Approximately \$900,000 of the \$1,250,000 request for Ports will be utilized for rehabilitation and improvements to the Main Wharf which plays a critical role in American Samoa's infrastructure. The current structure is showing serious signs of distress and actual failure of the deck slab and must be strengthened in order to be able to meet demand

The FY 2007 allocation for American Samoa was calculated utilizing the CIP selection criteria and methods below and further described in the beginning of this section (see Activity: CNMI/Covenant Grants Summary Table section).

**PROGRAM OVERVIEW:** Until 1996, American Samoa received annual discretionary grants for capital improvement needs. These grants averaged approximately \$5,000,000 annually. During that 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.

*Support for the Strategic Plan:* The investment in critical public sector infrastructure supports the intermediate goal of increasing economic development by building the public facilities that must be in place to support private sector investment and support a business climate. The construction contracting process provides income to the private sector and supports competitive practices and business efficiencies. The long-term goal of increasing economic self-sufficiency is supported by the effects that improved health, higher levels of education and more effective public safety have on the over-all community.

*Program evaluation, data verification and validation:* The Covenant Capital Improvement Projects (CIP) are evaluated by the review of regularly submitted project progress and financial reports. Evaluation and verification of report data is also provided by regular site visits to project sites by OIA personnel. OIA also reviews annual plans, budgets and performance information related to planning and management capacities.

*Means and strategies:* CIP funds are provided as financial assistance through the Federal grant process. Through the management of the capital improvement programs, American Samoa continues to hone its skills related to community planning, contract and project management and accountability, thereby bolstering self-governance.

## **2007 PROGRAM PERFORMANCE ESTIMATES**

The requested \$10,543,000 CIP funds will be used to meet critical infrastructure needs such as health, education, water improvements, sewer improvements, solid waste improvements, port improvements, village road improvements, public safety, and parks and recreation.

## **2006 PLANNED PROGRAM PERFORMANCE**

The \$9,542,000 in CIP funds granted to American Samoa in FY 2006 will again be used to meet critical infrastructure needs with a large portion of the funding again going to health, utilities, and education. It is expected that the currently ongoing Life Safety and Staff Housing Phase I projects at LBJ Hospital will be completed in the coming year. In FY 2006, OIA will continue to enable the successes of the CIP program through on and off site monitoring of grant compliance and performance progress.

## **2005 PROGRAM PERFORMANCE ACCOMPLISHMENTS**

FY 2005 saw a continued focus placed on the critical need to assist American Samoa in meeting the demand for adequate classroom space. During the fiscal year, work on design, renovation and new classroom construction projects at Tafuna Junior High School, Tafuna High School and Nu'uuli Vocational Technology Classroom Building were commenced. In

addition, FY 2005 also saw campus-wide plumbing and drainage as well as electrical and mechanical renovation projects move towards completion of at the American Samoa Community College.

Utilities projects also remained a priority in American Samoa's use of CIP funding. Several utilities projects were completed during FY 2005. Utilities projects completed include the LBJ Hospital Road to Fagaalu Quarry Waterline, the Fagaalu/Nuuuli Water System (FY 2003) as well as the Vaitogi Waterline (FY 2003). One of the largest projects which has spanned several years, the Tafuna Plains Sewer Project, made steady progress toward completion by connecting a large population center to the sewer lines thereby protecting the health of citizens as well as the environment.

### **PROJECT LISTING**

The following tables list the proposed projects for FY 2007 and projects funded by the FY 2006, 2005, 2004, 2003, and 2002 appropriations. These projects are in accordance with the American Samoa Master Capital Improvement Plan.

In reviewing the tables please note that the American Samoa Government and OIA have worked together to effectively address the infrastructure needs of the territory through the expeditious expenditure of CIP grant funding. The following tables are evidence of these efforts. The spending patterns displayed by the tables are consistent with the construction process. Spending is initially low in the planning and design phases of a construction project. Once these phases are complete and the actual construction work begins, spending is greatly accelerated.

**FY 2007 Proposed**

In accordance with American Samoa's FY 2007 budget submission dated July 30, 2005, the proposed FY 2007 funding will be used for the following critical infrastructure:

| <b>FUNDING CATEGORY</b>  | <b>PROPOSED AWARDS (\$)</b> |
|--------------------------|-----------------------------|
| Health                   | \$2,415,850                 |
| Education                | \$3,325,000                 |
| Water Improvements       | \$1,075,000                 |
| Sewer Improvements       | \$781,500                   |
| Solid Waste Improvements | \$237,500                   |
| Port                     | \$1,250,000                 |
| Roads                    | \$380,000                   |
| Public Safety            | \$475,000                   |
| Parks                    | \$76,000                    |
| O&M Set-Aside            | \$527,150                   |
| <b>TOTAL</b>             | <b>\$10,543,000</b>         |

**FY 2006-Awarded November 25, 2005**

| <b>FUNDING CATEGORY</b>  | <b>AMOUNT AWARDED (\$)</b> | <b>PERCENT DISBURSED</b> |
|--------------------------|----------------------------|--------------------------|
| Health                   | \$1,900,000                | 0%                       |
| Education                | \$2,707,500                | 0%                       |
| Water Improvements       | \$475,000                  | 0%                       |
| Sewer Improvements       | \$1,676,750                | 0%                       |
| Solid Waste Improvements | \$237,500                  | 0%                       |
| Port                     | \$1,301,500                | 0%                       |
| Roads                    | \$282,150                  | 0%                       |
| Public Safety            | \$389,500                  | 0%                       |
| Parks                    | \$95,000                   | 0%                       |
| O&M Set-Aside            | \$477,100                  | 0%                       |
| <b>TOTAL</b>             | <b>\$9,542,000</b>         | <b>0%</b>                |

## FY 2005 – Awarded December 27, 2004

| FUNDING CATEGORY         | AMOUNT AWARDED (\$) | PERCENT DISBURSED |
|--------------------------|---------------------|-------------------|
| Health                   | \$1,710,000         | 0%                |
| Education                | \$2,774,000         | 0%                |
| Water Improvements       | \$950,000           | 0%                |
| Sewer Improvements       | \$1,416,000         | 0%                |
| Solid Waste Improvements | \$237,500           | 0%                |
| Port                     | \$532,000           | 0%                |
| Roads                    | \$741,000           | 0%                |
| Public Safety            | \$484,500           | 0%                |
| Parks                    | \$76,000            | 0%                |
| Public Buildings         | \$323,000           | 0%                |
| O&M Set-Aside            | \$487,000           | 0%                |
| <b>TOTAL</b>             | <b>\$9,731,000</b>  | <b>0%</b>         |

## FY 2004 – Awarded February 20, 2004

| FUNDING CATEGORY         | AMOUNT AWARDED (\$) | PERCENT DISBURSED |
|--------------------------|---------------------|-------------------|
| Health                   | \$1,900,000         | 56%               |
| Education                | \$3,106,500         | 21%               |
| Water Improvements       | \$475,000           | 36%               |
| Sewer Improvements       | \$1,900,000         | 42%               |
| Solid Waste Improvements | \$475,000           | 94%               |
| Port                     | \$817,000           | 90%               |
| Roads                    | \$361,000           | 0%                |
| Public Safety            | \$484,500           | 0%                |
| Parks                    | \$76,000            | 36%               |
| Public Buildings         | \$38,000            | 0%                |
| O&M Set-Aside            | \$507,000           | 59%               |
| <b>TOTAL</b>             | <b>\$10,140,000</b> | <b>44%</b>        |

**FY 2003- Awarded March 7, 2003**

| <b>FUNDING CATEGORY</b>  | <b>AMOUNT AWARDED (\$)</b> | <b>PERCENT DISBURSED</b> |
|--------------------------|----------------------------|--------------------------|
| Health                   | \$1,984,500                | 88%                      |
| Education                | \$3,695,550                | 86%                      |
| Water Improvements       | \$855,000                  | 100%                     |
| Sewer Improvements       | \$1,258,750                | 90%                      |
| Solid Waste Improvements | \$237,500                  | 100%                     |
| Port                     | \$641,250                  | 100%                     |
| Roads                    | \$361,000                  | 30%                      |
| Public Safety            | \$324,900                  | 16%                      |
| Parks                    | \$95,000                   | 0%                       |
| Public Buildings         | \$145,350                  | 81%                      |
| Economic Development     | \$34,200                   | 0%                       |
| O&M Set-Aside            | \$507,000                  | 85%                      |
| <b>TOTAL</b>             | <b>\$10,140,000</b>        | <b>82%</b>               |

## FY 2002 - Awarded October 22, 2001

| FUNDING CATEGORY         | AMOUNT AWARDED (\$) | PERCENT DISBURSED |
|--------------------------|---------------------|-------------------|
| Health                   | \$1,539,000         | 96%               |
| Education                | \$2,850,000         | 94%               |
| Water Improvements       | \$1,425,000         | 100%              |
| Sewer Improvements       | \$950,000           | 100%              |
| Solid Waste Improvements | \$237,500           | 100%              |
| Port                     | \$997,500           | 88%               |
| Roads                    | \$598,500           | 61%               |
| Public Safety            | \$874,000           | 83%               |
| Parks                    | \$161,500           | 0%                |
| O&M Set-Aside            | \$507,000           | 100%              |
| <b>TOTAL</b>             | <b>\$10,140,000</b> | <b>91%</b>        |

Note: OIA is working closely with the ASG to increase spendout rates on infrastructure projects.

**Maintenance 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. 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.

| <b>Activity: CNMI/Covenant Grants</b> |                |                  |  |                             |                           |                                 |
|---------------------------------------|----------------|------------------|--|-----------------------------|---------------------------|---------------------------------|
| <b>Subactivity: GUAM CONSTRUCTION</b> |                |                  |  |                             |                           |                                 |
|                                       | 2005<br>Actual | 2006<br>Estimate | Fixed Costs &<br>Related<br>Changes<br>(+/-) | Program<br>Changes<br>(+/-) | 2007<br>Budget<br>Request | Change<br>from<br>2006<br>(+/-) |
| \$(000)                               | 1,398          | 3,402            | 0  | -71                         | 3,331                     | -71                             |
| FTEs                                  | 0              | 0                | 0  | 0                           | 0                         | 0                               |

### SUMMARY OF 2007 PROGRAM CHANGES

#### Guam Construction

*(-\$71,000) from FY 2006 funding level*

*(-\$29,000) from FY 2007 baseline funding level*

The FY 2007, budget request for the Guam CIP program is \$3,331,000 with no additional FTE's.

| <b>Request Component</b> |        |     |
|--------------------------|--------|-----|
| Program Changes          | Amount | FTE |
| Guam Construction        | -71    | 0   |

### JUSTIFICATION OF 2007 PROGRAM CHANGES

The FY 2007 recommended level for Guam construction is \$3,331,000 with no additional FTE's. This is a decrease of \$71,000 from FY 2006. The overall decrease in total funding between FY 2006 and FY 2007 levels is in part due to material qualifications in Guam's most recent single audits (FY 2002 and 2003) and the fact that the general government operations ran a deficit.

Beginning with FY 2005, OIA implemented a new competitive allocation system for the \$27,720,000 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 \$2,000,000 above and below base-levels.

|                                       |             |
|---------------------------------------|-------------|
| Guam Baseline Funding.....            | \$3,360,000 |
| Results from competitive process..... | - \$29,000  |
| Proposed funding for FY 2007.....     | \$3,331,000 |

The entire FY 2007 request will be utilized for infrastructure projects in Guam. Approximately \$1,516,000 will be utilized to renovate boating facilities at the Gregorio D. Perez Marina located in the village of Hagatna. Repair and upgrade of the facility has reached a critical point. The marina's two main docking areas are in urgent need of replacement. The flotation devices that support the docks are aging and taking on water causing the docks to submerge. The concrete sheet pilings around the main dock are severely corroded and urgently require replacement to provide the structural integrity necessary for keeping the surrounding landmass from falling into the marina. CIP funds were awarded in FY 2006 to provide for the architecture and engineering designs. The FY 2007 funds will be used to begin construction.

The remaining \$1,815,000 will be directed to the Guam Memorial Hospital Authority (GMHA). GMHA will use the CIP funds for the removal and replacement of the hospital's two 450-ton chillers including the system's chilled water and condenser water pumps, the existing fire alarm system and the existing roof insulation on the second floor. GMH is the island's only civilian hospital. These projects are essential to ensure quality medical care.

**PROGRAM OVERVIEW:** Legislation enacted in 1996 established a minimum six-year Covenant Capital Infrastructure Project (CIP) program for Guam as impact aid resulting from Micronesian immigration authorized in the Compacts of Free Association. Beginning in FY 2004, funding for impact aid for Guam is authorized and appropriated under the Compact of Free Association Amendments Act of 2003 (P.L. 108-188). Funds provided in FY 2005 and 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.

*Support for the Strategic Plan:* The investment in critical public sector infrastructure supports the intermediate goal of increasing economic development by building the public facilities that must be in place to support private sector investment and support a business climate. The construction contracting process provides income to the private sector and supports competitive practices and business efficiencies. The long-term goal of increasing economic self-sufficiency is supported by the effects that improved health, higher levels of education and more effective public safety have on the over-all community.



*Program evaluation, data verification and validation:* The capital improvement programs are evaluated by the review of regularly submitted project progress and financial reports. Evaluation and verification of report data is also provided by regular site visits to project sites by OIA personnel. Annual plans, budgets and performance information related to planning and management capacities are evaluated annually against threshold and competitive criteria to allocate resources among the insular areas.

*Means and strategies:* CIP funds are provided as financial assistance through the Federal grant process. Through the management of the capital improvement programs, Guam continues to hone its skills related to community planning, contract and project management and accountability, thereby bolstering self-governance.

## **2007 PROGRAM PERFORMANCE ESTIMATES**

The entire FY 2007 request will be utilized for infrastructure projects in Guam. Approximately \$1,516,000 will be utilized to renovate boating facilities at the Gregorio D. Perez Marina located in the village of Hagatna. The remaining \$1,815,000 will be directed to the Guam Memorial Hospital Authority (GMHA). GMHA will use the CIP funds for the removal and replacement of the hospital's two 450-ton chillers including the system's chilled water and condenser water pumps, the existing fire alarm system and the existing roof insulation on the second floor.

## **2006 PLANNED PROGRAM PERFORMANCE**

The \$3,400,000 in CIP funds granted to the Guam in FY 2006 will again be used to meet critical infrastructure needs, the largest being solid waste management. Approximately \$2,800,000 of the \$3,400,000 requested will be utilized for solid waste improvements mandated by the Consent Decree.

## **2005 PROGRAM PERFORMANCE ACCOMPLISHMENTS**

FY 2005 saw a continued focus placed on the critical need to assist Guam in meeting its deadlines related to solid waste management. In October 2003, the Government of Guam entered into a Consent Decree with the U.S. Environmental Protection Agency to close Guam's sole civilian landfill and open a new municipal solid waste landfill. The existing landfill has exceeded its capacity since the 1980's. In addition, FY 2005 also saw the completion the Tumon Police Precinct which was funded thru the CIP program.

### PROJECT LISTING

The following tables list the proposed projects for FY 2006 and projects funded by the FY 2005, 2004, 2003, 2002, and 2001 appropriations.

The Guam Government and OIA have worked together to effectively address the infrastructure needs of the territory through the expeditious expenditure of CIP grant funding. The following tables are evidence of these efforts. The spending patterns displayed by the tables are consistent with the construction process. Spending is initially low in the planning and design phases of a construction project. Once these phases are complete and the actual construction work begins, spending is greatly accelerated.

#### FY 2007 Proposed Projects

| FUNDING CATEGORY     | AMOUNT AWARDED (\$) |
|----------------------|---------------------|
| Health               | \$1,815,000         |
| Port                 | \$1,516,000         |
| Economic Development | \$100,000           |
| <b>TOTAL</b>         | <b>\$3,331,000</b>  |

#### FY 2006 – Awarded November 25, 2005

| FUNDING CATEGORY         | AMOUNT AWARDED (\$) | PERCENT DISBURSED |
|--------------------------|---------------------|-------------------|
| Solid Waste Improvements | \$2,818,000         | 0%                |
| Port                     | \$484,000           | 0%                |
| Economic Development     | \$100,000           | 0%                |
| <b>TOTAL</b>             | <b>\$3,402,000</b>  | <b>0%</b>         |

#### FY 2005 – Awarded November 25, 2005

| FUNDING CATEGORY     | AMOUNT AWARDED (\$) | PERCENT DISBURSED |
|----------------------|---------------------|-------------------|
| Economic Development | \$1,398,000         | 0%                |
| <b>TOTAL</b>         | <b>\$1,398,000</b>  | <b>0%</b>         |

#### FY 2004

No funds were provided under the mandatory Covenant CIP funding for Guam in FY

2004.

**FY 2003- Awarded August 1, 2003**

| <b>FUNDING CATEGORY</b> | <b>AMOUNT AWARDED (\$)</b> | <b>PERCENT DISBURSED</b> |
|-------------------------|----------------------------|--------------------------|
| Health                  | \$1,355,000                | 68%                      |
| Education               | \$2,500,000                | 79%                      |
| Public Safety           | \$1,718,000                | 61%                      |
| <b>TOTAL</b>            | <b>\$5,573,000</b>         | <b>71%</b>               |

**FY 2002- Awarded October 25, 2001**

| <b>FUNDING CATEGORY</b>  | <b>AMOUNT AWARDED (\$)</b> | <b>PERCENT DISBURSED</b> |
|--------------------------|----------------------------|--------------------------|
| Health                   | \$232,000                  | 79%                      |
| Education                | \$2,300,000                | 55%                      |
| Solid Waste Improvements | \$2,749,000                | 84%                      |
| Public Safety            | \$983,000                  | 84%                      |
| Public Buildings         | \$28,750                   | 93%                      |
| Unallocated              | \$87,250                   | 0%                       |
| <b>TOTAL</b>             | <b>\$6,380,000</b>         | <b>72%</b>               |

| <b>Activity: CNMI/Covenant Grants</b>           |                |                  |   |                             |                           |                                 |
|---|----------------|------------------|---|-----------------------------|---------------------------|---------------------------------|
| <b>Subactivity: VIRGIN ISLANDS CONSTRUCTION</b> |                |                  |   |                             |                           |                                 |
|   | 2005<br>Actual | 2006<br>Estimate | Fixed Costs &<br>Related Changes<br>(+/-) | Program<br>Changes<br>(+/-) | 2007<br>Budget<br>Request | Change<br>from<br>2006<br>(+/-) |
| \$(000)   | 4,168          | 3,568            | 0   | -351                        | 3,217                     | -351                            |
| FTEs  | 0              | 0                | 0   | 0                           | 0                         | 0                               |

### SUMMARY OF 2007 PROGRAM CHANGES

#### U.S. Virgin Islands Construction

*(-\$351,000) from FY 2006 funding level*

*(-\$143,000) from 2007 baseline funding level*

The FY 2007 budget request for the Virgin Islands CIP program is \$3,217,000 with no additional FTE's.

| <b>Request Component</b> |        |     |
|--------------------------|--------|-----|
| Program Changes          | Amount | FTE |
| VI Construction          | -351   | 0   |

### JUSTIFICATION OF 2007 PROGRAM CHANGES

The FY 2007 recommended level for U.S. Virgin Islands construction is \$3,217,000. This amount is requested for territory-wide sewer system infrastructure improvements. This is a reduction of \$351,000 from the FY 2006 amount of \$3,568,000. The FY 2007 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 \$27,720,000 in mandatory Covenant CIP grants. It is based on a premise that all funds will be used for capital improvement needs in the U.S. territories. The territories are being asked to submit CIP requests in a range both above and below base (target) level funding. The base-levels have been established on the basis of current historic trends with respect to the Commonwealth of the Northern Mariana Islands and American Samoa. With respect to base

levels for Guam and the U.S. Virgin Islands, OIA has divided equally the balance of the funding since these two governments have a greater capacity to locally finance infrastructure and the historical trends are not as clear. In the case of the U.S. Virgin Islands, funding has only been available on an intermittent basis. The new process offers the U.S. insular area governments the opportunity to compete each year for a portion of the guaranteed funding in addition to other assistance or local funding that might be available. The OIA capital improvement request for each government will be within a range \$2,000,000 above and below base-levels.

|   |             |
|---|-------------|
| U.S. Virgin Islands Baseline Funding..... | \$3,360,000 |
| Results from competitive process.....     | - \$143,000 |
| Proposed funding for FY 2006.....         | \$3,217,000 |

## PROGRAM OVERVIEW

Public Law 104-134, enacted in 1996, reduced annual funding to the CNMI and allocated other funds for use throughout the U.S.-affiliated insular areas.

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

*Support for the Strategic Plan:* The investment in critical public sector infrastructure supports the intermediate goal of increasing economic development by building the public facilities that must be in place to support a healthy business climate that attracts and retains private sector investment. The construction contracting process provides income to the private sector and supports competitive practices and business efficiencies. A successful private sector results in improved health, higher levels of education and a safer community thereby accomplishing DOI's long-term goal of increasing economic self-sufficiency. Economic self-sufficiency will not exist where a community does not have an educated, healthy workforce and a safe environment.

*Program evaluation, data verification and validation:* The capital improvement programs are evaluated by the review of regularly submitted project progress and financial reports. Evaluation and verification of report data is also provided by regular site visits to project sites by OIA personnel. OIA also reviews annual plans, budgets and performance information related to planning and management capacities.

*Means and strategies:* CIP funds are provided as financial assistance through the Federal grant process. Through the management of the capital improvement programs, the U.S. Virgin Islands continues to hone its skills related to community planning, accountability, and contract and project management, thereby bolstering self-governance.

## 2007 PROGRAM PERFORMANCE ESTIMATES

The requested \$3,217,000 will be used to continue territory-wide collection system upgrades in the U.S. Virgin Islands through the repair or replacement of failed pipelines and manholes. The sewers territory-wide vary in age but are similar in the extent of deterioration or collapse and must be repaired to support the new wastewater treatment plants. The FY 2007 grant will be a continuation of the repairs and renovations funded by the FY 2005 and FY 2006 CIP grants.

### Expected 2007 Performance Results:

- The Anguilla Wastewater Treatment Plant, on St. Croix, will be completed and placed in operation by October 30, 2006.
- The Charlotte Amalie Wastewater Treatment Plant, on St. Thomas, will be completed and fully operational by November 30, 2006.
- Full regulatory compliance will be in place by February 23, 2007 at the Anguilla plant, and by April 28, 2007 at the Charlotte Amalie plant.

## 2006 PLANNED PROGRAM PERFORMANCE

FY 2006 will see a continued focus on wastewater management in the U.S. Virgin Islands. The \$3,568,000 CIP grant will be used to continue territory-wide sewer system infrastructure upgrades, begun in FY 2005, to ensure that the Territory has the infrastructure required to support the new wastewater treatment plants on St. Croix and St. Thomas.

Approximately \$1,400,000 will be utilized to repair, rehabilitate and replace the sanitary sewer infrastructure in St. Croix. The infrastructure consists of manholes and appurtenances, collection, service and interceptor sewers. The sewers are in various states of deterioration and collapse. The intent of this project is to repair the existing sewers and manholes, rehabilitate areas of inflow and infiltration and replace manholes, sections of pipe and/or manhole to manhole sections of interceptor.

Approximately \$2,200,000 will be utilized to begin repairs in St. John, St. Thomas and St. Croix for elements of the sanitary sewer infrastructure (mainly collection system pipelines and manholes) which require immediate attention.

## 2005 PROGRAM PERFORMANCE ACCOMPLISHMENTS

The Office of Insular Affairs awarded a \$5,000,000 grant to the U.S. Virgin Islands in FY 2004 to provide partial funding for the design, construction and operation of upgraded wastewater treatment facilities on St. Thomas and St. Croix. The performance goal of the grant is to help secure full operational and regulatory compliance with applicable law no later than February 23, 2007 for the Anguilla Plant (on St. Croix), and no later than April 28, 2007 for the Charlotte Amalie Plant (on St. Thomas). Upon completion, the plants will provide reliable service to Virgin Islands residents and more than two million tourists annually.

The FY 2005 grant totaling \$4,168,000 was awarded for territory-wide sewer system infrastructure upgrades to ensure that the U.S. Virgin Islands has the infrastructure required to support the new wastewater treatment plants. Funds are being used to construct, repair, and upgrade sewer lines on the islands of St. Croix, St. Thomas, and St. John.

### PROJECT LISTING

The following tables list the proposed projects for FY 2007 and projects funded by the FY 2006, 2005, 2004, and 2003 appropriations.

#### FY 2007 Proposed

| <b>FUNDING CATEGORY</b> | <b>PROPOSED AWARD</b> |
|-------------------------|-----------------------|
| Sewer Improvements      | \$3,217,000           |
| <b>TOTAL</b>            | <b>\$3,217,000</b>    |

#### FY 2006

| <b>FUNDING CATEGORY</b> | <b>AMOUNT AWARDED(\$)</b> | <b>PERCENT DISBURSED</b> |
|-------------------------|---------------------------|--------------------------|
| Sewer Improvements      | \$3,568,000               | 0%                       |
| <b>TOTAL</b>            | <b>\$3,568,000</b>        | <b>0%</b>                |

**FY 2005**

| <b>FUNDING CATEGORY</b> | <b>AMOUNT AWARDED(\$)</b> | <b>PERCENT DISBURSED</b> |
|-------------------------|---------------------------|--------------------------|
| Sewer Improvements      | \$4,168,000               | 0%                       |
| <b>TOTAL</b>            | <b>\$4,168,000</b>        | <b>0%</b>                |

**FY 2004 and 2003 Grant Awards**

| <b>FUNDING CATEGORY</b> | <b>FY 2004</b>             |                          | <b>FY 2003</b>             |                          |
|-------------------------|----------------------------|--------------------------|----------------------------|--------------------------|
|                         | <b>AMOUNT AWARDED (\$)</b> | <b>PERCENT DISBURSED</b> | <b>AMOUNT AWARDED (\$)</b> | <b>PERCENT DISBURSED</b> |
| Sewer Improvements      | \$5,000,000                | 83%                      | \$993,000                  | 83%                      |

**FY 2002**

No funds were provided under the mandatory covenant funding for the U.S. Virgin Islands in FY 2002.



| <b>Activity: TERRITORIAL ASSISTANCE</b> |                    |                      |                                     |                              |                            |                               |
|---|--------------------|----------------------|-------------------------------------|------------------------------|----------------------------|-------------------------------|
| <b>SUMMARY TABLE</b>                    |                    |                      |                                     |                              |                            |                               |
| <b>\$(000)</b>                          | <b>2005 Actual</b> | <b>2006 Estimate</b> | <b>Uncontrollable Changes (+/-)</b> | <b>Program Changes (+/-)</b> | <b>2007 Budget Request</b> | <b>Change from 2006 (+/-)</b> |
| Office of Insular Affairs               | 6,472              | 7,273                | 248                                 | +103                         | 7,624                      | 351                           |
| Technical Assistance                    | 11,716             | 10,524               | 0                                   | -2,298                       | 8,226                      | -2,298                        |
| Maintenance Assistance                  | 2,268              | 2,266                | 0                                   | +11                          | 2,277                      | 11                            |
| Brown Tree Snake Control                | 2,663              | 2,660                | 0                                   | +13                          | 2,673                      | 13                            |
| Insular Management Controls             | 1,470              | 1,469                | 0                                   | +7                           | 1,476                      | 7                             |
| Coral Reef                              | 494                | 493                  | 0                                   | +2                           | 495                        | 2                             |
| Water and Wastewater Projects           | 0                  | 985                  | 0                                   | +5                           | 990                        | 5                             |
| <b>Total</b>                            | <b>25,083</b>      | <b>25,670</b>        | <b>248</b>                          | <b>-2,157</b>                | <b>23,761</b>              | <b>-1,909</b>                 |
| FTEs                                    | 38                 | 40                   | --                                  | --                           | 42                         | --                            |

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 over \$426 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 activity includes the various technical assistance activities carried out by the office. OIA's technical assistance activities have always been considered its most effective tool to implement Administration policy, and to achieve mutually desired improvements in the insular areas. Many of the technical assistance activities are evolving from application-based grant programs, which reacted to problems identified, to programs that rely on the implementation of result-oriented plans. Significant changes in management are being put into place, as we ask the governments and assistance providers to form partnerships with us to identify major priorities and then develop and implement long-term action plans.

**Cost and Performance Information**

- In fiscal year 2007, OIA has requested additional funds to improve OIA's capacity to monitor and administer financial assistance and grants. This additional funding will allow OIA to increase focus on accountability of grantees and economic development and will allow for further site visits to improve the oversight of Federal funds. This will allow OIA to provide approximately 618 site visits to the FSM and RMI in 2007 to ensure Federal funds are being utilized efficiently and in compliance with Federal grants regulations.
- OIA is collecting data benchmarking the quality of infrastructure in the insular areas through its Operations and Maintenance Improvement Program (OMIP). This benchmarking will provide numerical ratings for the state of primary infrastructure in the insular areas. OIA and the insular area governments will be able to utilize this data to ensure that infrastructure funds are awarded in areas where they are most necessary. OIA will also be able to review this data to see if the OMIP program's goal of institutionalizing proper maintenance practices is being met. The scope of the benchmarking will cover roads, schools, hospitals, airports, seaports, solid waste disposal facilities and government buildings with the intent of identifying "*best practices*." A detailed report is provided upon conclusion of each benchmarking phase.

| <b>Activity: Territorial Assistance</b>       |                |                  |   |                             |                           |                              |
|---|----------------|------------------|---|-----------------------------|---------------------------|------------------------------|
| <b>Subactivity: OFFICE OF INSULAR AFFAIRS</b> |                |                  |   |                             |                           |                              |
|   | 2005<br>Actual | 2006<br>Estimate | Fixed Cost and<br>Related<br>Changes<br>(+/-) | Program<br>Changes<br>(+/-) | 2007<br>Budget<br>Request | Change from<br>2006<br>(+/-) |
| \$(000)                                       | 6,472          | 7,273            | +248  | +103                        | 7,624                     | +351                         |
| FTEs  | 38             | 40               | --  | --                          | 42                        | --                           |

### SUMMARY OF 2007 PROGRAM CHANGES

| Request Component  | Amount     | FTE      |
|--|------------|----------|
| Oversight of Compact Grants                                | 102        | 0        |
| Enterprise Information Technology and Centralizes Services | 1          | 0        |
| <b>Total</b>   | <b>103</b> | <b>0</b> |

### JUSTIFICATION OF 2007 PROGRAM CHANGES

The request provides \$7,624,000 in funding for the Office of Insular Affairs. This is a program increase of \$103,000 with 2 additional FTE. The 2007 funding level also provides \$248,000 for fixed cost increases.

**Oversight of Compact Grant Funding:** An additional \$102,000 in funding in fiscal year 2007 will be used to improve OIA's capacity to monitor and administer financial assistance and grants. The additional funding is necessary in 2007 so that OIA can fund the increased costs associated with OIA's increased focus on accountability of grantees and economic development. In addition, it is extremely important that OIA have high visibility in the freely associated states during the first years of the new agreements in order to ensure that institutional structures such as the joint economic and management committees are properly staffed and supported and to ensure effective compliance with grant terms and conditions.

**Enterprise Information Technology and Centralized Services:** The 2007 budget for the Office of Insular Affairs includes an increase of \$1,000 in support of Department-wide enterprise information technology and centralized services.

**Program Performance Change:** Although the increase in monitoring and oversight is in keeping with the Department's Strategic Goal of Serving Communities through providing financial assistance to help ensure governments are providing adequate government systems and service, there are no performance measures specifically linked to this performance change.

**PROGRAM OVERVIEW:** The Office of Insular Affairs carries out the Secretary's responsibilities with respect to U.S.-affiliated insular areas. Fiscal year 2007 estimated staffing is 42 FTEs in OIA and 2 FTEs for the American Samoa Justices. The office is organized into three divisions and a director's office.

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

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

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

The Budget and Grants Management Division is responsible for budget formulation and presentation, chief financial officer activities, and performance planning. It manages financial assistance under the Compacts of Free Association, operations and capital improvement grants to U.S. territories, the Brown Tree Snake Control Program, the Operations and Maintenance Improvement Program, and Compact Impact Grants. The Division maintains an office in Hawaii for Compact oversight in the FSM and Marshall Islands, and has a field presence in the CNMI, Palau, the FSM and the Marshall Islands. In FY 2006, OIA is establishing a field presence in Guam. This position will also provide assistance in Compact oversight in the Freely Associated States.

The primary vehicles by which OIA implements its mission goal of *Serving Communities* are its financial assistance/grant programs, including the Compact of Free Association grants. The goals of the financial assistance programs are to increase economic development in the islands; 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. Sound financial practices are also dependent on OIA sustaining the high workload

requirements of grantee monitoring, audit follow-up, budgeting and performance planning.

The additional funding in fiscal year 2007 will be used to continue to improve OIA's capacity to monitor and administer financial assistance and Compact grants. In addition, it is extremely important that OIA have high visibility in the freely associated states during the first years of the new agreements in order to ensure that institutional structures such as the joint economic and management committees are properly staffed and supported and to ensure effective compliance with grant terms and conditions.

Meet Federal policy and legal requirements: OIA's grant management and accountability efforts are required to adequately meet the requirement of the Compacts of Free Association, Federal grant laws and regulations and OMB circulars, and the Single Audit Act.

### Means and Strategies

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 hires 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. As important will be the systematic planning of the oversight effort to take into account the varied island locations, types of projects and technical requirements of the oversight activities, such as construction site review, acquisitions and procurement reviews, financial analysis and project effectiveness.

In the current context, special attention will be paid to Compact oversight. This is relatively new task, and it will be analyzed to develop an optimum oversight plan. This is also a recommendation by the GAO as it reviewed the first year of Compact implementation.

### **2007 PROGRAM PERFORMANCE ESTIMATES**

In FY 2007, the OIA will continue to promote the Department's mission of assisting the insular areas to develop quality communities and economic self-sufficiency. OIA's top two priorities for the insular areas are promoting private sector economic development and strengthening accountability for Federal funds. Economic development is promoted in a variety of ways, including by 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 2007 level of funding OIA will:

- Provide 480 days of on-site oversight to the FAS.
- Provide additional site visits to construction grant programs in Guam and the Virgin Islands.
- Improve out-year performance by grantees responding to increased oversight.
- Reduce incidence of misuse of grant funds.
- Satisfy outside agencies (insular government and the GAO) of appropriate Federal involvement in grant programs.

OIA Business Opportunities Missions and Conferences are part of a broad initiative begun by Secretary Norton aimed at stimulating private sector-led economic development in the U.S.-affiliated insular areas. They have been supported by follow-up efforts in the Office of Insular Affairs, as well as an on-going Island Fellows program, which deploys MBA candidates from U.S. business schools to the insular areas to explore and develop opportunities and provide other research and support on the local business and regulatory climates. The total impact on the OIA budget, including staff time and travel, has been and is expected to be less than 1% of the total in any given year.

Business Opportunities Missions being considered for 2007 include trips to the Republic of the Marshall Islands and the Federated States of Micronesia. Also under consideration is another Business Opportunities Conference, similar to the event held in Los Angeles in the fall of 2004. The 2004 Conference was very successful, with attendance at nearly double the projected level. More than half of the companies that came on the first Mission had either attended the 2004 Conference or had been reached during the outreach efforts leading up to that event.

## **2006 PLANNED PROGRAM PERFORMANCE**

- Two additional Business Opportunities Missions are still in the planning stages for 2006. A Mission will travel to the U.S. Virgin Islands in March, and another will visit American Samoa in May. The lineups for both Missions are expected to be comparable to the 2005 Mission to the western Pacific jurisdictions; several industry leaders in tourism and technology have expressed interest or agreed to participate in one or the other of the Missions. Companies on the upcoming Missions will be exploring a variety of opportunities, particularly in tourism and heavy infrastructure, and also technology.
- In FY 2005, GAO recommended consideration of increased oversight and noted difficulties of FAS state to manage funds. Increased oversight cannot be maintained without increasing or shifting resources within OIA. OIA field staff will spend an estimated 515 days on-site in 2005.
- In FY 2006, OIA plans to review and revise its policies related to grants management; including strengthening its policies with regard to compliance with the National Environmental Policy Act (NEPA), the Endangered Species Act (ESA) and the National Historic Preservation Act (NHPA).

- In FY 2006, OIA plans to 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.

## 2005 PROGRAM PERFORMANCE ACCOMPLISHMENTS

- Expanded development of new policies and procedures for grants management and administration.
- Conducted the third year of a fellowship program to assess economic development problems and opportunities in the insular areas. Continued expansion of the program to include the freely associated states.
- The Department of the Interior's first Business Opportunities Mission visited Guam, the Commonwealth of the Northern Mariana Islands, and the Republic of Palau in May 2005. The Mission was led by Deputy Secretary P. Lynn Scarlett and included 14 companies, ranging from industry leaders in tourism and construction to a diverse mix of small and medium-sized enterprises. Follow-up from the first Mission is ongoing, but most of the participants are actively pursuing projects in at least one of the jurisdictions visited by the Mission. These projects include a nursing school in the CNMI, base operations contracts and financial services on Guam, an initiative to mine volcanic pozzolan (a material critical to the manufacture of concrete) in the CNMI, and telecommunications and tourism industry projects in Palau.

| <b>OIA Customer Service and Confidence Rating</b> |             |             |             |
|---|-------------|-------------|-------------|
|   | <b>2002</b> | <b>2003</b> | <b>2004</b> |
| Advocacy/Federal agency Coordination              | 60%         | 58%         | 72%         |
| Site Visits                                       | 82%         | 76%         | 85%         |
| O&M and Infrastructure                            | 68%         | 69%         | 69%         |
| TA Grants –in-process                             | 74%         | 69%         | 66%         |

### SECTION 343

All of OIA's overhead and administrative costs that support departmental functions are paid from our Office of Insular Affairs account as assessed through the Department Working Capital Fund. Specific detail itemizing the actual activity billed can be found on the following pages. The tables below identify the OIA costs by activity –broken out as centralized, fee for service and reimbursable billing.

#### **Centralized Billing – Working Capital Fund – OIA (\$'s in thousands)**

| <b>Activity/Office</b>                           | <b>FY 2005<br/>Actual</b> | <b>FY 2006<br/>Estimate</b> | <b>FY 2007<br/>Estimate</b> |
|--|---------------------------|-----------------------------|-----------------------------|
| Other OS Activities                              |                           |                             |                             |
| <b>Invasive Species Program</b>                  | <b>11.4</b>               | <b>12.2</b>                 | <b>21.8</b>                 |
| Invasive Species DOI Coordinator                 | <u>1.9</u>                | <u>2.0</u>                  | <u>3.6</u>                  |
| Secretary's Immediate Office                     | 13.3                      | 14.2                        | 25.4                        |
| Office of the Executive Secretariat              |                           |                             |                             |
| Departmental News and Information                | 5.0                       | 5.4                         | 2.5                         |
| Departmental Newsletter                          | 0.2                       | 0.2                         | 0.2                         |
| Hispanic Media Outreach                          | <u>4.7</u>                | <u>0.0</u>                  | <u>0.0</u>                  |
| Office of Communications                         | 9.9                       | 5.6                         | 2.7                         |
| Fish, Wildlife, and Parks                        |                           |                             |                             |
| Office of Financial Management                   |                           |                             |                             |
| Activity Based Costing/Management                | <u>0.5</u>                | <u>0.5</u>                  | <u>0.5</u>                  |
| Office of Financial Management                   | 0.5                       | 0.5                         | 0.5                         |
| DOI Space Management Initiative                  |                           |                             |                             |
| Property and Acquisition Management              |                           |                             |                             |
| Office of Planning and Performance<br>Management |                           |                             |                             |
| Office of Competitive Sourcing                   |                           |                             |                             |
| Employee Assistance Programs                     | <u>0.9</u>                | <u>0.9</u>                  | <u>0.9</u>                  |
| Office of Human Resources                        | 0.9                       | 0.9                         | 0.9                         |
| Office of Civil Rights                           |                           |                             |                             |
| Office of Occupational Health and Safety         |                           |                             |                             |
| Office of Law Enforcement and Security           |                           |                             |                             |
| Office of the Chief Information Officer          |                           |                             |                             |
| DOI-wide Telecommunications Initiatives          |                           |                             |                             |
| <b>Frequency Management Support</b>              | <b>9.4</b>                | <b>17.7</b>                 | <b>32.2</b>                 |
| Messaging  |                           |                             | 6.1                         |
| Active Directory                                 | <u>0.0</u>                | <u>0.4</u>                  | <u>0.4</u>                  |
| Office of the Chief Information Officer          | 9.4                       | 18.1                        | 38.7                        |
| Department-wide Records Management               | 0.0                       |                             |                             |
| Web & Internal/External Comm.                    |                           |                             | <u>0.3</u>                  |
| Office of the Chief Information Officer          | 0.0                       | 0.0                         | 0.3                         |
| Solicitor  |                           |                             |                             |
| CFO Financial Statement Audit                    | <u>53.2</u>               | <u>53.2</u>                 | <u>56.2</u>                 |
| Departmentwide Activities                        | 53.2                      | 53.2                        | 56.2                        |
| E-Government Initiatives                         | 1.0                       | 1.0                         | 1.0                         |
| Office of Planning and Performance<br>Management | 1.0                       | 1.0                         | 1.0                         |
| Appraisal Services                               |                           |                             |                             |
| Appraisal Services                               |                           |                             |                             |
| WCF Management                                   | 0.8                       |                             |                             |
| <b>NTIA Spectrum Management</b>                  | <b><u>39.4</u></b>        | <b><u>39.4</u></b>          | <b><u>71.0</u></b>          |



|                                     |              |              |              |
|-------------------------------------|--------------|--------------|--------------|
| Departmentwide Activities           | 40.2         | 39.4         | 71.0         |
| <b>Subtotal Other OS Activities</b> | <b>128.5</b> | <b>133.0</b> | <b>196.8</b> |

| <b>Activity/Office</b>                              | <b>FY 2005<br/>Actual</b> | <b>FY 2006<br/>Estimate</b> | <b>FY 2007<br/>Estimate</b> |
|---|---------------------------|-----------------------------|-----------------------------|
| <b>National Business Center</b>                     |                           |                             |                             |
| Cultural Resources & Events Management              | 0.1                       | 0.2                         | 0.3                         |
| Departmental museum                                 | 0.8                       | 0.8                         | 0.8                         |
| Learning and Performance Center<br>Management       | 0.2                       | 0.2                         | 0.2                         |
| SESCDP & Other Leadership Programs                  | 0.6                       | 0.3                         | 0.3                         |
| On-line Learning                                    | <u>0.2</u>                | <u>0.3</u>                  | <u>0.3</u>                  |
| NBC - Human Capital/DOIU                            | 1.9                       | 1.8                         | 1.9                         |
| Computer Applications and Network<br>Services       | 113.6                     | 119.7                       | 121.2                       |
| Telecommunications services                         | 23.7                      | 28.6                        | 29.0                        |
| Voice/data switching                                | 8.3                       | 7.1                         | 7.2                         |
| Hardware/Software Customer Service<br>Center        | 24.4                      | 24.3                        | 24.6                        |
| Records management/FOIA                             | <u>0.2</u>                | <u>0.2</u>                  | <u>0.2</u>                  |
| NBC – IT  | 170.2                     | 179.9                       | 182.3                       |
| <b>NBC - E-payroll</b>                              |                           |                             |                             |
| Acquisition services - DC/Denver                    | 34.1                      |                             |                             |
| Property Accountability Services                    | 11.3                      | 9.7                         | 11.8                        |
| Interior Complex Management & Services              | 10.4                      | 12.3                        | 12.7                        |
| Family Support Room                                 | 0.2                       | 0.2                         | 0.4                         |
| Moving Services                                     | 2.7                       | 3.6                         | 2.7                         |
| Shipping and Receiving                              | 4.3                       | 6.0                         | 6.3                         |
| Space Management Services                           | 2.6                       | 3.0                         | 3.6                         |
| Security  | 58.3                      | 79.9                        | 84.4                        |
| Accessible Technology Center                        | 0.1                       | 0.2                         | 0.2                         |
| Federal Executive Board                             | 0.1                       | 0.1                         | 0.1                         |
| Health Unit   | 3.3                       | 3.3                         | 4.1                         |
| Transportation Services (Household Goods)           |                           | 1.9                         | 3.6                         |
| Mail Policy   | 0.1                       | 0.2                         | 0.2                         |
| Mail and messenger services                         | <u>50.0</u>               | <u>52.9</u>                 | <u>56.2</u>                 |
| NBC - Administrative Operations                     | 177.5                     | 173.3                       | 186.4                       |
| Departmental Offices Accounting                     | <u>107.7</u>              |                             |                             |
| NBC – CFO   | 107.7                     |                             |                             |
| <b>Subtotal National Business Center Activities</b> | <b>457.3</b>              | <b>355.0</b>                | <b>370.6</b>                |
| <b>TOTAL- WCF Central Bill</b>                      | <b>585.8</b>              | <b>488.0</b>                | <b>567.4</b>                |

**Fee for Service Billing – Working Capital Fund – OIA**

(\$'s in thousands)

| <b>Activity/Office</b>                                  | <b>FY 2005<br/>Actual</b> | <b>FY 2006<br/>Estimate</b> | <b>FY 2007<br/>Estimate</b> |
|---|---------------------------|-----------------------------|-----------------------------|
| <b>Other OS Activities</b>                              |                           |                             |                             |
| Office of Assistant Secretary - PMB                     |                           |                             |                             |
| Office of Financial Management                          |                           |                             |                             |
| Office of Acquisition and Property<br>Management        |                           |                             |                             |
| Office of Small & Disadvantaged Business<br>Utilization |                           |                             |                             |
| Office of Wildland and Fire Coordination                |                           |                             |                             |
| Office of Planning and Performance<br>Management        |                           |                             |                             |
| Human Resources Policy                                  |                           |                             |                             |
| Office of Civil Rights                                  |                           |                             |                             |
| Office of Information Resources Management              |                           |                             |                             |
| Office of the Chief Information Officer                 |                           |                             |                             |
| FY 2006 KPMG Audit                                      |                           | 17.2                        | 1.7                         |
| FY 2007 KPMG Audit                                      |                           |                             | <u>17.2</u>                 |
| CFO Financial Statement Audit                           |                           | 17.2                        | 18.9                        |
| <b>Subtotal Other OS Activities</b>                     |                           |                             |                             |
|   | <b>0.0</b>                | <b>17.2</b>                 | <b>18.9</b>                 |

| <b>Activity/Office</b>  | <b>FY 2005<br/>Actual</b> | <b>FY 2006<br/>Estimate</b> | <b>FY 2007<br/>Estimate</b> |
|---|---------------------------|-----------------------------|-----------------------------|
| <b>National Business Center</b>   |                           |                             |                             |
| <b>Strategic Management of Human Capital Directorate</b>                |                           |                             |                             |
| On-line Learning  | <u>2.3</u>                | <u>0.0</u>                  | <u>0.0</u>                  |
| NBC - Human Capital/DOIU  | 2.3                       | 0.0                         | 0.0                         |
| <b>Information Technology Directorate</b>                               |                           |                             |                             |
| <b>NBC – CIO</b>  |                           |                             |                             |
| <b>Federal Personnel Payroll Systems &amp; Services<br/>Directorate</b> |                           |                             |                             |
| <b>NBC - E-payroll</b>  |                           |                             |                             |
| <b>Administrative Operations Directorate</b>                            |                           |                             |                             |
| <b>Acquisition services – DC</b>  |                           |                             | <b>109.3</b>                |
| <b>Flags &amp; Seals</b>  |                           |                             | <b>0.2</b>                  |
| Creative Communications   | 18.8                      | 19.4                        | 16.8                        |
| Express Delivery  | 0.1                       | 0.1                         | 0.1                         |
| Postage   | <u>13.5</u>               | <u>14.4</u>                 | <u>12.8</u>                 |
| <b>NBC - Administrative Operations</b>                                  | <b>32.4</b>               | <b>34.0</b>                 | <b>139.2</b>                |

|   |             |              |              |
|---|-------------|--------------|--------------|
| Budget and Finance Directorate                      |             |              |              |
| Departmental Offices Accounting                     |             | <u>101.0</u> | <u>98.2</u>  |
| NBC AMD   |             | <u>101.0</u> | <u>98.2</u>  |
| Aviation - Discretionary Activities                 |             |              |              |
| Aviation - Management Directorate                   |             |              |              |
| NBC - Appraisal Services                            |             |              |              |
| NBC Direction                                       |             |              |              |
| Solutions Coordination Office (LOB Funded)          |             |              |              |
| NBC – Management                                    |             |              |              |
| <b>Subtotal National Business Center Activities</b> | <b>34.7</b> | <b>134.9</b> | <b>237.5</b> |
| <b>TOTAL</b>  | <b>34.7</b> | <b>152.1</b> | <b>256.4</b> |

|  |             |                 |                                     |                       |                     |                        |
|--|-------------|-----------------|-------------------------------------|-----------------------|---------------------|------------------------|
| <b>Activity: Territorial Assistance</b>  |             |                 |                                     |                       |                     |                        |
| <b>Subactivity: TECHNICAL ASSISTANCE</b> |             |                 |                                     |                       |                     |                        |
|  | 2005 Actual | 2006 Estimate   | Fixed Costs & Related Changes (+/-) | Program Changes (+/-) | 2007 Budget Request | Change from 2006 (+/-) |
| \$(000)                                  | 11,716      | 10,524          | 0                                   | -2,298                | 8,226               | -2,298                 |
| FTE                                      | 0           | 1 <sup>/*</sup> | 0                                   | 0 <sup>*</sup>        | 1                   | 0 <sup>*</sup>         |

<sup>/\*</sup> FTE program change is based on a transfer of an FTE from the Covenant Grants activity to the Technical Assistance activity related to the CNMI immigration, labor and law enforcement program. The overall total for OIA FTE's remains the same.

**SUMMARY OF 2007 PROGRAM CHANGES**

**Technical Assistance (-\$2,298,000);**

| <b>Request Component</b> |        |     |
|--------------------------|--------|-----|
| Program Changes          | Amount | FTE |
| Technical Assistance     | -2,298 | 0   |

**JUSTIFICATION OF 2007 PROGRAM CHANGES**

The Department is proposing a net decrease of \$2,298,000 related to the reduction of congressional earmarked increases.

The FY 2007, budget request for the Technical Assistance program is \$8,226,000. The Covenant grant activity and allocations proposed no longer include funding for the CNMI immigration, labor and law enforcement program. Instead, any funding request for this program and the related grant management falls under the Technical Assistance activity. The overall total for OIA FTE's remains the same. In FY 2007, funds will be available for the Ombudsman's office.

|   |
|---|
| <p><b>Cost and Performance Information</b></p> <p>Technical assistance funding has been used to assist U.S. affiliated islands in developing more efficient and effective government by providing financial and technical assistance.</p> <p>With a focus on continuation of financial improvement, conducting assessments, monitoring and evaluation, and program performance, OIA, in cooperation with each insular areas, anticipates funds will be used to enable grantees to develop and attain performance objectives and milestones.</p> |
|---|

**Program Performance Change:** Although the provision of technical assistance is in keeping with the Department's Strategic Goal of Serving Communities through providing financial assistance to help ensure governments are providing adequate government systems and service, there are no performance measures specifically linked to this performance change.

## **PROGRAM OVERVIEW**

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

The islands regularly seek technical assistance to improve the productivity and efficiency of government operations, develop local expertise, and build institutional capacity in critical areas that include: health care, education, public safety, data collection and analysis, fiscal accountability, transportation, and communication. The program is also used to help the insular areas increase private sector economic opportunities, broaden the economic base, conserve energy, and protect fragile ecosystems. OIA and the insular governments have repeatedly found the program to be an excellent means to support policy goals, and to respond quickly and effectively to special emergent insular needs.

## **2007 PROGRAM PERFORMANCE ESTIMATES**

Technical assistance funding will be used to assist U.S. affiliated islands in developing more efficient and effective government by providing financial and technical assistance with a focus on continuation of financial improvement, conducting assessments, monitoring and evaluation, and program performance.

## **2006 PLANNED PROGRAM PERFORMANCE**

As part of its technical assistance effort, in FY 2006 OIA will enhance funding for training programs for island participants to improve technical expertise on a variety of topics. Over 3,000 participants have attended various training courses and events. Course examples include governmental accounting and audit updating, gross domestic product development, housing, income and expenditure data collection, audit problem solving and analysis, and removing obstacles to achieving an unqualified audit opinion. Specific details on key training courses and events are provided in the Insular Management Controls activity section.

OIA continues to fund the Ombudsman's Office and in FY 2006 provided \$425,000 for the office through technical assistance funds. Estimated costs include approximately \$120,000 for salaries, \$5,000 for travel, \$61,000 for space, 234,000 for other services (including contract employees) and \$5,000 for supplies and materials.

The office will also conduct a Business Opportunities Mission to American Samoa and the U.S. Virgin Islands to help the islands take advantage of investment opportunities from U.S. investors. In FY 2006, OIA commenced a program, Insular Measures and Assessments, which will begin consistent collection and reporting of economic indicators for the insular areas. Such indicators, which are routinely developed for the total U.S. economy and for the states, with assistance from the Department of Commerce's Bureau of Census, have never been consistently developed for the U.S. insular areas. OIA will also continue its partnership efforts with the Asian Development Bank. This data will assist in the analysis and identification of economic development opportunities in the islands.

### **2005 PROGRAM PERFORMANCE ACCOMPLISHMENTS**

In FY 2005, OIA provided direct technical assistant grants in excess of \$4 million to the insular areas. In addition, OIA obligated more than \$2 million for technical expertise provided by other Federal agencies.

As part of its technical assistance effort, OIA supported training programs for island participants to improve technical expertise on a variety of topics. Over 3,000 participants attended various training courses and events. Course examples include governmental accounting and audit updating, audit problem solving and analysis, and removing obstacles to achieving an unqualified audit opinion. Specific details on key training courses and events are provided in the Insular Management Controls activity section.

In FY 2005 particular program emphasis was placed on economic development activities. One key area of focus was to develop useful and consistent economic indicators for the territories. Benchmarking, and collection of demographic information are part of a program to collect these indicators.

The table on the following page identifies general Technical Assistance grants and their respective amounts by category.

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**Office of Insular Affairs – General Technical Assistance  
FY 2001-2005 Funding History**

| <i>Recipient</i>                                   | <i>2001</i>               | <i>2002</i>               | <i>2003</i>               | <i>2004</i>                | <i>2005</i>               |
|--|---------------------------|---------------------------|---------------------------|----------------------------|---------------------------|
| <b><i>Direct Grants to Insular Governments</i></b> |                           |                           |                           |                            |                           |
| American Samoa                                     | \$490,600                 | \$658,925                 | \$371,705                 | \$365,051                  | \$577,805                 |
| CNMI   | 259,000                   | 549,490                   | 216,080                   | 680,000                    | 527,101                   |
| Federated States of Micronesia                     | 285,705                   | 788,673                   | 258,867                   | 643,268                    | 531,571                   |
| Guam   | 439,232                   | 670,000                   | 1,063,094                 | 57,150                     | 346,860                   |
| Republic of the Marshall                           | 266,400                   | 517,985                   | 410,864                   | 800,368                    | 1,407,738                 |
| Republic of Palau                                  | 50,000                    | 504,734                   | 753,568                   | 489,106                    | 1,402,837                 |
| U.S. Virgin Islands                                | 669,335                   | 1,250,000                 | 954,024                   | 938,325                    | 411,588                   |
| <b><i>Subtotal</i></b>                             | <b><i>\$2,460,272</i></b> | <b><i>\$4,939,807</i></b> | <b><i>\$4,028,202</i></b> | <b><i>\$3,973,268</i></b>  | <b><i>\$5,205,500</i></b> |
| <b><i>Interagency Technical Support</i></b>        |                           |                           |                           |                            |                           |
| National Park Service                              | 0                         | 0                         | 0                         | 500,000                    | 0                         |
| USDA Graduate School                               | 1,591,136                 | 1,304,835                 | 1,300,000                 | 1,850,000                  | 1,800,000                 |
| U.S. Census Bureau                                 | 350,000                   | 700,000                   | 266,887                   | 1,050,000                  | 1,016,645                 |
| U.S. Court of Appeals (9 <sup>th</sup> )           | 25,000                    | 100,000                   | 100,000                   | 100,000                    | 420,000                   |
| Asian Development Bank                             | 333,000                   | 333,000                   | 333,000                   | 333,000                    | 24,000                    |
| U.S. DOI – OIG                                     | 0                         | 0                         | 0                         | 11,302                     | 0                         |
| U.S. DOI – Bureau of Recl.                         | 0                         | 0                         | 0                         | 250,000                    | 0                         |
| U.S. Army  | 0                         | 0                         | 0                         | 270,000                    | 0                         |
| Environmental Protection Agen.                     | 0                         | 0                         | 0                         | 25,000                     | 119,000                   |
| U.S. Forest Service, USDA                          | 0                         | 35,000                    | 0                         | 7,000                      | 0                         |
| <b><i>Subtotal</i></b>                             | <b><i>\$2,299,136</i></b> | <b><i>\$2,472,835</i></b> | <b><i>\$1,999,887</i></b> | <b><i>\$4,396,302</i></b>  | <b><i>\$3,379,645</i></b> |
| <b><i>Other Technical Assistance</i></b>           |                           |                           |                           |                            |                           |
| Junior Statesmen                                   | 96,000                    | 96,000                    | 115,200                   | 145,200                    | 115,200                   |
| Pacific Business Center                            | 55,000                    | 56,104                    | 100,000                   | 231,001                    | 250,000                   |
| PIHOA (Pacific Health Dir.)                        | 0                         | 103,561                   | 0                         | 218,467                    | 0                         |
| Closeup Foundation                                 | 500,000                   | 500,000                   | 500,000                   | 500,000                    | 750,000                   |
| Asian Development Bank                             | 1,237,000                 | 333,000                   | 333,000                   | 333,000                    | 24,000                    |
| College of the Marshall Islands                    | 56,000                    | 56,000                    | 0                         | 35,600                     | 136,756                   |
| Prior Service Benefits                             | 0                         | 250,000                   | 250,000                   | 100,000                    | 0                         |
| Coral Reef Initiative                              | 0                         | 40,250                    | 0                         | 100,000                    | 0                         |
| APIPA Peer Review 2004                             | 0                         | 0                         | 0                         | 99,000                     | 0                         |
| <b><i>Subtotal</i></b>                             | <b><i>\$1,944,000</i></b> | <b><i>\$1,434,915</i></b> | <b><i>\$1,298,200</i></b> | <b><i>\$1,762,268</i></b>  | <b><i>\$1,275,956</i></b> |
| <b>Grand Total</b>                                 | <b><i>\$6,703,408</i></b> | <b><i>\$8,847,557</i></b> | <b><i>\$7,326,289</i></b> | <b><i>\$10,131,838</i></b> | <b><i>\$9,861,101</i></b> |

| <b>Activity: Territorial Assistance</b>           |                |                  |  |                             |                           |                                 |
|---|----------------|------------------|--|-----------------------------|---------------------------|---------------------------------|
| <b>Subactivity: MAINTENANCE ASSISTANCE (OMIP)</b> |                |                  |  |                             |                           |                                 |
|   | 2005<br>Actual | 2006<br>Estimate | Fixed Costs &<br>Related<br>Changes<br>(+/-) | Program<br>Changes<br>(+/-) | 2007<br>Budget<br>Request | Change<br>from<br>2006<br>(+/-) |
| \$(000)   | \$2,268        | \$2,266          | 0  | +11                         | \$2,277                   | +11                             |
| FTE   | 0              | 0                | 0  | 0                           | 0                         | 0                               |

### SUMMARY OF 2007 PROGRAM CHANGES

#### Maintenance Assistance (OMIP)

*(+\$11,000) from FY 2006 funding level*

The FY 2007 budget request for the Operations and Maintenance Improvement Program (“OMIP”) is \$2,277,000 with no additional FTEs.

| <b>Request Component</b> |        |     |
|--------------------------|--------|-----|
| Program Changes          | Amount | FTE |
| Maintenance Assistance   | +11    | 0   |

### JUSTIFICATION OF 2007 PROGRAM CHANGES

OIA is proposing an increase of \$11,000 for FY 2007 to enable the program to maintain its level of assistance in all insular areas. This funding will provide support for maintenance of solid waste landfills in the insular areas and continue the Micronesia Water and Wastewater Training Program, graduate one additional class of certified lineman, and sponsor an Operational and Maintenance Improvement Conference.

**Program Performance Change:** Although the provision of maintenance assistance funding is in keeping with the Department’s Strategic Goal of Serving Communities through providing financial assistance to help ensure governments are providing adequate government systems and service, there are no performance measures specifically linked to this performance change.



## PROGRAM OVERVIEW

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

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

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

The maintenance assistance fund also provides funding to address general regional training needs efficiently and allows the insular governments to share expertise and develop maintenance practices appropriate to the region. The Micronesian Water and Wastewater Training Program and the Pacific Lineman Training Program make standard water & wastewater maintenance training and power maintenance training easily accessible to all insular areas. Development of two regional organizations has been supported through the program, the Pacific Power Association and the Pacific Water Association. The maintenance assistance program has proven to be an effective method of institutionalizing better maintenance practices throughout the U.S. affiliated islands.

*Support for Strategic Plan:* Maintenance assistance focuses on institutional improvements to insular governments that increase the usefulness and longevity of public infrastructure, an essential element to achieving OIA's intermediate goals of economic development and private sector investment.

*Program Evaluations:* Each discretionary project is analyzed on its merits, including the extent to which the project helps achieve long-term and intermediate goals and strategies. In addition, as a pre-requisite for receiving discretionary technical assistance, OIA has developed a set of threshold criteria that must be met. These criteria have been documented in a financial assistance manual. In addition, OIA uses a contractor-provided metric benchmark system which measures insular infrastructure once every two years and documents the relative status of the condition of infrastructure and maintenance practices.

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

### **2007 PROGRAM PERFORMANCE ESTIMATES**

- Continue the Micronesian Water and Wastewater training program.
- Graduate one additional class of certified power linemen.
- Plan to achieve an average time of 23 months for completion of grants.

### **2006 PLANNED PROGRAM PERFORMANCE**

- Continue the Micronesian Water and Wastewater Training Program.
- Continue the Pacific Linemen Training Program.
- Complete an Energy Efficiency Assessment of the Pacific Islands Power Utilities.
- Complete the first year of a Regional Aircraft Rescue and Fire Fighting Training Program.
- Work to achieve an average time of 23 months for completion of grants.

### **2005 PROGRAM PERFORMANCE ACCOMPLISHMENTS**

- Issued \$2,458,609.42 in new grants.
- Initiated 43 new grant awards.
- Provided certified training to electrical linemen.
- Completed 34 grants in an average time of 23 months.

The table that follows identifies the allocation of maintenance assistance funding from FY 2002 – 2005.

**MAINTENANCE ASSISTANCE**  
**FY 2002-2005**  
Grant Award Amounts

| <b><u>Recipient</u></b>                      | <b><u>FY 2002</u></b> | <b><u>FY 2003</u></b> | <b><u>FY 2004</u></b> | <b><u>FY 2005</u></b> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| American Samoa                               | \$752,800             | \$197,000             | \$238,160             | \$448,527             |
| Guam   | \$140,000             | \$60,000              | \$0                   | \$0                   |
| U.S. Virgin Islands                          | \$70,000              | \$0                   | \$0                   | \$0                   |
| Commonwealth of the Northern Mariana Islands | \$148,000             | \$310,500             | \$85,400              | \$493,500             |
| Republic of Palau                            | \$75,000              | \$411,000             | \$55,000              | \$17,180              |
| Republic of the Marshall Islands             | \$225,200             | \$350,000             | \$408,224             | \$10,000              |
| Federated States of Micronesia               | \$0                   | \$46,908              | \$100,000             | \$0                   |
| Chuuk  | \$0                   | \$135,000             | \$0                   | \$5,000               |
| Kosrae                                       | \$378,800             | \$148,300             | \$338,000             | \$0                   |
| Pohnpei                                      | \$562,500             | \$334,234             | \$63,864              | \$806,323             |
| Yap  | \$0                   | \$0                   | \$100,000             | \$0                   |
| Other Grants* (Other Regional Programs)      | <u>\$1,025,504</u>    | <u>\$1,047,952</u>    | <u>\$630,500</u>      | <u>\$678,079.42</u>   |
| <b>TOTAL</b>                                 | <b>\$3,377,804</b>    | <b>\$3,040,894</b>    | <b>\$2,019,148</b>    | <b>\$2,458,609.42</b> |

\* Includes Regional Programs which benefit all of the islands such as Lineman Training, Pacific Insular area water utilities participating in the Pacific Water Association, project officers to oversee the benchmarking of the water utilities & wastewater management, Pacific Islands power utilities training and training needs assessment study, energy efficiency assessment study of the Pacific Island power utilities and partial funding for the Board Members Workshop & Engineers Workshop.

|   |                |                  |  |                             |                           |                              |
|---|----------------|------------------|--|-----------------------------|---------------------------|------------------------------|
| <b>ACTIVITY: Territorial Assistance</b>     |                |                  |  |                             |                           |                              |
| <b>SUBACTIVITY: BROWN TREESNAKE CONTROL</b> |                |                  |  |                             |                           |                              |
|   | 2005<br>Actual | 2006<br>Estimate | Fixed Costs &<br>Related<br>Changes<br>(+/-) | Program<br>Changes<br>(+/-) | 2007<br>Budget<br>Request | Change from<br>2006<br>(+/-) |
| \$(000)                                     | 2,663          | 2,660            | 0  | +13                         | 2,673                     | +13                          |
| FTEs  | 0              | 0                | 0  | 0                           | 0                         | 0                            |

### SUMMARY OF 2007 PROGRAM CHANGES

#### Brown Treesnake (BTS) (+\$13,000)

The FY 2006, budget request for the BTS control program is \$2,673,000 an increase of \$13,000, with no additional FTE's.

| Request Component |        |     |
|-------------------|--------|-----|
| Program Changes   | Amount | FTE |
| Brown Treesnake   | +13    | 0   |

### JUSTIFICATION OF 2007 PROGRAM CHANGES

The funding for the BTS program will allow OIA, in partnership with other federal and local programs to achieve its identified strategy as noted below. The Department is continuing its participation in an interagency performance budget on invasive species in 2007 that is being coordinated by the National Invasive Species Council. The Department's bureaus will work in partnership with other Federal agencies; State, local, and tribal governments; and private sources to perform the seven functions of invasive species management: prevention, early detection and rapid response; control and management; restoration; research; education and public awareness; and leadership and international cooperation.

The FY 2007 budget request for BTS Control is \$2,673,000, a net increase of \$13,000 from the 2006 enacted level. The BTS Control Program is part of a Federal crosscutting effort to control or eradicate non-indigenous invasive species. The increased request will help supplement the reimbursable support agreement given to the United States Department of Agriculture, Animal and Plant Health Inspection Service, Wildlife Services in order to continue searches for BTS in commercial cargo.

**Program Performance Change:** Although the provision of funding to control the Brown Treesnake is in keeping with the Department's Strategic Goal of Serving Communities through providing financial assistance to help ensure governments are providing adequate government systems and service, there are no performance measures specifically linked to this performance change.

**PROGRAM OVERVIEW:** Brown Treesnake (BTS) Control is a combination research and operational program designed to prevent the dispersal of this non-indigenous invasive species to other areas and to eradicate existing or newly established BTS populations in U.S. areas. Research is designed to develop better control techniques such as barriers, traps, baits, and toxins and to develop improved methods for integrating these techniques. Research is also intended to improve our understanding of the basic biology of the BTS and ultimately to find a method or methods, such as toxins or biocontrols, to eradicate large populations of BTS over wide areas.

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

## 2007 PROGRAM PERFORMANCE ESTIMATES

- Guam plans to increase the number of BTS traps maintained to 800 in order to expand endangered species recovery efforts. Installation of electrical barriers on trees containing active Mariana Crow nests will be continued. To prevent the establishment of Coqui Frog (prey for BTS) on Guam, the government will continue to monitor high-risk areas and maintain the public awareness campaign.
- The CNMI will maintain approximately 425 BTS traps at CNMI ports of entry, maintain the outreach and awareness campaign; and continue to send staff for USGS Rapid Response Training.
- The State of Hawaii will maintain four canine teams in the field; continue rapid response training course for personnel; and inspect a minimum of 92% of arriving flights from Guam.
- USDA Wildlife Services will maintain 800 BTS traps at the Guam International Airport, Commercial Port of Guam, and commercial warehouses in support of BTS interdiction. USDA staff (through OIA funds) will inspect 90% of commercial cargo and aircraft departing Guam; and continue to expand interdiction efforts in the Harmon Industrial Park through cooperative activities.

- USGS Rapid Response Team (RRT) will continue to respond to snake sighting and will conduct training for snake searchers in the Pacific region.
- USGS researchers will continue data collection on snake demographics; conduct field research on the effectiveness of modified trap designs; and continue monitoring prey within the closed population area.
- USDA National Wildlife Research Center scientists will continue research to develop practical, efficient bait matrices and will conduct public information sessions at the research center.

## 2006 PLANNED PROGRAM PERFORMANCE

- Guam will maintain 650 traps in support of endangered species recovery. Guam will continue to install electrical barriers around trees to protect endangered Mariana Crow nests and monitor high-risk areas to detect incipient prey populations for BTS. Additionally, Guam plans to assist in the coordination of a restoration project on Cocos Island.
- CNMI will maintain approximately 400 BTS traps at ports of entry; implement a BTS canine inspection team on Rota; continue to send staff for USGS Rapid Response Training; conduct 500 hours of night searches; and maintain the outreach and awareness campaign.
- The State of Hawaii will maintain four canine teams in the field and add two State funded canine teams. Hawaii will continue to send personnel to rapid response training courses and inspect a minimum of 90% of arriving flights from Guam.
- USDA Wildlife Services will maintain 800 BTS traps at the Guam International Airport, Commercial Port of Guam, and 32 commercial warehouses in support of BTS interdiction. USDA staff will inspect 90% of commercial cargo and aircraft departing Guam; and continue to expand interdiction efforts in the Harmon Industrial Park through cooperative activities. USDA Wildlife Services will host at least one BTS informational workshop for the cargo export industry on Guam.
- The USGS RRT will respond to all credible BTS sightings in the Pacific; visit at least two island chains (CNMI, FSM, or RMI) to conduct education and outreach; and train 10 new RRT searchers.
- USGS researchers will continue data collection on snake demographics; complete the training of dogs for BTS detection and initiate tests of their effectiveness at detecting BTS in wooded areas; initiate field research on the effectiveness of a modified trap design developed in fiscal year 2005; complete testing of a new snake barrier design; complete laboratory testing on BTS thermal limits; and continue monitoring prey within the closed population.

- USDA National Wildlife Research Center scientists will continue research and development of bait matrices and delivery systems for toxicants. NWRC will also develop a pheromonal attractant that is as or more effective than other known attractants.

## **2005 PROGRAM PERFORMANCE ACCOMPLISHMENTS**

- Guam maintained approximately 650 BTS traps in support of endangered species recovery. The plan was for 750 BTS traps, however, a conservation area on military land was closed and the relocation is currently ongoing. Staff installed three electrical barriers on trees to protect Mariana Crow nests and surveyed high-risk areas to determine the extent of introduced prey species for BTS. Guam also completed a BTS prey study in frog-infested areas and initiated a Coqui Frog Awareness Campaign.
- The Commonwealth of Northern Mariana Islands (CNMI) continued to maintain 400 traps around ports of entry while also inspecting 90% of all Guam-based cargo arriving at CNMI ports of entry and conducting 420 hours of night searches at high-risk areas on Saipan. Local officials responded to one credible BTS sighting on Saipan; and conducted 48 Outreach and Awareness Presentations. Six staff members took part in the USGS Rapid Response Training.
- The State of Hawaii inspected over 90% of arriving flights from Guam and other areas considered high risk for BTS; hired and trained two additional canine teams; and sent nine staff members for rapid response training.
- USDA Wildlife Services maintained approximately 775 BTS traps at the Guam International Airport, Commercial Port of Guam, and commercial warehouses in support of BTS interdiction. USDA staff inspected 90% of commercial cargo and aircraft departing Guam; expanded cooperative agreements in association with the Harmon Industrial Park to 32 individual warehouses; and removed approximately 3,500 BTS from targeted commercial cargo export operation zones.
- The USGS Rapid Response Team (RRT) responded to two snake sightings; trained 10 new RRT searchers; hosted refresher courses for 15 current RRT members; and conducted an informational session in Palau.
- USGS initiated research, to support rapid response activities, within the closed population area established in fiscal year 2004. Scientists conducted research on BTS demographics; the use of dogs to detect BTS in a wooded area; trap design; systematic rodent monitoring; BTS thermal limits; monitoring BTS prey abundance; and snake barrier design.

USDA National Wildlife Research Center (NWRC) conducted research on modified trap designs; evaluated the effectiveness of new parachute floatation materials; and examined candidate bait matrices.

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



**Strategy 1**

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

| <b>Performance Measures:</b>   | <b><u>2004</u></b> | <b><u>2005</u></b> | <b><u>2006</u></b> | <b><u>2007</u></b> |
|--|--------------------|--------------------|--------------------|--------------------|
| 1. Number of products tested and evaluated.                                    | 8                  | 15                 | 9                  | 6                  |
| 2. Successful testing of wide-area application of acetaminophen-treated baits. | NA                 | NA                 | NA                 | NA                 |

**Strategy 2**

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

| <b>Performance Measures:</b>  | <b><u>2004</u></b> | <b><u>2005</u></b> | <b><u>2006</u></b> | <b><u>2007</u></b> |
|---|--------------------|--------------------|--------------------|--------------------|
| 1. Number of detection and monitoring methods evaluated.              | 1                  | 2                  | 2                  | 2                  |
| 2. Number of acres subjected to BTS monitoring and control.           | 92                 | 92                 | 92                 | 97                 |
| 3. Number of BTS captured on CNMI.                                    | 0                  | 0                  | 0                  | 0                  |
| 4. Number of BTS captured on Hawaii.                                  | 0                  | 0                  | 0                  | 0                  |
| 5. Number of BTS interceptions at ports of exit on Guam. (commercial) | 3,000              | 3,500              | 3,500              | 3,500              |
| 6. Number of public awareness events executed.                        | 53                 | 91                 | 106                | 110                |
| 7. Number of affected entities enrolled as involved partners.         | 68                 | 78                 | 92                 | 92                 |

**Strategy 3**

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

| <b>Performance Measures:</b>   | <b><u>2004</u></b> | <b><u>2005</u></b> | <b><u>2006</u></b> | <b><u>2007</u></b> |
|--|--------------------|--------------------|--------------------|--------------------|
| 1. Number of enclosed acres where BTS barriers have been constructed and are being maintained. | NA                 | NA                 | NA                 | NA                 |
| 2. Number of traps maintained in areas in order to protect endangered species from predation.  | 650                | 650                | 800                | 800                |

|   |                |                  |  |                             |                           |                              |
|---|----------------|------------------|--|-----------------------------|---------------------------|------------------------------|
| <b>ACTIVITY: Territorial Assistance</b>         |                |                  |  |                             |                           |                              |
| <b>SUBACTIVITY: INSULAR MANAGEMENT CONTROLS</b> |                |                  |  |                             |                           |                              |
|   | 2005<br>Actual | 2006<br>Estimate | Fixed Costs &<br>Related<br>Changes<br>(+/-) | Program<br>Changes<br>(+/-) | 2007<br>Budget<br>Request | Change from<br>2006<br>(+/-) |
| \$(000)   | 1,470          | 1,469            | 0  | +7                          | 1,476                     | +7                           |
| FTEs  | 0              | 0                | 0  | 0                           | 0                         | 0                            |

### SUMMARY OF 2007 PROGRAM CHANGES

| Request Component           |        |     |
|-----------------------------|--------|-----|
| Program Changes             | Amount | FTE |
| Insular Management Controls | +7     | 0   |

### JUSTIFICATION OF 2007 PROGRAM CHANGES

In FY 2007, OIA will use the \$7,000 increase to continue training opportunities and technical assistance in areas related to financial management, including the implementation of the financial management improvement plans. Accurate and timely accounting for financial transactions and various reporting requirements is a long-term strategic outcome OIA intends to attain with the insular governments. Training courses and technical assistance will include accountability, financial management and regular use of performance measures. OIA will review the qualifications and assist the islands in decreasing the overall total.

**Program Performance Change:** Although the provision of funding for insular management controls is in keeping with the Department's Strategic Goal of Serving Communities through providing financial assistance to help ensure governments are providing adequate government systems and service, there are no performance measures specifically linked to this performance change.

### PROGRAM OVERVIEW

Significant improvements have been made in accountability by the insular governments since inception of the technical assistance program in 1983. Early accomplishments included the development and installation of financial management systems throughout the U.S. territories

and the freely associated states. This enabled these governments to perform their own accounting operations, produce audited financial statements and provide reasonable assurance to both local citizenry and the Federal Government that controls were in place and funds were being used for intended purposes.

The present Management Control Initiative is a cooperative effort of the Office of Insular Affairs, each insular government, the audit community and the USDA Graduate School to identify and implement fundamental financial management improvements. The governments, assisted by a team of experts, undertake a systemic review of their management systems and fiscal practices and develop comprehensive plans of actions. Certain aspects of the plans require funding to initiate progressive reforms, assess effectiveness over time and sustain changes, while others are amenable to modifications in policies and practices.

Annual meetings bring together the governments to review progress, issues, and best practices. Additional resources may be necessary as plans are evaluated and adjusted, and to help the governments with the next level of changes.

*Support for Strategic Plan:* A major strategy toward achieving the intermediate goal of economic development and the long-term goal of economic self-sufficiency is to improve local government controls and accountability, making the insular areas a more attractive site for business investment. This program focuses on correcting material weaknesses and building institutional controls for improved management of local resources.

*Program evaluations:* OIA, in conjunction with the USDA Graduate School, developed a Financial Management Improvement Program, whereby an independent team of financial experts works with each insular government to identify control weaknesses and develop a corrective action plan. Funds in this program are used to implement the action plans developed through the independent evaluations,

*Means and strategies:* This program uses both financial assistance to the governments and independent expertise as a means to improve financial controls. The strategy employed in grant assistance is to pay for long term systemic changes such as new systems or contractual assistance for audits and other financial services. The strategy of using independent expertise is to make quick assessments and recommendations that can be carried out at the local level or to provide training and other short term assistance that has long-term benefits.

## **2007 PROGRAM PERFORMANCE ESTIMATES**

- Work with the insular areas to meet response deadlines in regards to audit reports.
- Reviewing current organization structure, procedures, individually for each program, and as appropriate, revise current procedures and establish processes that will enhance compliance with federal regulations and increase efficiency and accountability.

- Continue development and enhancement of procedures and tracking for rating and analysis of stated eligibility factors for funding.
- Continue working with insular government and independent auditors to develop a timeline on when areas will be current with financial statement and single audit reporting.
- Continue accounting and management assistance related to resolving financial statement audit qualifications and compliance with OIA Financial Assistance Manual
- Continue monitoring of progress of financial statement and single audit reporting

### **2006 PLANNED PROGRAM PERFORMANCE**

- Work with the insular areas to meet response deadlines in regards to audit reports.
- Reviewing current organization structure, procedures, individually for each program, and as appropriate, revise current procedures and establish processes that will enhance compliance with federal regulations and increase efficiency and accountability.
- Continue development and enhancement of procedures and tracking for rating and analysis of stated eligibility factors for funding.
- Continue working with insular government and independent auditors to develop a timeline on when areas will be current with financial statement and single audit reporting.
- Continue accounting and management assistance related to resolving financial statement audit qualifications and compliance with OIA Financial Assistance Manual
- Continue monitoring of progress of financial statement and single audit reporting

### **2005 PROGRAM PERFORMANCE ACCOMPLISHMENTS**

Assist with updating financial management systems and processes.

Regional Activities conducted by OIA in cooperation with the U.S.D.A. Graduate School in FY 2004 through OIA technical assistance included:

- Insular Government Finance Officers Association (IGFOA) Meeting (Kona)

- Government Finance Officers' Association (GFOA) Conference/IGFOA Meeting (San Antonio, Texas)
- Association of Pacific Island Public Auditors (APIPA) Conference (Republic of Palau)

The following table highlights participant levels in Financial Management Training, an activity to improve insular government financial management practices.

## FINANCIAL MANAGEMENT TRAINING

### Total Participants in OIA Funded Financial Management Training FY 2001- 2005

| <u>Site</u>                      | <u>FY 2001<br/>Participants</u> | <u>FY 2002<br/>Participants</u> | <u>FY 2003<br/>Participants</u> | <u>FY 2004<br/>Participants</u> | <u>FY 2005<br/>Participants</u> | <u>Total</u>  |
|----------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------|
| American Samoa                   | 35                              | 49                              | 145                             | --                              | --                              | 229           |
| Republic of the Marshall Islands | 20                              | 120                             | 53                              | --                              | 109                             | 302           |
| Federated States of Micronesia   | 10                              | 88                              | 65                              | --                              | 54                              | 217           |
| Republic of Palau                | 187                             | 358                             | 392                             | --                              | 20                              | 957           |
| Guam                             | 190                             | 358                             | 463                             | --                              | 18                              | 1,029         |
| Northern Mariana Islands         | 100                             | 315                             | 258                             | --                              | 25                              | 698           |
| Virgin Islands                   | 686                             | 636                             | 748                             | 50                              | 388                             | 2,508         |
| Regional (APIPA, IGFOA)          | 612                             | 1,406                           | 1,343                           | 226                             | 1,670                           | 5,257         |
| <b>Totals</b>                    | <b>1,840</b>                    | <b>3,330</b>                    | <b>3,467</b>                    | <b>276</b>                      | <b>2,284</b>                    | <b>11,197</b> |

## TRAINING COURSES

Training courses and related activities were funded through the insular management control initiative and conducted by the U.S. Department of Agriculture graduate school in FY 2005 and will continue in FY 2006. OIA provides assistance for several general and specialized certificate programs in order to increase the capabilities of the insular governments in the area of accountability and financial management and to generate local expertise. The table on the following pages provides a summary of course opportunities extended to the insular areas.

## Training - U.S. Territories

|  |   |  |  |
|--|---|--|--|
| <b>American Samoa:</b><br><br>Classroom Training<br><br><br><br><br><br><br><br><br>Consult-Training | <ul style="list-style-type: none"> <li>• Contract Negotiations</li> <li>• Leadership Essentials for Supervisors and Managers (ASPA)</li> <li>• Supervisory Training (ASDB)</li> <li>• Procurement &amp; Contract Management for Government Officials</li> <li>• Indirect Costs Training</li> <li>• Strategic Planning (Treasury Department)</li> </ul>  | <b>CNMI:</b><br><br>Classroom Training<br><br><br><br><br><br><br><br><br>Consult-Training | <ul style="list-style-type: none"> <li>• Procurement and Contract Management</li> <li>• Revenue and Tax Training</li> <li>• Creative Thinking for Auditors</li> <li>• Performance Auditing</li> <li>• Performance Government</li> <li>• Strategic Planning (OPA)</li> <li>• Strategic Planning (CUC)</li> <li>• Financial Management Improvement Planning Review</li> <li>• Procurement Consultation</li> </ul>                      |
| <b>Guam:</b><br><br>Classroom Training   | <ul style="list-style-type: none"> <li>• Procurement &amp; Contract Management for Sr. Gov't Officials</li> <li>• Management Accountability &amp; Controls for Sr. Gov't Officials</li> <li>• Developing and Presenting Audit Findings</li> <li>• Effectively Management the Procurement Process</li> <li>• Grantsmanship I: Planning, Obtaining &amp; Successfully Completing Grants and Contracts</li> <li>• Grantsmanship II: Administrative Requirements &amp; Cost Principles for Grants &amp; other Agreements</li> </ul> | <b>Virgin Islands:</b><br><br>Classroom Training   | <ul style="list-style-type: none"> <li>• Computer software skills</li> <li>• Ethical Decision making</li> <li>• Presentation skills</li> <li>• Negotiation skills</li> <li>• Train-the-Trainer</li> <li>• Customer Service Excellence</li> <li>• Basic Position Classification</li> <li>• Performance Measurement &amp; Budget</li> <li>• Project Management</li> </ul>  |
| Consult-Training   | <ul style="list-style-type: none"> <li>• Project Management</li> <li>• Workload Analysis (DOA)</li> <li>• Audit Peer Review</li> <li>• Accounting/Finance Office Planning</li> <li>• Financial Management System (FMS) Review</li> <li>• Organizational Management Controls</li> <li>• Financial Management System Project Mgmt. Support</li> <li>• Strategic Planning (OPA)</li> <li>• Procurement Assessment &amp; Consultation</li> </ul>  | Consult-Training   | <ul style="list-style-type: none"> <li>• Business Process Design</li> <li>• Strategy Development</li> <li>• Concept of Financial Management Operations – Vision Document</li> <li>• Department of Finance – Performance Measurement Workshop</li> <li>• Milestones &amp; Execution Plans for Vision Document</li> <li>• The Change Management Execution Strategies Workshop</li> <li>• Annual Report/Drawdown Development</li> </ul> |

**Training - Freely Associated States**

|  |   |   |   |
|--|---|---|---|
| <p><b>Republic of the Marshall Islands:</b></p> <p>Classroom Training</p> <p>Consult- Training</p> | <ul style="list-style-type: none"> <li>• None</li> <li>• Creative Thinking for Auditors</li> <li>• Developing and Presenting Audit Findings</li> <li>• Audit Peer Review</li> <li>• Financial Management System Planning</li> <li>• Compact Readiness Consultation</li> </ul> | <p><b>Federated States of Micronesia:</b></p> <p>Classroom Training</p> <p>Consult Training</p> | <ul style="list-style-type: none"> <li>• None</li> <li>• Strategic Planning for Compact Negotiations</li> <li>• Indirect cost Calculation</li> <li>• Audit Peer Review (FSM Nat'l Gov)</li> <li>• Audit Peer Review (Pohnpei State)</li> <li>• Audit Peer Review (Yap State)</li> </ul> |
| <p><b>Republic of Palau:</b></p> <p>Classroom Training</p> <p>Consult Training</p>                 | <ul style="list-style-type: none"> <li>• Audit Assignment Decision Making</li> <li>• Personnel Reclassification/Wage Analysis</li> <li>• Determining Indirect Costs</li> <li>• Performance Budgeting/Measurement Training</li> </ul>  |   |   |

Relationship to Performance Goals: The tables on the following pages identify a summary of grants for financial management improvement program. These measures are consistent with OIA's internal performance goals, and OIA will continue efforts in working with the insular areas to improve financial management practices.



The table below shows Assistance levels and accomplishments in Financial Management Planning.

### ASSISTANCE FOR FINANCIAL MANAGEMENT IMPROVEMENT

#### FY 2004 MCI Projects

| Insular Area | Grant Award Amount | Focal Area  |
|--------------|--------------------|---|
| Guam         | \$504,632          | Financial Management Improvement Project (FMIP)         |
| RMI          | \$100,000          | Financial Management Improvement Project (FMIP)         |
| Palau        | \$70,500           | Health Information System Improvement                   |
| Palau        | \$632,712          | Financial Management Improvement Project System Upgrade |

#### FY 2005 MCI Projects

| Insular Area   | Grant Award Amount | Focal Area  |
|----------------|--------------------|---|
| Guam           | \$290,000          | Financial Management Improvement Project (FMIP)         |
| FSM            | \$774,000          | Financial Management Improvement Project (FMIP) Upgrade |
| Amreican Samoa | \$208,000          | Accounting Support                                      |

In FY 2006 OIA plans to work with the insular governments to update their Financial Management Program goals for the next time period.

### FINANCIAL STATEMENTS

Timeliness of submission of audits by the insular governments to the Department of the Interior will continue to be a major performance measure for improvement in FY 2005. OIA will work cooperatively with the insular area governments to ensure a decrease in the number of months late the insular area governments are in submitting their general financial statements. The table on the following page provides a current status report of audit submissions for each insular area as of September 2, 2004.

The following table shows timeliness of financial statement submissions by total average months late for all insular area general fund financial statements.

**Timeliness Of Annual Audits Under OMB Circular A-133** (primarily Single Audits as most OIA grants exceed the \$500,000 threshold):

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. All of the Insular Areas have made progress in completing delinquent audits. Currently, both the Republic of the Marshall Islands and Guam are completing single audits in a timely manner (within one year after the end of the fiscal year).

OIA closely monitors the Insular Government's progress of each fiscal year under completion, and may require information from both the Insular Government and the independent auditor to continuously assess the feasibility and reasonableness of OIA approved time extensions (time extensions allowed under OMB Circular A-133). OIA has agreed to time extensions with the expectation that all of the Insular Governments will complete their single audits of fiscal year 2006 and beyond in a timely manner.

Completed Audits:

**Timeliness of Annual Audits:**

| <u>Insular Area</u>                              | Year Ended<br>Audit Period | Timely - per OIA within<br>1 yr of fiscal year end | Completed Audit - OIA<br>Approved Extension | # of Months<br>over Timely |
|--|----------------------------|--|---|----------------------------|
| American Samoa                                   | 2002                       | 09/30/03   | 02/28/05                                    | 17                         |
|  | 2003                       | 09/30/04   | 08/16/05                                    | 11                         |
|  | 2004                       | 09/30/05   | Expected 02/06                              | 5                          |
| Commonwealth of the Northern<br>Marianas Islands | 2002                       | 09/30/03   | 08/09/04                                    | 11                         |
|  | 2003                       | 09/30/04   | 07/06/05                                    | 10                         |
|  | 2004                       | 09/30/05   | Expected 02/06                              | 5                          |
| Guam   | 2002                       | 09/30/03   | 02/05/04                                    | 6                          |
|  | 2003                       | 09/30/04   | 12/03/04                                    | 3                          |
|  | 2004                       | 09/30/05   | 08/05/05                                    | 0                          |
| US Virgin Islands                                | 2002                       | 09/30/03   | 07/19/04                                    | 10                         |
|  | 2003                       | 09/30/04   | 05/31/05                                    | 8                          |
|  | 2004                       | 09/30/05   | Expected 03/06                              | 6                          |
| Federated States of Micronesia                   | 2002                       | 09/30/03   | 01/14/05                                    | 16                         |
|  | 2003                       | 09/30/04   | Expected 03/06                              | 18                         |
|  | 2004                       | 09/30/05   | Expected 11/06                              | 14                         |
| Republic of the Marshall<br>Islands              | 2002                       | 09/30/03   | 10/14/03                                    | 1                          |
|  | 2003                       | 09/30/04   | 07/06/04                                    | 0                          |
|  | 2004                       | 09/30/05   | 07/08/05                                    | 0                          |
| Republic of Palau                                | 2002                       | 09/30/03   | 10/20/03                                    | 1                          |
|  | 2003                       | 09/30/04   | 06/06/05                                    | 9                          |
|  | 2004                       | 09/30/05   | Expected 01/06                              | 4                          |

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

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

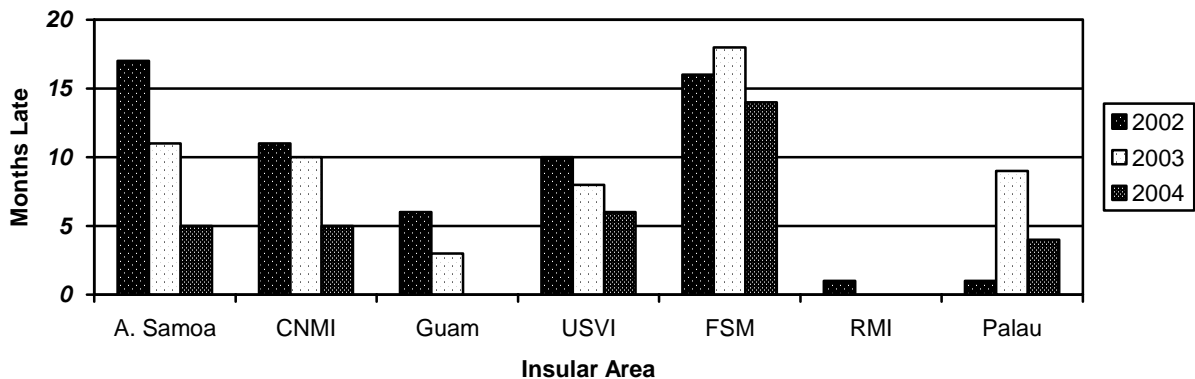
OIA continues to work with the insular area governments in obtaining current reporting per requirements. Substantial improvements should be noted in FY 2005. Once the audits are submitted qualifications respective to each particular audit report are reviewed, identified and recorded, so that OIA can determine the extent to which assistance efforts can aid in the overall reduction of qualifications.

Relationship to Performance Goals: The following table identifies the information for audit due dates and actual submission. These measures are part of OIA’s intermediate output requirements and in FY 2006 OIA will continue its effort in working with the insular areas to reduce the number of months late for submission of these required reports.

In reviewing the measure of audit timeliness the data, as of September 2, 2004, shows significant change from the previous year. In FY 2005, OIA anticipates continued reduction in the overall total average months late for all insular areas as American Samoa is expected to finalize their remaining audit reports for official submission.

The following table shows an overall reduction in total average months late for all insular areas – a reduction of 12 months - from outstanding audits in 2003 to the 2004 time period, a trend OIA will assist the insular areas in continuing throughout FY 2004 and FY 2005.

**Audit Submissions - Total Months Late**



| <b>Activity: Territorial Assistance</b>   |                |                  |  |                             |                           |                                 |
|---|----------------|------------------|--|-----------------------------|---------------------------|---------------------------------|
| <b>Subactivity: CORAL REEF INITIATIVE</b> |                |                  |  |                             |                           |                                 |
|   | 2005<br>Actual | 2006<br>Estimate | Fixed Costs &<br>Related<br>Changes<br>(+/-) | Program<br>Changes<br>(+/-) | 2007<br>Budget<br>Request | Change<br>from<br>2006<br>(+/-) |
| \$(000)                                   | 494            | 493              | 0  | +2                          | 495                       | +2                              |
| FTEs                                      | 0              | 0                | 0  | 0                           | 0                         | 0                               |

**SUMMARY OF 2007 PROGRAM CHANGES**

| <b>Request Component</b> |        |     |
|--------------------------|--------|-----|
| Program<br>Changes       | Amount | FTE |
| Coral Reef<br>Initiative | +2     | 0   |

**JUSTIFICATION OF 2007 PROGRAM CHANGES**

In FY 2007, OIA will use the base funding and the \$2,000 increase for the following:

- In partnership with the National Oceanic and Atmospheric Administration, award 8 new grants to improve coral reef management and protection in the insular areas;
- Work with territorial and Federal partners to implement Local Action Strategies for coral reef management and protection;
- Complete 7 grants in an average of 20 months to improve management and protection of coral reefs in the insular areas;
- Work with insular areas to identify strategic needs and priorities to advance local coral reef management and protection as laid out in the initial Local Action Strategy Plan.

**Program Performance Change:** Although the provision of funding to the Coral Reef Initiative is in keeping with the Department's Strategic Goal of Serving Communities through providing financial assistance to help ensure governments are providing adequate government systems and service, there are no performance measures specifically linked to this performance change.

## 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. 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. Adopted in March 2000, the Task Force's *National Action Plan to Conserve Coral Reefs* outlines a comprehensive program of research, mapping, monitoring, conservation and restoration to address the coral reef crisis.

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. Priority projects are outlined in the *All Islands Coral Reef Initiative Strategy*, the Task Force's *National Action Plan to Conserve Coral Reefs*, annual funding proposals, and the territories' *Local Action Strategies*.

OIA also provides technical advice and funding to the Marine Resources Pacific Consortium (MAREPAC). MAREPAC was created to promote regional cooperation on marine resource use, management and preservation among the Pacific Islands of American Samoa, the Federated States of Micronesia (Chuuk, Kosrae, Pohnpei, and Yap), the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, Guam and the Republic of Palau. MAREPAC is a milestone in the development of regional capacity and a model program for sharing resources and expertise, providing training and education, and promoting the sustainable use of marine resources.

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.

*Support for Strategic Goal:* This initiative directly assists in achieving the intermediate goal of economic development. Healthy coral reefs are a cornerstone of island economies as they support fisheries and tourism, the major private sector economic forces in the islands.

*Program evaluation:* In conjunction with the National Oceanic and Atmospheric Administration, OIA assisted in developing a National Action Plan to Conserve Coral Reefs. Specific plans were developed for each of the insular areas. Members of the coral reef task force meet semi-annually to evaluate progress and work out specific plans for the next half-year.

*Means and Strategies:* OIA uses two means to carry out its Coral Reef Initiative. The first is by working with the territories to develop short, intermediate and long-term strategies and goals. The second is by providing direct grants to insular governments to implement various projects in these strategies.

## **2007 PROGRAM PERFORMANCE ESTIMATES**

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

Local action plans are under development for FY 2007 in accordance with a resolution adopted at the most recent U.S. Coral Reef Task Force meeting. OIA is meeting with local coral reef advisory groups to identify priority needs to improve their coral reefs. Once priority needs are updated, funding will be allocated in accordance with specific goals and objectives, with measures identified within grants.

## **2006 PLANNED PROGRAM PERFORMANCE**

- In partnership with the National Oceanic and Atmospheric Administration, award 5 new grants to improve coral reef management and protection in the insular areas
- Work with Federal, state and territorial partners to convene two U.S. Coral Reef Task Force meetings
- Publish report on scientific assessment of Mamu Atoll, Marshall Islands

- Continue building local capacity for Marine Law Enforcement.
- Enhance watershed management and restoration at key sites on Guam and CNMI.

## 2005 PROGRAM PERFORMANCE ACCOMPLISHMENTS

In FY 2005 OIA in a cooperative effort with the insular areas continued to identify high priority local needs for research, mapping, monitoring, management and education to improve local management and protection of their coral reefs. Detailed local action plans were developed by resource managers to identify high priority management needs for improving the health and management of coral reefs under their jurisdiction. OIA provided support to the U.S. Coral Reef Task Force which has developed a national strategy for coral reef management and protection.

Specific accomplishments include:

- In partnership with the National Oceanic and Atmospheric Administration, OIA awarded 7 new grants to improve coral reef management and protection in the insular areas;
- Worked with territorial and Federal partners to develop Local Action Strategies for coral reef management and protection. The Local Action Strategies will help the Department and Federal partners identify and prioritize local needs;
- Conducted scientific assessments, including training of local students of coral reefs in atolls of the Marshall Islands;
- Worked with Federal, state and territorial partners to convene two U.S. Coral Reef Task Force meetings;
- Supported a marine assessment of Coral Reefs in Pohnpei, in the Freely Associated States on identification and protection of spawning aggregations of reef fish.

**Blueprint for Conserving the  
Biodiversity of the Federated  
States of Micronesia**

A major goal of this initiative is to protect and sustainably manage a full representation of the FSM's marine, freshwater and terrestrial ecosystems.

OIA, in cooperation with other Federal, local and international partners, supported development of "A Blueprint for Conserving the Biodiversity of the Federated States of Micronesia". Through a series of workshops and planning sessions, the Blueprint captures the collective biological knowledge of regional scientists and local experts and turns that knowledge into mapped focal areas for biodiversity protection. It also recognizes the authority of local villagers to manage their own forest and marine resources, creating a new spirit of cooperation between government and community leaders. In the first effort of its kind for this region

of the Pacific, the Blueprint provides the framework for creating the first national system of protected areas for the FSM.

Specific ongoing outputs for the Coral Reef program include:

- First-ever scientific assessment of the natural and cultural diversity of Ailinginae Atoll in the Marshall Islands was undertaken at the request of the local government. The report will be used to support nomination of Ailinginae Atoll as a World Heritage Site.
- Enhancement of a web-based system to identify needs and track progress on state and territorial coral reef initiative projects.
- Scuba-assisted harvest of fish banned in American Samoa in an effort to rebuild local fish stocks.
- Strategy for creating a national system of protected areas developed for the Federated States of Micronesia.
- Published results of natural resource surveys for two atolls in the Marshall Islands.
- Culturally-appropriate primary and secondary education materials on value of coral reefs developed in Guam, American Samoa and the Commonwealth of the Northern Mariana Islands.
- Enhancement of regulatory framework and enforcement to protect Coral Reefs in local jurisdictions.



| <b>Activity: Territorial Assistance</b>    |                |                 |   |                             |                           |                                 |
|--|----------------|-----------------|---|-----------------------------|---------------------------|---------------------------------|
| <b>Subactivity: WATER &amp; WASTEWATER</b> |                |                 |   |                             |                           |                                 |
|  | 2005<br>Actual | 2006<br>Enacted | Fixed Costs &<br>Related Changes<br>(+/-) | Program<br>Changes<br>(+/-) | 2007<br>Budget<br>Request | Change<br>from<br>2006<br>(+/-) |
| \$(000)                                    | 0              | 985             | 0   | +5                          | 990                       | +5                              |
| FTEs                                       | --             | --              | --  | --                          | --                        | --                              |

### SUMMARY OF 2007 PROGRAM CHANGES

The FY 2007 Budget request for the water & wastewater projects in the insular areas is \$990,000. This activity line contains no associated FTEs. Each territory will be invited to submit proposals for use of the funds which OIA will review to determine where the highest priority needs exist.

| <b>Request Component</b> |        |     |
|--------------------------|--------|-----|
| Program<br>Changes       | Amount | FTE |
| Water &<br>Wastewater    | +5     | 0   |

### JUSTIFICATION OF 2007 PROGRAM CHANGES

Planned accomplishments in FY 2007, under this level of funding include funds for grant awards to the insular areas which will increase OIA's ability to meet its strategic goals. Specifically:

- The funds provided by this water and wastewater grant project would assist OIA in meeting its second strategic goal of increasing economic development as it would provide funds for improvements to water and wastewater infrastructure which would allow island governments to support new development and improve their quality of life.
- The increased funding could also improve OIA's performance in meeting the strategic goal to increase Federal responsiveness to the unique needs of the island communities. There are no other places within the United States that are experiencing comparable water and wastewater issues as the islands. A focus on the effort by OIA will allow dramatic improvements in these areas and additionally will facilitate the insular areas in identifying and utilizing the technical expertise available from the appropriate Federal agencies.

**Program Performance Change:** Although the provision of funding for water and wastewater projects is in keeping with the Department's Strategic Goal of Serving Communities through providing financial assistance to help ensure governments are providing adequate government systems and service, there are no performance measures specifically linked to this performance change.

## PROGRAM OVERVIEW

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

Water is a vital, non-manufactured resource. No resource is more essential to health, food supplies, the environment and economic well-being. The increasing frequency of water shortages, droughts, inadequate storage and distribution capacity, and changing water quality requirements and regulations raise the demand for improved water resource management. The solution to managing water resources more efficiently in the insular areas while not simple can be accomplished over time, if appropriately planned.

Funding in the amount of \$990,000 is requested for water and wastewater projects in the U.S. Virgin Islands, Guam, the Northern Mariana Islands and American Samoa for FY 2007. These territories face a myriad of water problems, including a lack of running water 24 hours a day, wastewater infrastructure deficiencies which have caused violations of Federal environmental laws, and drinking water quality which is not always up to U.S. standards. The territories are trying to address these major issues by working closely with the U.S. Environmental Protection Agency but they are desperately in need of funding to assist them in modifying their water and wastewater infrastructure in order to comply with Federal regulations. The \$990,000 would be distributed among the U.S. territories to assist them in meeting their highest priority needs in these areas. This funding can provide dramatic improvement in the quality of life for these residents. The resources would provide for increased water reuse, ecosystem resource management, improved water quality, and system standardization.

The importance of improved water and wastewater systems has been heightened in recent years as analysis conducted by local and Federal agencies have indicated deficiencies in the systems meeting environmental requirements. In the case of the Virgin Islands, inadequate wastewater treatment facilities have threatened health and reef environments and have culminated in court-ordered sanctions against the governments. In the case of Guam, contaminated water from the landfill threatens the quality of the ground water supply and recent typhoons and earthquakes have revealed a fragile and tenuous distribution system. The CNMI remains the largest

community in the United States without 24-hour 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, sometimes contaminated by poorly constructed septic systems.

### ***Strategic Outcomes and Results***

Providing cost effective service without interruption to individual, private and public markets: The Department's Strategic Plan's mission goal of *Serving Communities* includes an outcome goal of "*Increasing Economic Self-sufficiency of the Insular Areas.*" The Territorial Assistance activity accomplishes this outcome. Through the expertise obtained through technical assistance funds completion of these projects will provide all persons and communities with appropriate water service by the most cost-effective and efficient means possible at affordable prices. In providing this service economic self-sufficiency is enhanced and the needs of the insular areas are met through stable water and wastewater services without disruption to individuals or the private market place.

Water and Wastewater projects: OIA's intermediate outcome within the Department's Strategic Plan "*Increased Federal Responsiveness to Unique Needs of Island Communities*" is an internal measure that the OIA is committed to accomplishing. OIA works closely with the Department and the insular governments to develop balanced and cost effective programs based on Federal public policy to assist the insular areas. The requested funding level of \$990,000 will increase water efficiencies and management in the insular areas. OIA assistance in this area enables fulfillment of the respective island community's need in maintaining continuity in water management resource development and implementation along with preventing disruption of water distribution in the insular communities.

### ***Means and Strategies***

OIA provides grants to the insular areas to fund approved water and wastewater projects selected through ratings made on the basis of a set of competitive criteria that measure the demonstrated ability and needs of the governments and insular areas. The majority of the workload is handled through the grant recipient with OIA grant managers to administer the grant in accordance with the grant terms and conditions and work with the island governments and project managers to ensure implementation meets anticipated expectations.

**Data Validation/Verification**

*Any Technical Assistance Project including Water and Wastewater projects:* The OIA is working with each affected government to ensure records remain current and have in place certain requirements for the governments and managers with project responsibilities once funding is available. Presently, the governments are implementing improvements to their systems to accommodate the administrative function. Periodic reports, and annual financial statements and audits are conducted and available to support record keeping and financial accountings.

**2007 PROGRAM PERFORMANCE ESTIMATES**

The requested \$990,000 will be used to address critical water and wastewater needs in the insular areas.

**2006 PLANNED PROGRAM PERFORMANCE**

In FY 2006, the first year of funding for this new subactivity, OIA received \$985,000 to distribute among the territories in order to address infrastructure deficiencies related to water and wastewater. OIA is currently reviewing each of the territories' highest priority water and wastewater needs in order to make the best use of the available funds.

**2005 PROGRAM PERFORMANCE ACCOMPLISHMENTS**

No funding for this activity existed in FY 2005.

**APPROPRIATION LANGUAGE - COMPACT OF FREE ASSOCIATION**

For grants and necessary expenses, \$[4,862,000]4,862,000, 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 and Related Agencies Appropriations Act, 2006.)

OFFICE OF INSULAR AFFAIRS

COMPACT OF FREE ASSOCIATION - CURRENT APPROPRIATION

FY 2007 Summary of Requirements

| Comparison by Activity / Subactivity  | 2005 Actual  | 2006 Estimate | Fixed Cost & Related Changes | Program Changes | FY 2007 Budget Request | Incr. or Decr. from 2006 |
|---|--------------|---------------|------------------------------|-----------------|------------------------|--------------------------|
| <b>COMPACT OF FREE ASSOCIATION - CURRENT</b>  |              |               |                              |                 |                        |                          |
| <u>Federal Services Assistance</u>  | <u>2,957</u> | <u>2,820</u>  | <u>0</u>                     | <u>42</u>       | <u>2,862</u>           | <u>42</u>                |
| <i>Includes Postal services reimbursable for FSM/RMI Palau, along with single audit funds for Palau</i> |              | 2,820         | 0                            | 42              | 2,862                  | 42                       |
| <u>Program Grant Assistance</u>   |              |               |                              |                 |                        |                          |
| Section 221(b) (Education/Health Care)  | 2,000        | 2,000         | 0                            | 0               | 2,000                  | 0                        |
| Military Use and Operating Rights Grant   | <u>0</u>     | <u>0</u>      | <u>0</u>                     | <u>0</u>        | <u>0</u>               | <u>0</u>                 |
| Subtotal, Program Grant Assistance  | 2,000        | 2,000         | 0                            | 0               | 2,000                  | 0                        |
| <u>Other Programs</u>   |              |               |                              |                 |                        |                          |
| Enewetak Support  | <u>493</u>   | <u>493</u>    | <u>0</u>                     | <u>-493</u>     | <u>0</u>               | <u>-493</u>              |
| Subtotal, Other Programs  | 493          | 493           | 0                            | -493            | 0                      | -493                     |
| <b>TOTAL REQUIREMENTS, COMPACT, Current</b>   | <b>5,450</b> | <b>5,313</b>  | <b>0</b>                     | <b>0</b>        | <b>4,862</b>           | <b>-451</b>              |

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

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

**FY 2007 Summary of Requirements**

| <b>Comparison by Activity/Subactivity</b>                     | <b>2005<br/>Actual</b> | <b>2006<br/>Estimate</b> | <b>Uncont.<br/>Changes</b> | <b>Program<br/>Changes</b> | <b>FY 2007<br/>Budget<br/>Request</b> | <b>Incr. or<br/>Decr.<br/>from 2006</b> |
|---|------------------------|--------------------------|----------------------------|----------------------------|---------------------------------------|---|
| <b>COMPACT OF FREE ASSOCIATION - PERMANENT</b>                |                        |                          |                            |                            |                                       |   |
| <u>Assistance to the Marshall Islands:</u>                    |                        |                          |                            |                            |                                       |   |
| Sector Grants   | 35,109                 | 35,144                   | 0                          | 338                        | 35,482                                | 338                                     |
| Audit   | 500                    | 500                      | 0                          | 0                          | 500                                   | 0                                       |
| Trust Fund  | 7,588                  | 8,221                    | 0                          | 729                        | 8,950                                 | 729                                     |
| Rongelap Resettlement   | 1,768                  | 1,760                    | 0                          | 0                          | 1,760                                 | 0                                       |
| Kwajalein Lease Payment                                       | 15,177                 | 15,414                   | 0                          | 379                        | 15,793                                | 379                                     |
| Enewetak  | <u>1,315</u>           | <u>1,336</u>             | <u>0</u>                   | 33                         | <u>1,369</u>                          | <u>33</u>                               |
| Subtotal, Marshall Islands Assistance                         | 61,457                 | 62,375                   | 0                          | 1,479                      | 63,854                                | 1,479                                   |
| <u>Assistance to the Federated States of Micronesia (FSM)</u> |                        |                          |                            |                            |                                       |   |
| Sector Grants   | 77,099                 | 79,215                   | 0                          | 173                        | 79,388                                | 173                                     |
| Trust Fund  | 16,189                 | 16,442                   | 0                          | 1,247                      | 17,689                                | 1,247                                   |
| Audit   | <u>500</u>             | <u>500</u>               | <u>0</u>                   | 0                          | <u>500</u>                            | 0                                       |
| Subtotal, FSM Assistance                                      | 93,788                 | 96,157                   | 0                          | 1,420                      | 97,577                                | 1,420                                   |
| <u>Compact Impact</u>   | 30,000                 | 30,000                   | 0                          | 0                          | 30,000                                | 0                                       |
| <u>Judicial Training</u>                                      | 304                    | 308                      | 0                          | 8                          | 316                                   | 8                                       |
| <u>Total, FSM/Marshalls Compact (Permanent)</u>               | <u>185,549</u>         | <u>188,840</u>           | <u>0</u>                   | <u>2,907</u>               | <u>191,747</u>                        | <u>2,907</u>                            |
| <u>Assistance to the Republic of Palau</u>                    |                        |                          |                            |                            |                                       |   |
| Section 211 (Government Operations)                           | 6,781                  | 6,781                    | 0                          | 0                          | 6,781                                 | 0                                       |
| Section 215 (Inflation Adjustment)                            | <u>3,752</u>           | <u>3,813</u>             | <u>0</u>                   | 62                         | <u>3,875</u>                          | 62                                      |
| Subtotal, Assistance to the Republic of Palau                 | 10,533                 | 10,594                   | 0                          | 62                         | 10,656                                | 62                                      |
| <b>TOTAL REQUIREMENTS, COMPACT, Permanent</b>                 | <b>196,082</b>         | <b>199,434</b>           | <b>0</b>                   | <b>2,969</b>               | <b>202,403</b>                        | <b>2,969</b>                            |
| <b>GRAND TOTAL, COMPACT, Permanent &amp; Current</b>          | <b><u>201,532</u></b>  | <b><u>204,747</u></b>    |                            |                            | <b><u>207,265</u></b>                 |   |

| <b>Account: Compact of Free Association (Current Appropriation)</b> |             |               |                                     |                       |                     |                        |
|---|-------------|---------------|-------------------------------------|-----------------------|---------------------|------------------------|
| <b>Activity: Federal Services Assistance</b>                        |             |               |                                     |                       |                     |                        |
| \$(000)   | 2005 Actual | 2006 Estimate | Fixed Costs & Related Changes (+/-) | Program Changes (+/-) | 2007 Budget Request | Change from 2006 (+/-) |
|   | 2,957       | 2,820         | 0                                   | +42                   | 2,862               | +42                    |

### SUMMARY OF 2007 PROGRAM CHANGES

| Request Component            | Amount    | FTE      |
|------------------------------|-----------|----------|
| Postal Service Reimbursement | 42        | 0        |
| <b>Total</b>                 | <b>42</b> | <b>0</b> |

### JUSTIFICATION OF 2007 PROGRAM CHANGES

The budget contains an increase of \$42,000 related to U.S. Postal Service costs in the Freely Associated States. An estimated \$2.5 million will be used to reimburse the USPS for services rendered to the freely associated states. This represents the estimated full cost for providing these services.

**Program Performance Change:** The Compact of Free Association commits the United States to provide postal services to the Freely Associated States. The increase in the budget does not impact performance; it provides a subsidy to the USPS to meet the real cost of providing the service.

### PROGRAM OVERVIEW

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

The United States Postal Service (USPS) provides transportation of mail to and from the



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

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

### 2007 PROGRAM PERFORMANCE ESTIMATES

- Enter into a reimbursable agreement with the USPS for services provided to the freely associated states.
- Provide and administer a grant to the Republic of Palau for conduct of a single audit to be completed by July 1, 2007.

### 2006 PLANNED PROGRAM PERFORMANCE

- Enter into a reimbursable agreement with the USPS for services provided to the freely associated states.
- Provide and administer a grant to the Republic of Palau for conduct of a single audit to be completed by July 1, 2006.

### 2005 PROGRAM PERFORMANCE ACCOMPLISHMENTS

- Entered into a reimbursable agreement with the USPS for services provided to the freely associated states.
- Provided and administered a grant to the Republic of Palau for conduct of a single audit, which completed its audit during FY 1995.
- USPS began a phased increase in postal rates in the FSM and RMI leading to full implementation of international rates.

| <b>Performance Workload Measures-Federal Services</b> |      |      |      |                  |
|---|------|------|------|------------------|
|   | 2005 | 2006 | 2007 | Change from 2006 |
| Reimbursable Agreements                               | 1    | 1    | 1    | 0                |
| Audit Grants  | 1    | 1    | 1    | 0                |

| <b>Account: Compact of Free Association (<u>Current</u> Appropriation)</b> |             |               |                              |                       |                     |                        |
|--|-------------|---------------|------------------------------|-----------------------|---------------------|------------------------|
| <b>Activity: Enewetak Support</b>  |             |               |                              |                       |                     |                        |
| \$ (000)   | 2005 Actual | 2006 Estimate | Uncontrollable Changes (+/-) | Program Changes (+/-) | 2007 Budget Request | Change from 2006 (+/-) |
|  | 493         | 493           | 0                            | -493                  | 0                   | -493                   |

| <b>Account: Compact of Free Association (<u>Permanent</u> and Indefinite Appropriation)</b> |             |               |                              |                       |                     |                        |
|---|-------------|---------------|------------------------------|-----------------------|---------------------|------------------------|
| <b>Activity: Enewetak Support</b>   |             |               |                              |                       |                     |                        |
| \$ (000)  | 2005 Actual | 2006 Estimate | Uncontrollable Changes (+/-) | Program Changes (+/-) | 2007 Budget Request | Change from 2006 (+/-) |
|   | 1,315       | 1,336         | 0                            | +33                   | 1,369               | +33                    |

**SUMMARY OF 2007 PROGRAM CHANGES FOR ENEWETAK SUPPORT (Current)**

| Request Component | Amount      | FTE      |
|-------------------|-------------|----------|
| Enewetak Support  | -493        | 0        |
| <b>Total</b>      | <b>-493</b> | <b>0</b> |

**SUMMARY OF 2007 PROGRAM CHANGES FOR ENEWETAK SUPPORT (Permanent)**

| Request Component | Amount    | FTE      |
|-------------------|-----------|----------|
| Enewetak Support  | 33        | 0        |
| <b>Total</b>      | <b>33</b> | <b>0</b> |

**JUSTIFICATION OF 2007 PROGRAM CHANGES**

The amended Compact of Free Association (Public Law 108-188) includes a provision that appropriates, in permanent funding, \$1.3 million annually for twenty years, with adjustments for inflation, for the Enewetak Support program. It is no longer necessary to seek a current

appropriation to maintain this program.

The increase in the permanent appropriation is due to the application of the inflation adjustment provisions of the amended Compact of Free Association.

**Program Performance Change-** The increases in funding required by Public Law 108-188 will allow the Enewetak program to maintain its level of effort by partially meeting inflation-driven cost increases.

## 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.

The Enewetak program 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.

In 2006 the Enewetak project managers are completing a survey of the three inhabited islands of the atoll to establish baseline data for the acreage of land currently usable for agriculture. Upon the completion of the survey new performance measures will be set in consultation with OIA.

| <b>Performance/Workload Measures-Enewetak Support</b> |                       |   |                       |                             |
|---|-----------------------|---|-----------------------|-----------------------------|
|   | <b>2005</b>           | <b>2006</b>                             | <b>2007</b>           | <b>Change from<br/>2006</b> |
| Operations Grants                                     | 1                     | 1                                       | 1                     | 0                           |
| Ave. Mos. To Completion                               | 12                    | 12                                      | 12                    | 0                           |
| Perf. Objectives Accomplished                         | # acres rehabilitated | Create baseline for acres rehabilitated | # acres rehabilitated |                             |

| <b>Account: Compact of Free Association (Current Appropriation)</b> |                        |                          |   |                                      |                                    |   |
|---|------------------------|--------------------------|---|--------------------------------------|------------------------------------|---|
| <b>Activity: Program Grant Assistance</b>                           |                        |                          |   |                                      |                                    |   |
| <b>\$(000)</b>  | <b>2005<br/>Actual</b> | <b>2006<br/>Estimate</b> | <b>Uncontrollable<br/>Changes<br/>(+/-)</b> | <b>Program<br/>Changes<br/>(+/-)</b> | <b>2007<br/>Budget<br/>Request</b> | <b>Change<br/>from<br/>2006<br/>(+/-)</b> |
|   | 2,000                  | 2,000                    | 0   | 0                                    | 2,000                              | 0   |

### **PROGRAM OVERVIEW**

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

### **2007 PROGRAM PERFORMANCE ESTIMATES**

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

### **2006 PLANNED PROGRAM PERFORMANCE**

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

### **2005 PROGRAM PERFORMANCE ACCOMPLISHMENTS**

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

| <b>Performance Workload Measures-Program Grant Assistance</b> |             |             |             |                             |
|---|-------------|-------------|-------------|-----------------------------|
|   | <b>2005</b> | <b>2006</b> | <b>2007</b> | <b>Change from<br/>2006</b> |
| <b>Program Grant Assistance</b>                               | 1           | 1           | 1           | 0                           |

| <b>Account: Compact of Free Association (Permanent and Indefinite Appropriation)</b><br><b>Activity: Economic Assistance</b><br><b>Subactivity: Federated States of Micronesia (FSM)/ Republic of the Marshall Islands(RMI)</b> |             |               |                              |                       |                     |                        |
|---|-------------|---------------|------------------------------|-----------------------|---------------------|------------------------|
| \$(000)   | 2005 Actual | 2006 Estimate | Uncontrollable Changes (+/-) | Program Changes (+/-) | 2007 Budget Request | Change from 2006 (+/-) |
| RMI   | 61,457      | 62,375        | 0                            | +1,479                | 63,854              | +1,479                 |
| FSM   | 93,788      | 96,157        | 0                            | +1,420                | 97,577              | +1,420                 |
| Judicial Training   | 304         | 308           | 0                            | +8                    | 316                 | +8                     |

### JUSTIFICATION OF 2007 PROGRAM CHANGES

The program changes in this account are required inflation adjustments required by 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 committed by the United States to the Federated States of Micronesia (FSM) and the Republic of the Marshall Islands (RMI). The first period of financial assistance expired on September 30, 2003. Following four years of negotiations led by the Department of State with support from OIA, Congress enacted amendments to the Compact as Public Law 108-188. These amendments also include a new permanent and indefinite appropriation that assures continuation of direct financial assistance through fiscal year 2023.

The long term goal of United States Compact financial support is to assist the freely associated states “in their efforts to advance the economic self-sufficiency of their peoples.” The funding provided over the past seventeen years provided the basis for meeting the two primary political goals of the compact, to (1) secure self-government for each country by ending the four decades-old Trusteeship; and (2) assure national security rights for the United

States in the freely associated states. The two primary goals could not have been achieved without the stability compact funding gave the FSM and RMI economies during the past seventeen years.

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.

The FSM and the RMI have not achieved their long-term Compact goal of self-sufficiency. The United States believes part of the reason for poor economic performance over the past seventeen years was in the design of the Compact itself. The lack of performance standards and 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 United States 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 between the Federal Government and State and local governments have been implemented.

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

## **2007 PROGRAM PERFORMANCE ESTIMATES**

- Conduct a minimum of 480 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 these arise

## **2006 PLANNED PROGRAM PERFORMANCE**

- In cooperation with the freely associated states, complete the development of measures and baseline data to track performance in all sectors and establish systems to account for, monitor and correct non-compliance or lagging performance.
- Fully implement Supplemental Education grant with additional FTE.
- Issue and administer all sector grants to the FSM and the RMI.
- Conduct a minimum of 200 days of site visits in the RMI and FSM to review compliance and monitor performance progress.
- 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 these arise.

## **2005 PROGRAM PERFORMANCE ACCOMPLISHMENTS**

- Conducted the first formal meetings of the joint economic management committee with the FSM and the joint economic management and financial accountability meeting with the RMI for the purpose of allocating Compact assistance among the six sectors and reaching general agreement on grant conditions.
- Issued and administered six grants to the RMI and five to the FSM according to allocation decisions and conditions of the joint economic management committee for the FSM and the joint economic management and financial accountability committee for the RMI.
- In cooperation with the freely associated states, established performance objectives for all sectors and began defining measures to track performance over the next twenty years.
- Fully staffed the Hawaii Field Office to provide necessary subject matter and financial management expertise.
- Conducted on-site monitoring of grant compliance and performance progress.
- Established a field office in the RMI for continuous on-the-ground monitoring of grants and Compact-related matters, and reassigned similar duties to OIA's FSM field representative.
- Established trust funds and administering boards for the RMI and FSM and deposited first year's capitalization.
- In cooperation with the FSM, addressed procedural and administrative problems preventing the award of public sector infrastructure grant project funds.



| <b>Performance Measures-Compact of Free Association<br/>Economic Assistance - FSM and RMI</b> |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|
| Measures  | 2005<br>Baseline | 2006<br>Estimate | 2007<br>Estimate | Changes<br>(+/-) |
| Site Visits   | 414              | 515              | 618              | +103             |
| Education (Elementary Reading -<br>% at Proficiency Level)                                    |                  |                  |                  |                  |
| FSM   | 50%              | 55%              | 55%              | -                |
| RMI   | test revised*    | 43%              | 45%              | +2%              |
| Health Care (Decrease infant<br>mortality)  |                  |                  |                  |                  |
| FSM   | 17.4/100         | 17.4/100         | 17/100           | -0.4/100         |
| RMI   | 23/100           | 21/100           | 21/100           | -                |
| Private Sector Development<br>(Private Sector/Total<br>Employment)                            |                  |                  |                  |                  |
| FSM**   | 6,388            | 6,452            | 6,517            | +65              |
| RMI**   | 3,727            | 3,190            | 3,222            | +32              |
| (Total Visitor Arrivals)  |                  |                  |                  |                  |
| FSM**   | 16,092           | 16,253           | 16,416           | +163             |
| RMI   | 9,253***         | 9,346            | 9,439            | + 93             |
| Environment<br>(Conservation areas - acres)   |                  |                  |                  |                  |
| FSM   | 35,229           | 35,581           | 35,937           | + 356            |
| RMI   | 172,800          | 174,528          | 176,273          | +1,745           |
| Infrastructure<br>(% w/ 24 hr. water)   |                  |                  |                  |                  |
| FSM   | 42%              | 42%              | 46%              | +4%              |
| RMI   | 5%               | 5%               | 5%               | 0                |

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

\*\*Because of the lag in reporting, numbers are actually 2004 outputs in the 2005 column.

\*\*\*Projected output for 2005.

| <b>Account: Compact of Free Association (Permanent and Indefinite Appropriation)</b> |                        |                          |   |                                      |                                    |   |
|--|------------------------|--------------------------|---|--------------------------------------|------------------------------------|---|
| <b>Activity: Economic Assistance</b>   |                        |                          |   |                                      |                                    |   |
| <b>Subactivity: Republic of Palau</b>  |                        |                          |   |                                      |                                    |   |
| <b>\$(000)</b>   | <b>2005<br/>Actual</b> | <b>2006<br/>Estimate</b> | <b>Uncontrollable<br/>Changes<br/>(+/-)</b> | <b>Program<br/>Changes<br/>(+/-)</b> | <b>2007<br/>Budget<br/>Request</b> | <b>Change<br/>from<br/>2006<br/>(+/-)</b> |
| Palau  | 10,553                 | 10,594                   | 0   | +62                                  | 10,656                             | +62                                       |

### **JUSTIFICATION OF 2007 PROGRAM CHANGES**

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

### **PROGRAM OVERVIEW**

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

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

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

**2007 PROGRAM PERFORMANCE ESTIMATES**

- Meet all requirements under the negotiated Compact.
- Conduct annual economic consultations, in conjunction with the State Department.
- Assist Palau to establish a maintenance program for the Palau Road

**2006 PLANNED PROGRAM PERFORMANCE**

- Meet all requirements under the negotiated Compact.
- Conduct annual economic consultations, in conjunction with the State Department.
- Complete 100% of the 53-mile Palau Road.

**2005 PROGRAM PERFORMANCE ACCOMPLISHMENTS**

- The U.S. met all of its requirements under the Compact, as did Palau, including annual economic consultations.
- Approximately 92% of the 53-mile Palau Road was completed.

| <b>Performance Measures-Compact of Free Association</b> |                  |                  |                     |
|---|------------------|------------------|---------------------|
| <b>Palau</b>  |                  |                  |                     |
| <b>Performance Measures</b>                             | <b>2006 Plan</b> | <b>2007 Plan</b> | <b>Change (+/-)</b> |
| 53 mile Rd./ % Completion                               | 100%             | 100%             | 0                   |
|   |                  |                  |                     |

| <b>Account: Compact of Free Association (Permanent and Indefinite Appropriation)</b> |                |                  |                                    |                             |                           |                                 |
|--|----------------|------------------|------------------------------------|-----------------------------|---------------------------|---------------------------------|
| <b>Activity: Compact Impact</b>  |                |                  |                                    |                             |                           |                                 |
|  | 2005<br>Actual | 2006<br>Estimate | Uncontrollable<br>Changes<br>(+/-) | Program<br>Changes<br>(+/-) | 2007<br>Budget<br>Request | Change<br>from<br>2006<br>(+/-) |
| Hawaii   | 10,571,277     | 10,571,277       | 0                                  | 0                           | 10,571,277                | 0                               |
| Guam   | 14,242,322     | 14,242,322       | 0                                  | 0                           | 14,242,322                | 0                               |
| CNMI   | 5,171,914      | 5,171,914        | 0                                  | 0                           | 5,171,914                 | 0                               |
| American<br>Samoa  | 14,487         | 14,487           | 0                                  | 0                           | 14,487                    | 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, \$30,000,000 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 \$30,000,000 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. This allocation is in accordance with the provision in Section 104(e)(5) of Title One of the amended Compacts of Free Association.

## 2007 PROGRAM PERFORMANCE ESTIMATES

- The following FY 2007 grants will be made to each eligible jurisdiction based on the population of eligible migrants:
  - Hawaii: \$10,571,277
  - Guam: \$14,242,322
  - CNMI: \$ 5,171,914
  - American Samoa: \$ 14,487
- Grant assistance provided may be used only for health, educational, social, or public safety services, or infrastructure related to such services, specifically affected by qualified nonimmigrants.
- Each jurisdiction will provide a program plan to the Department of the Interior for the use of the funds.

## 2006 PLANNED PROGRAM PERFORMANCE

- The following FY 2006 grants will be made to each eligible jurisdiction based on the population of eligible migrants:
  - Hawaii: \$10,571,277
  - Guam: \$14,242,322
  - CNMI: \$ 5,171,914
  - American Samoa: \$ 14,487
- Grant assistance provided may be used only for health, educational, social, or public safety services, or infrastructure related to such services, specifically affected by qualified nonimmigrants.
- Each jurisdiction will provide a program plan to the Department of the Interior for the use of the funds.

## 2005 PROGRAM PERFORMANCE ACCOMPLISHMENTS

- The State of Hawaii used the full amount of its \$10,571,277 to supplement state funds to support indigent health care.
- Guam used its grant of \$14,242,322 in the following manner:

- GMHA Pharmaceuticals & Supplies \$5,216,600
- DPW Schools Leaseback 6,100,000
- DPW Equipment 509,717
- Police Department Equipment 200,000
- DYA Building Improvements & Equipment 350,000
- DMH&SA Building Improvement 1,328,000
- Fire Department Equipment 538,005
  
- The Commonwealth of the Northern Mariana Islands used the FY 2005 grant for \$5,171,914 to supplement the budgets of the following operational agencies:
  - DPH- Hospital, Public Health \$3,698,315
  - DPH- Mental Health, Youth Services 72,149
  - Division of Youth Services 242,730
  - Department of Public Safety 1,004,894
  - Public Defender 153,826

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 | 2005   | 2006     | 2007     |
|-------------------------------|--------|----------|----------|
| 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               | 57  | 57  | 57  |
| 00.02 | Advance payments to the Virgin Islands of estimated U.S. excise tax collections | 88  | 88  | 88  |
| 09.01 | Virgin Island Loan  | 2   | 1   | 1   |
| 10.00 | Total new obligations   | 147 | 146 | 146 |

## Budgetary resources available for obligation:

|       |  |      |      |      |
|-------|--|------|------|------|
| 22.00 | New budget authority (gross)                       | 148  | 146  | 146  |
| 22.60 | Portion applied to repay debt                      | -2   | -1   | -1   |
| 23.90 | Total budgetary resources available for obligation | 146  | 145  | 145  |
| 23.95 | Total new obligations                              | -147 | -146 | -146 |

## New budget authority (gross), detail

|       |                                    |     |     |     |
|-------|------------------------------------|-----|-----|-----|
| 60.00 | Appropriation (Mandatory)          | 145 | 144 | 144 |
|       | Mandatory                          |     |     |     |
| 69.00 | Offsetting collections (cash)      | 3   | 2   | 2   |
| 70.00 | Total new budget authority (gross) | 148 | 146 | 146 |

## Change in obligated balances

|       |                       |      |      |      |
|-------|-----------------------|------|------|------|
| 73.10 | Total new obligations | 147  | 146  | 146  |
| 73.20 | Total outlays (gross) | -146 | -146 | -146 |

## Outlays (gross), detail:

|       |  |     |     |     |
|-------|--|-----|-----|-----|
| 86.97 | Outlays from new mandatory authority                   | 146 | 146 | 146 |
|       | Offsets against gross budget authority and outlays     |     |     |     |
| 88.40 | Offsetting collections (cash) from Non-Federal sources | 3   | 2   | 2   |

## Net budget authority and outlays

|       |                  |     |     |     |
|-------|------------------|-----|-----|-----|
| 89.00 | Budget authority | 145 | 144 | 144 |
|-------|------------------|-----|-----|-----|

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                 |   | 2005   | 2006     | 2007     |
|---|---|--------|----------|----------|
| 14-0414-0-1-806                               |   | Actual | Estimate | Estimate |
| Obligations by program activity:              |   |        |          |          |
| 00.01   | Trust Territory   | --     | 1        | 1        |
| 10.00   | Total new obligations (object class 25.2)                     | --     | 1        | 1        |
| Budgetary resources available for obligation: |   |        |          |          |
| 21.40   | Unobligated balance carried forward, start of year            | 1      | 3        | 2        |
| 22.10   | Resources available from recoveries of prior year obligations | 2      | --       | --       |
| 23.90   | Total budgetary resources available for obligation            | 3      | 3        | 2        |
| 23.95   | Total new obligations   | --     | -1       | -1       |
| 24.40   | Unobligated balance carried forward, end of year              | 3      | 2        | 1        |
| Change in obligated balances                  |   |        |          |          |
| 72.40   | Obligated balance, start of year                              | 7      | 2        | 2        |
| 73.10   | Total new obligations   | --     | 1        | 1        |
| 73.20   | Total outlays (gross)   | -3     | -1       | -1       |
| 73.45   | Recoveries of prior year obligations                          | -2     | --       | --       |
| 74.40   | Obligated balance, end of year                                | 2      | 2        | 2        |
| Outlays (gross), detail:                      |   |        |          |          |
| 86.93   | Outlays from discretionary balances                           | 3      | 1        | 1        |
| Net budget authority and outlays              |   |        |          |          |
| 89.00   | Budget authority  | --     | --       | --       |
| 90.00   | Outlays   | 3      | 1        | 1        |
| 95.02   | Unpaid obligation, end of year                                | 2      | 0        | 0        |



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<br>14-4163-0-3-806                           | 2005<br>Actual | 2006<br>Estimate | 2007<br>Estimate |
|--|----------------|------------------|------------------|
| Obligations by program activity:   |                |                  |                  |
| 00.02 Interest paid to Treasury (6.139 percent on \$19 million)            | 1              | 1                | 1                |
| 10.00 Total new obligations  | 1              | 1                | 1                |
| Budgetary resources available for obligation:                              |                |                  |                  |
| 22.00 New financing authority (gross)                                      | 1              | 1                | 1                |
| 23.95 Total new obligations  | -1             | -1               | -1               |
| 24.40 Unobligated balance carried forward, end of year                     | --             | --               | --               |
| New financing authority (gross), detail:                                   |                |                  |                  |
| Spending authority from offsetting collections:                            |                |                  |                  |
| Discretionary:   |                |                  |                  |
| 68.00 Offsetting collections (cash)  | 1              | 1                | 1                |
| 68.90 Spending authority from offsetting collections (total discretionary) | 1              | 1                | 1                |
| Mandatory:   |                |                  |                  |
| 69.00 Offsetting collections (cash)  | --             | 3                | 1                |
| 69.47 Portion applied to repay debt  | --             | -3               | -1               |
| 69.90 Spending authority from offsetting collections (total mandatory)     | --             | --               | --               |
| 70.00 Total new financing authority (gross)                                | 1              | 1                | 1                |
| Change in obligated balances:  |                |                  |                  |
| 73.10 Total new obligations  | 1              | 1                | 1                |
| 87.00 Total financing disbursements (gross)                                | --             | --               | --               |
| Offsets against gross financing authority and financing disbursements:     |                |                  |                  |
| Offsetting collections (cash) from   |                |                  |                  |
| 88.00 Federal Sources  | --             | 3                | --               |
| 88.40 Non-Federal sources - interest payments from American Samoa          | 1              | 1                | 1                |
| 88.40 Non-Federal sources  | --             | --               | 1                |
| 88.90 Total. offsetting collections (cash)                                 | 1              | 4                | 2                |

## Statistics for House Interior Subcommittee Report

### INSULAR AFFAIRS

The Office of Insular Affairs (OIA) was established on August 4, 1995, through Secretarial Order No. 3191, which also abolished the former Office of Territorial and International Affairs. The OIA has important responsibilities to help the United States government fulfill its responsibilities to the four U.S. territories of Guam, American Samoa (AS), U.S. Virgin Islands and the Commonwealth of the Northern Marianas Islands (CNMI) and also the three freely associated States: the Federated States of Micronesia (FSM), the Republic of the Marshall Islands (RMI) and the Republic of Palau. The primary vehicles by which OIA implements its mission goal of *Serving Communities* are its financial assistance/grant programs, including the Compact of Free Association grants. OIA financial assistance programs are funded through current discretionary, current mandatory and permanent appropriations. The goals of the financial assistance programs are to increase economic development in the islands. During fiscal year 2004, OIA began its efforts to implement and oversee the new Compacts of Free Association sector grant programs with the FSM and the RMI. The new Compact of Free Association also includes mandatory payments for certain activities previously provided in discretionary appropriations, such as Enewetak Support and Compact Impact payments of \$30,000,000 per year split among Guam, CNMI, AS, and Hawaii.