



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

and Performance Information  
Fiscal Year 2019

**OFFICE OF  
INSULAR AFFAIRS**

NOTICE: These budget justifications are prepared for the Interior, Environment and Related Agencies Appropriations Subcommittees. Approval for release of the justifications prior to their printing in the public record of the Subcommittee hearings may be obtained through the Office of Budget of the Department of the Interior.

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# **General Statement**



# I. Bureau-Level Presentation

## General Statement

### 1. Introduction

The Assistant Secretary Insular and International Affairs and the Office of Insular Affairs (OIA) carry out the Secretary's responsibilities for U.S.-affiliated insular areas. These include the territories of Guam, American Samoa, the U.S. Virgin Islands (USVI), and the Commonwealth of the Northern Mariana Islands (CNMI). Residents of these U.S. territories are U.S. citizens or nationals. Additionally, OIA administers and oversees Federal assistance to three freely associated states (FAS): the Federated States of Micronesia (FSM), the Republic of the Marshall Islands (RMI) and the Republic of Palau (Palau).

The 2019 budget request achieves the Department's mission of Fulfilling Our Trust and Insular Responsibilities by balancing the Office of Insular Affairs' efforts to strengthen economic and health capacities in the U.S. territories, and fulfill U.S. compact obligations to freely associated states with the need for budgetary restraint.

The territories and FAS experience significant healthcare challenges. In the upcoming year, OIA along with other partners, such as the Department of Health and Human Services (HHS), will work with insular area partners to focus limited resources in a way that improves the quality of healthcare across the insular areas. Investments will be made to implement corrective action plans which address chronic operational shortcomings and modernize healthcare infrastructure in the islands. Additional investments will be made to combat non-communicable and communicable diseases impacting the Pacific and Caribbean islands such as obesity, diabetes, and tuberculosis.

Strong local economies provide employment and a viable tax base for citizens in the insular areas. The Office of Insular Affairs will strengthen insular economies through strategic investments in infrastructure, public services and technical assistance which will attract and retain private sector investment. The Office will also promote policies and improve Federal coordination on issues impacting insular economies, restore trust with territorial communities and ensure sovereignty means something working with the freely associated states.

### Insular Economic Update

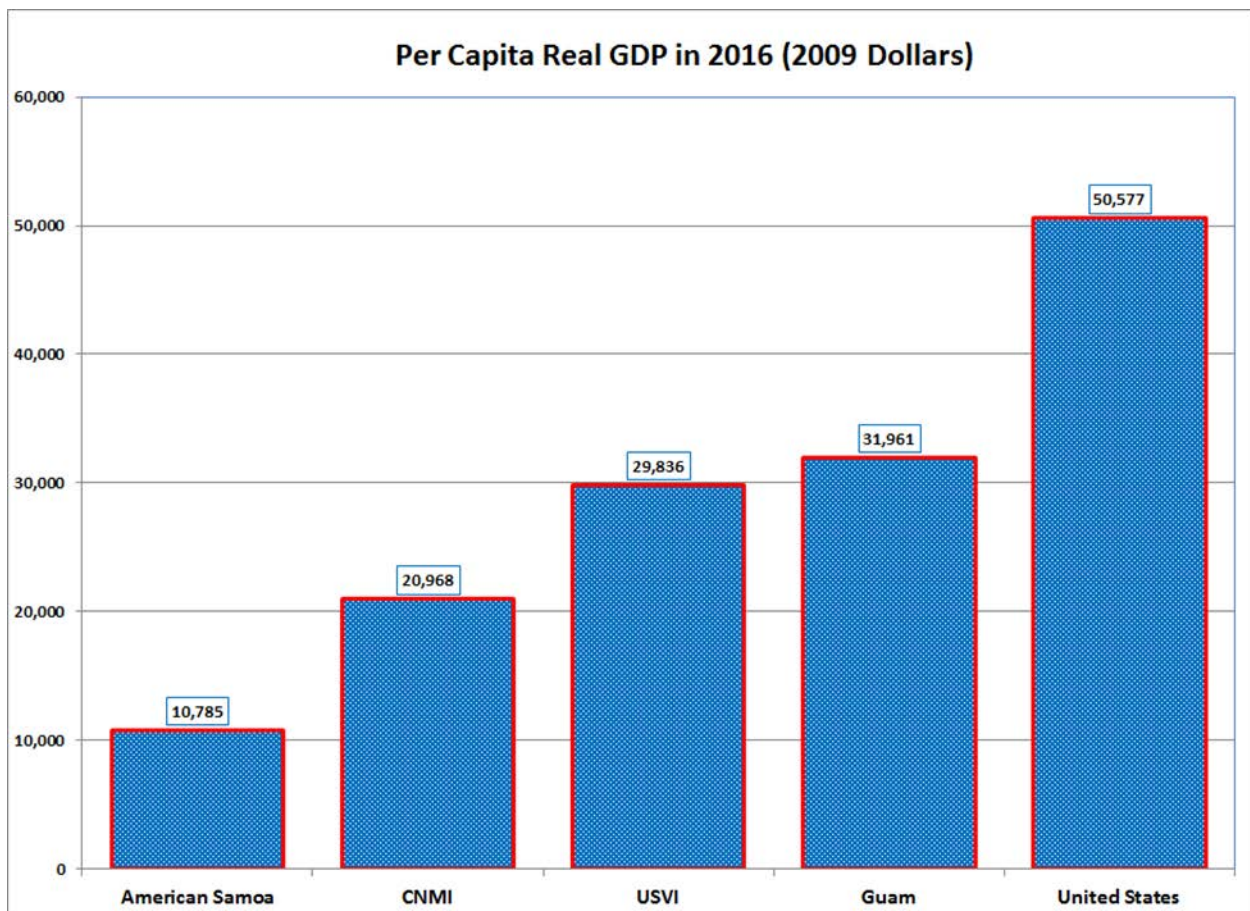
The economic picture emerging from the most recent territorial gross domestic product (GDP) data is corroborated by population data from the 2010 census. All of the territories, except for Guam, lost population in the previous decade. The CNMI led the territories in population decline, with a 22.2 percent decrease from 2000 to 2010. The census data support the anecdotal observation that many islanders are leaving their homes to seek better opportunities elsewhere. Continued population loss will exacerbate economic troubles as Federal formula grants which are based on population will decrease.

The insular economies are small, isolated and dependent on one or two main sources of income. In most areas, Federal programs and grants represent a major source of government revenues. Federal funds, including rum tax cover-over, were 32.2 percent of government revenues in the USVI in fiscal year 2016,

35.8 percent in Guam, 26.0 percent in the CNMI and 63.0 percent in American Samoa. In three of the four territories, a single industry, tourism, is the major income source which is influenced by global and regional economic forces beyond their control.

The BEA produces official, standardized GDP data for the island territories under a special technical assistance program funded by OIA. The graph below shows per capita real (adjusted for inflation) GDP of the island territories and the United States. Among the territories, Guam has per capita real GDP closest to the national figure, but still about the same as that of the poorest state, Mississippi. The main reason for Guam's relative prosperity is the presence of a relatively large and expanding national defense infrastructure which provides jobs, income and taxes. Guam also has a relatively large and growing tourism industry powered mainly by visitors from industrial East Asia.

This information indicates that except for Guam and its unique mix of national defense and tourism industries, other territories are behind the national norm of per capital real GDP because they depend on a single industry and its ups and downs. An illustrative example of the economic fragility of the islands is the USVI which lost a large multi-national petroleum refinery in 2012. That loss left large gaps in the territory's income, employment, taxes and investment in capital which no other industry has filled.





**The Freely Associated States (FAS)**

The BEA does not produce economic data for the FAS. OIA has collaborated with the Graduate School USA to produce GDP data for the FSM, the RMI and Palau as a part of a larger technical assistance program to strengthen financial management and fiscal accountability in the insular areas. The smaller and more isolated FAS economies have evolved since the beginning of U.S. engagement in the region during World War II by becoming more dependent on Federal assistance than the territories.

**Federated States of Micronesia (FSM)**

The FSM continues to show lag in economic performance, which leads directly to increased emigration to the United States, particularly to Guam and Hawaii. The most immediate need in the FSM is for the government to organize to use effectively Compact infrastructure funds. This will have an immediate, positive impact on jobs, incomes and GDP which was practically unchanged in 2016 from 2015.

The FSM needs to take a fresh look at its fiscal resources. The country is in surplus at the moment, but results differ significantly between the FSM national and state governments. The national government runs a surplus, while states except for Kosrae have recorded deficits. The FSM state governments which deliver services have been constrained by declining Compact grants, while the national government has benefited from rising revenues from fishing fees and the captive insurance market.

**Republic of the Marshall Islands (RMI)**

The RMI's real GDP grew 1.9 percent in 2016, following declines in both 2015 and 2014. The RMI's fiscal operations in 2016 recorded a surplus, as it did in fiscal year 2015. However, despite gains in revenues, expenditures grew with increases in payroll, continued state-owned enterprise (SOE) subsidies and drought in the northern islands.

**Republic of Palau**

Palau's economy has performed well over the last three years. In 2016, real GDP increased 1.6 percent, following a 10.6 percent increase in 2015 and 7.0 percent gain in 2014. In terms of real GDP growth, the 2014-16 period was the best 3-year growth cycle in more than a decade. This period of high growth rate in Palau's economy reflected its dynamic tourism industry which has grown over the last several years. In 2014, Palau received 125,674 visitors. In 2015, the number rose to 168,767. The total dropped slightly in 2016 to 146,634, but tourism and associated services now drive the economy.

## 2. Budget Highlights

The proposed 2019 OIA budget is \$719.0 million, inclusive of a Department of Defense transfer for the Palau Compact. Instead of continuing the temporary extension for Palau Compact, the budget proposes \$111.0 million in discretionary Department of Defense appropriations as a transfer to the Department of the Interior to support enactment of the 2010 Compact Review Agreement with Palau. These funds are provided to assist the Government of Palau in its efforts to advance the well-being of its people and in recognition of the special relationship that exists between the United States and Palau, its importance as an ally and a key part of the Nation's Asia-Pacific national security strategy.

### Total 2019 Budget Request

(Dollars in Thousands)

<b>Budget Authority</b>	<b>2017 Actual</b>	<b>2018 CR</b>	<b>2019 Request</b>
Current Discretionary	67,523	67,064	56,356
Current Mandatory	40,867	40,778	27,720
<b>Total Current</b>	<b>108,390</b>	<b>107,842</b>	<b>84,076</b>
Permanent	544,069	520,809	523,929
<b>Total OIA</b>	<b>652,459</b>	<b>628,651</b>	<b>608,005</b>
<i>FTEs</i>	33	36	36
DoD Transfer	0	0	111,000
<b>Total OIA w/ DoD Transfer</b>	<b>652,302</b>	<b>628,651</b>	<b>719,005</b>

OIA's budget is divided into two major categories of funding – current and permanent appropriations. Most of OIA's budget reflects mandatory commitments to U.S.-affiliated insular areas and is permanently appropriated. In the 2019 President's budget, these commitments were an estimated \$302.0 million for fiscal payments to Guam and the U.S. Virgin Islands and \$221.9 million for payments under the Compacts of Free Association. All permanent amounts 2018-2019 in the table above are estimates.

# **Budget at a Glance**



## B. Bureau-Level Tables

## 1.

<b>FY 2019 Budget at a Glance</b>					
<b>Office of Insular Affairs</b>					
<i>(Dollars in Thousands)</i>					
	2017 Actual	2018 CR	Fixed Costs & Related Changes	Program Changes	2019 Request
<u>Assistance to Territories</u>					
American Samoa Operations	22,752	22,597	0	-1,068	21,529
Capital Improvement Projects	27,720	27,720	0	0	27,720
Territorial Assistance					
Office of Insular Affairs	9,448	9,384	-62	+108	9,430
Technical Assistance	16,784	16,670	0	-1,999	14,671
Maintenance Assistance	4,000	3,973	0	-2,950	1,023
Brown Tree Snake Control	3,500	3,476	0	-639	2,837
Coral Reef Initiative & Natural Resources	1,250	1,242	0	-296	946
Empowering Insular Communities	3,471	3,447	0	-636	2,811
Compact Impact Disc.	<u>3,000</u>	<u>2,980</u>	<u>0</u>	<u>-2,980</u>	<u>0</u>
<b>Total, Assistance to Territories</b>	<b>91,925</b>	<b>91,489</b>	<b>-62</b>	<b>-10,460</b>	<b>80,967</b>
<u>Compact of Free Association - Current</u>					
Federal Services	2,818	2,798	0	-162	2,636
Enewetak	500	497	0	-24	473
Palau Compact Extension	<u>13,147</u>	<u>13,058</u>	<u>0</u>	<u>-13,058</u>	<u>0</u>
<b>Total, Compact of Free Association - Current</b>	<b>16,465</b>	<b>16,353</b>	<b>0</b>	<b>-13,244</b>	<b>3,109</b>
<b>Total Current Discretionary/Mandatory</b>	<b>108,390</b>	<b>107,842</b>	<b>-62</b>	<b>-23,704</b>	<b>84,076</b>
<u>Compact of Free Association</u>					
Marshall Islands Compact	76,065	76,948	0	+1,270	78,218
Federated States of Micronesia Compact	110,135	111,500	0	+1,844	113,344
Compact Impact	30,000	30,000	0	0	30,000
Judicial Training	<u>370</u>	<u>361</u>	<u>0</u>	<u>+6</u>	<u>367</u>
<b>Total Compact (Permanent)</b>	<b>216,570</b>	<b>218,809</b>	<b>0</b>	<b>+3,120</b>	<b>221,929</b>
<u>Fiscal Payments</u>					
Guam Section 30 Income Taxes	85,712	78,000	0	0	78,000
VI Rum Excise Taxes	<u>242,099</u>	<u>224,000</u>	<u>0</u>	<u>0</u>	<u>224,000</u>
<b>Total, Fiscal Payments (Permanent)</b>	<b>327,811</b>	<b>302,000</b>	<b>0</b>	<b>0</b>	<b>302,000</b>
American Samoa Loan Program Account	0	0	0	0	0
American Samoa Loan Financing Account	<u>-312</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total, American Samoa Loan (Permanent)</b>	<b>-312</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total, Office of Insular Affairs</b>	<b>652,459</b>	<b>628,651</b>	<b>-62</b>	<b>-20,584</b>	<b>608,005</b>
Palau Compact DoD Transfer	<u>0</u>	<u>0</u>	<u>0</u>	<u>+111,000</u>	<u>111,000</u>
<b>Total, Office of Insular Affairs w/ DoD Transfer</b>	<b>652,459</b>	<b>628,651</b>	<b>-62</b>	<b>+90,416</b>	<b>719,005</b>

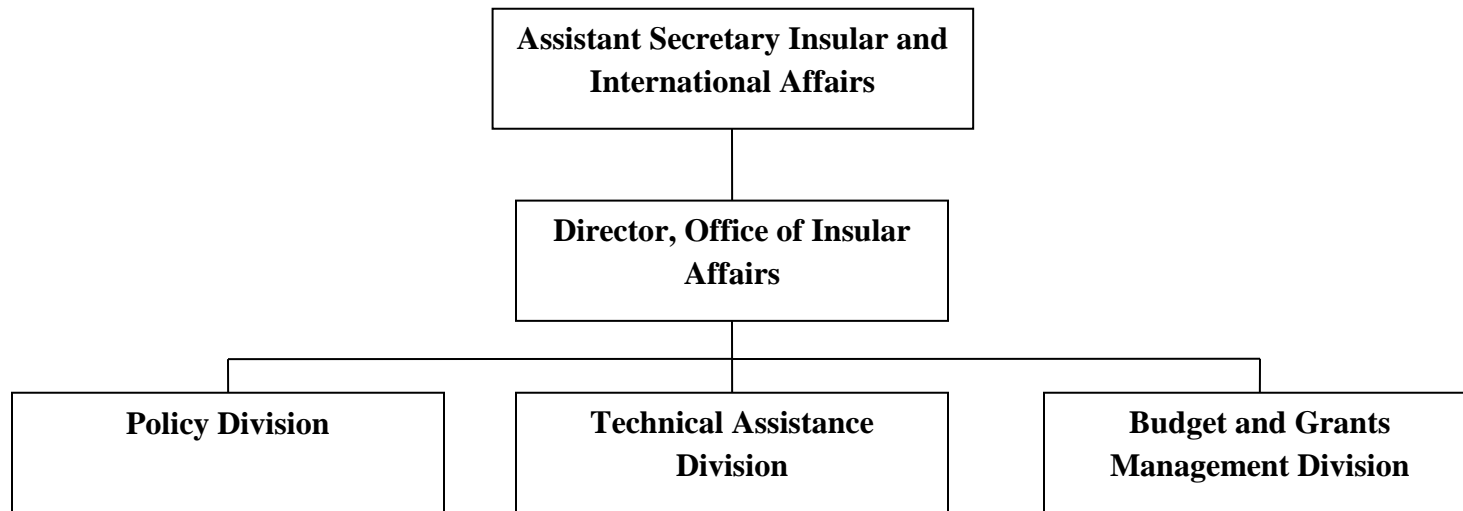
2.

Office of Insular Affairs  
2017 Funding (Budget Authority) by Activity and Insular Area  
\$(000)

Activity	Am Samoa	CNMI	Guam	USVI	FSM	RMI	Palau	Hawaii	DC	Other	Total
<u>Assistance to Territories</u>											
American Samoa Operations	22,752										22,752
Capital Improvement Projects	9,613	9,082	6,578	2,447							27,720
Office of Insular Affairs	251	162			221	188		2,637	5,567	422	9,448
Technical Assistance	1,327	2,562	1,532	1,038	237	1,803	176	913	3,153	4,043	16,784
Maintenance Assistance	175	415	0	305	224		74	2,807			4,000
Brown Tree Snake Control		505	148					1,745		1,102	3,500
Coral Reef Initiative & Natural Resources	95	190	315	103	221	80				246	1,250
Empowering Insular Communities	1,163	659	1,054	595							3,471
Compact Impact Discretionary	2	231	1,491					1,276			3,000
<i>Total, Assistance to Territories</i>	<i>35,378</i>	<i>13,806</i>	<i>11,118</i>	<i>4,488</i>	<i>903</i>	<i>2,071</i>	<i>250</i>	<i>9,378</i>	<i>8,720</i>	<i>5,813</i>	<i>91,925</i>
<u>Compact of Free Association - Current</u>											
Federal Services							563			2,255	2,818
Palau Program Grant Assistance							2,000				2,000
Enewetak						500					500
Palau Compact Extension							11,147				11,147
<i>Total, Compact of Free Association - Current</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>500</i>	<i>13,710</i>	<i>0</i>	<i>0</i>	<i>2,255</i>	<i>16,465</i>
<b>Total Current Discretionary/Mandatory</b>	<b>35,378</b>	<b>13,806</b>	<b>11,118</b>	<b>4,488</b>	<b>903</b>	<b>2,571</b>	<b>13,960</b>	<b>9,378</b>	<b>8,720</b>	<b>8,068</b>	<b>108,390</b>
<u>Compact of Free Association</u>											
Marshall Islands Compact						76,065					76,065
Federated States of Micronesia Compact					110,135						110,135
Palau Compact											0
Compact Impact	22	2,282	14,729					12,610		357	30,000
Judicial Training										370	370
<i>Total, Compact (Permanent)</i>	<i>22</i>	<i>2,282</i>	<i>14,729</i>	<i>0</i>	<i>110,135</i>	<i>76,065</i>	<i>0</i>	<i>12,610</i>	<i>0</i>	<i>727</i>	<i>216,570</i>
<u>Fiscal Payments</u>											
Guam Section 30 Income Taxes			85,712								85,712
VI Rum Excise Taxes				242,099							242,099
<i>Total, Fiscal Payments (Permanent)</i>	<i>0</i>	<i>0</i>	<i>85,712</i>	<i>242,099</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>327,811</i>
<b>Total Permanent Mandatory</b>	<b>22</b>	<b>2,282</b>	<b>100,441</b>	<b>242,099</b>	<b>110,135</b>	<b>76,065</b>	<b>0</b>	<b>12,610</b>	<b>0</b>	<b>727</b>	<b>544,381</b>
<b>Grand Total - Office of Insular Affairs</b>	<b>35,400</b>	<b>16,088</b>	<b>111,559</b>	<b>246,587</b>	<b>111,038</b>	<b>78,636</b>	<b>13,960</b>	<b>21,988</b>	<b>8,720</b>	<b>8,795</b>	<b>652,771</b>

3.

**Organization Chart  
Office of Insular Affairs**



4. Goal Performance Table

Mission Area 2: Fulfilling Our Trust Responsibilities  
 Goal #2: Strengthen economic and health capacities in the US Territories, and fulfill US compact obligations to the freely associated states

Strategic Plan Performance Measures	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Target	2019 Target	2022 Target
<b>Strategy #1: Bolster Healthcare Capacity</b>									
Percent of Community Water Systems (CWS) that receive health-based violation notices from the U.S. Environmental Protection Agency	13.5%	18.9%	8.2%	12.9%	8.4%	10.6%	9.8%	9.8%	9.2%
CWS In Violation	20	28	12	19	11	14	13	13	12
Total CWS	148	148	147	147	131	132	132	132	131
Rate of new tuberculosis cases occurring in the population per 100,000 persons			64.1	72.1	77.3	91.3	85.1	79.8	1.4
New TB Cases			364	410	361	429	400	375	4,522
Total Population			567,963	569,021	467,144	469,845	469,845	469,845	323,000,000
Percent of patients with newly diagnosed tuberculosis disease for whom 12 months or less of treatment is indicated, who complete treatment within 12 months			72.0%	89.0%	92.9%	81.1%	85.2%	88.3%	95.0%
Completed Treatment within 12 months			303	299	339	257	270	280	95
Eligible Patients			421	336	365	317	317	317	100
Infant mortality rate per 1,000 live births (number of deaths to infants from birth through 1 year of age per number of live births)				11.7	12.3	14.8	13.9	12.7	6.0
Infant Deaths within 1 year of life				103	98	117	110	100	6
Live Births				8,831	7,958	7,887	7,887	7,887	1,000
<b>Strategy #2: Strengthen Island Economies</b>									
Mean GDP per capita in the 4 US Territories compared to the real GDP per capita for the U.S.	50.5%	47.4%	40.6%	44.4%	43.2%	45.2%	45.8%	46.4%	60.0%
Avg. Per Capita GDP Territories	\$ 21,627	\$ 20,483	\$ 19,972	\$ 22,205	\$ 22,159	\$ 23,388	\$ 23,700	\$ 24,000	\$ 30,745
Avg. Per Capita GDP US	\$ 42,831	\$ 43,236	\$ 49,210	\$ 50,051	\$ 51,241	\$ 51,737	\$ 51,737	\$ 51,737	\$ 51,241
Residential cost per kilowatt hour for power in the US territories compared to the national average	3.1X	3.1X	3.1X	3.0X	2.4X	1.9X	2.4X	2.4X	2.0X
Territories Avg Cost kWh	\$ 0.34	\$ 0.37	\$ 0.37	\$ 0.39	\$ 0.31	\$ 0.25	\$ 0.31	\$ 0.31	\$ 0.26
National Avg Cost kWh	\$ 0.11	\$ 0.12	\$ 0.12	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13
<b>Strategy #3: Fulfill US Compact Obligations</b>									
Ratio of FAS private sector jobs versus total FAS employment	49.6%	49.4%	48.8%	49.4%	49.7%	49.7%	49.9%	50.5%	55.0%
Private Sector Employment	18,084	18,004	17,833	18,229	18,803	18,803	18,900	19,100	22,000
Total Employment	36,455	36,461	36,513	36,865	37,844	37,844	37,844	37,844	40,000
Ratio of FAS public sector jobs versus total FAS Employment	50.4%	50.6%	51.2%	50.6%	50.3%	50.3%	50.1%	50.0%	45.0%
Public Sector Employment	18,371	18,457	18,680	18,636	19,041	19,041	18,950	18,915	18,000
Total Employment	36,455	36,461	36,513	36,865	37,844	37,844	37,844	37,844	40,000
Percent of FAS employment attributable to OIA Grants and Programs	38.5%	33.5%	36.3%	38.6%	35.6%	35.6%	35.4%	35.3%	30.0%
Employment Attributable to OIA Programs & Grants	14,042	12,220	13,246	14,233	13,486	13,486	13,400	13,350	12,000
Total Employment	36,455	36,461	36,513	36,865	37,844	37,844	37,844	37,844	40,000
Percent of FAS employee compensation attributable to OIA grants and programs	36.3%	31.0%	30.7%	29.5%	29.8%	29.8%	29.6%	29.5%	25.0%
Employee Compensation Attributable to OIA P&G	115,960	100,032	102,065	103,086	109,742	109,742	109,000	108,500	100,000
Total Employee Compensation	319,334	322,854	331,988	348,882	367,746	367,746	367,746	367,746	400,000
Average FAS private sector wage rate as a percentage of average FAS central government wage rate	43.8%	42.0%	40.6%	41.7%	41.7%	41.7%	41.9%	42.2%	45.0%
Average Annual Private Sector Wages	19,299	19,244	19,873	20,963	21,738	21,738	21,800	22,000	22,500
Average Annual Public Sector Wages	44,109	45,794	48,984	50,284	52,076	52,076	52,076	52,076	50,000

Notes:

Water, Energy, GDP, New TB, and infant mortality goals have a one year lag. For example 2016 data would be reported as the 2017 actual. Completed TB treatment has a 2 year lag. Infant Mortality Data currently not available for USVI. New TB cases metric: No USVI data for 2016 and 2017 Actual. Completion of TB Treatment has no USVI data for 2016-2017 Actual.



# **Summary of Requirements**



## II. Account-Level Presentation

### A. Summary of Requirements

#### 1.

OFFICE OF INSULAR AFFAIRS  
ASSISTANCE TO TERRITORIES

2019 Summary of Requirements  
(Dollars in Thousands)

Activity/Subactivity	2017 Actual		2018 CR*		Fixed Costs & Related Changes	Internal Transfers	Program Changes		2019 Request		Change from 2018 (+/-)	
	Amount	FTE	Amount	FTE			FTE	Amount	FTE	Amount	FTE	Amount
<b>ASSISTANCE TO TERRITORIES</b>												
1. American Samoa Operations	22,752	2	22,597		-	-	-	(1,068)	2	21,529	-	(1,068)
2. Capital Improvement Project (CIP) Grants												
Northern Mariana Islands Construction	9,082	-	9,082		-	-	-	583	-	9,665	-	583
American Samoa Construction	9,613	-	9,613		-	-	-	251	-	9,864	-	251
Guam Construction	6,578	-	6,578		-	-	-	(251)	-	6,327	-	(251)
Virgin Islands Construction	2,447	-	2,447		-	-	-	(583)	-	1,864	-	(583)
<i>Total, CIP Grants</i>	27,720	-	27,720		-	-	-	-	-	27,720	-	-
3. Territorial Assistance												
Office of Insular Affairs	9,448	34	9,384		(62)	-	-	108	34	9,430	-	46
Technical Assistance	16,784	-	16,670		-	-	-	(1,999)	-	14,671	-	(1,999)
Maintenance Assistance	4,000	-	3,973		-	-	-	(2,950)	-	1,023	-	(2,950)
Brown Tree Snake Control	3,500	-	3,476		-	-	-	(639)	-	2,837	-	(639)
Coral Reef Initiative & Natural Resources	1,250	-	1,242		-	-	-	(296)	-	946	-	(296)
Empowering Insular Communities	3,471	-	3,447		-	-	-	(636)	-	2,811	-	(636)
Compact Impact - Discretionary	3,000	-	2,980		-	-	-	(2,980)	-	-	-	(2,980)
<i>Total, Territorial Assistance</i>	41,453	34	41,172		(62)	-	-	(9,392)	34	31,718	-	(9,454)
<b>TO TAL, ASSISTANCE TO TERRITORIES</b>	<b>91,925</b>	<b>36</b>	<b>91,489</b>		<b>(62)</b>	<b>-</b>	<b>-</b>	<b>(10,460)</b>	<b>36</b>	<b>80,967</b>	<b>-</b>	<b>(10,522)</b>

\*Capital Improvement Project grant allocations by territory for 2018 will follow the competitive outcome displayed in the 2018 budget request once full year appropriations are enacted instead of the 2018 CR allocations shown above.

2.

OFFICE OF INSULAR AFFAIRS  
 COMPACT OF FREE ASSOCIATION - CURRENT APPROPRIATION

2019 Summary of Requirements  
 (Dollars in Thousands)

	2017 Actual		2018 CR		Fixed Costs & Related Changes		Internal Transfers		Program Changes		2019 Request		Change from 2018 (+/-)	
	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	
<b>COMPACT OF FREE ASSOCIATION - CURRENT</b>														
1. Federal Services	2,818	-	2,798	-	-	-	(162)	-	2,636	-	(162)	-	(162)	
2. Enewetak	500	-	497	-	-	-	(24)	-	473	-	(24)	-	(24)	
3. Palau Compact Extension	13,147	-	13,058	-	-	-	(13,058)	-	-	-	(13,058)	-	(13,058)	
<b>TOTAL, COMPACT - CURRENT</b>	<b>16,465</b>	<b>-</b>	<b>16,353</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(13,244)</b>	<b>-</b>	<b>3,109</b>	<b>-</b>	<b>(13,244)</b>	<b>-</b>	<b>(13,244)</b>	
Palau Compact DoD Transfer	-	-	-	-	-	-	111,000	-	111,000	-	111,000	-	111,000	
<b>TOTAL, COMPACT - CURRENT W/ DOD TRANSFER</b>	<b>16,465</b>	<b>-</b>	<b>16,353</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>97,756</b>	<b>-</b>	<b>114,109</b>	<b>-</b>	<b>97,756</b>	<b>-</b>	<b>97,756</b>	

3.

2019 Summary of Requirements

(Dollars in Thousands)

Activity/Subactivity	2017 Actual		2018 CR		Fixed Costs and Related Changes	Internal Transfers	Program Changes		2019 Request		Change from 2018 (+/-)	
	Amount	FTE	Amount	FTE			FTE	Amount	FTE	Amount	FTE	FTE
<b>COMPACT OF FREE ASSOCIATION - PERMANENT</b>												
<u>Assistance to the Marshall Islands:</u>												
Sector Grants	36,505		36,358		-	-		-8		36,350		-8
Audit	500		500		-	-		-		500		-
Trust Fund	16,053		16,855		-	-		892		17,747		892
Rongelap Resettlement	-		-		-	-		-		-		-
Kwajalein Lease Payment	21,404		21,670		-	-		360		22,030		360
Enewetak	<u>1,603</u>		<u>1,565</u>		-	-		<u>26</u>		<u>1,591</u>		<u>26</u>
Subtotal, Marshall Islands Assistance	76,065	-	76,948	-	-	-	-	1,270	-	78,218	-	1,270
<u>Assistance to the Federated States of Micronesia (FSM)</u>												
Sector Grants	80,145		80,180		-	-		353		80,533		353
Trust Fund	29,490		30,820		-	-		1,491		32,311		1,491
Audit	<u>500</u>		<u>500</u>		-	-		-		<u>500</u>		-
Subtotal, FSM Assistance	110,135	-	111,500	-	-	-	-	1,844	-	113,344	-	1,844
<u>Compact Impact</u>	30,000		30,000		-	-		-		30,000		-
<u>Judicial Training</u>	370		361		-	-		6		367		6
<u>Total, FSM/Marshalls Compact (Permanent)</u>	<u>216,570</u>	-	<u>218,809</u>	-	-	-	-	<u>3,120</u>	-	<u>221,929</u>	-	<u>3,120</u>
<u>Assistance to the Republic of Palau</u>												
Section 211 (Government Operations)	-		-		-	-		-		-		-
Section 215 (Inflation Adjustment)	-		-		-	-		-		-		-
Palau Legislative Proposal	-		-		-	-		-		-		-
Subtotal, Assistance to the Republic of Palau	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL, COMPACT, Permanent</b>	<b>216,570</b>	<b>-</b>	<b>218,809</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,120</b>	<b>-</b>	<b>221,929</b>	<b>-</b>	<b>3,120</b>

**B. Fixed Costs and Related Changes**

**Office of Insular Affairs**  
**Justification of Fixed Costs and Internal Realignments**  
*(Dollars In Thousands)*

<b>Fixed Cost Changes and Projections</b>	<b>2018 Total or Change</b>	<b>2018 to 2019 Change</b>
<b>Change in Number of Paid Days</b> This column reflects changes in pay associated with the change in the number of paid days between the 2018 and 2019.	+0	+21
<b>Pay Raise</b> The change reflects the salary impact of the 1.9% pay raise for 2018 as signed by the President in February 2017. There is no pay raise for 2019 (0.0%).	+104	+28
<b>Departmental Working Capital Fund</b> The change reflects expected changes in the charges for centrally billed Department services and other services through the Working Capital Fund. These charges are detailed in the Budget Justification for Departmental Management.	+76	-153
<b>Worker's Compensation Payments</b> The amounts reflect projected changes in the costs of compensating injured employees who suffer accidental deaths while on duty. Costs will reimburse the Department of Labor, Federal Employees Compensation Fund, pursuant to 5 U.S.C. 8147(b) as amended by Public Law 94-273.	+0	+0
<b>Unemployment Compensation Payments</b> The amounts reflect projected changes in the costs of unemployment compensation claims to be paid to the Department of Labor, Federal Employees Compensation Account, in the Unemployment Trust Fund, pursuant to Public Law 96-499.	+0	+0
<b>Rental Payments</b> The amounts reflect changes in the costs payable to the General Services Administration (GSA) and others for office and non-office space as estimated by GSA, as well as the rental costs of other currently occupied space. These costs include building security; in the case of GSA space, these are paid to the Department of Homeland Security (DHS). Costs of mandatory office relocations, i.e. relocations in cases where due to external events there is no alternative but to vacate the currently occupied space, are also included.	-384	+42
<b>Baseline Adjustments for O&amp;M Increases</b> In accordance with space maximization efforts across the Federal Government, this adjustment captures the associated increase to baseline operations and maintenance (O&M) requirements resulting from movement out of GSA or direct-leased (commercial) space and into Bureau-owned space. While the GSA portion of fixed costs will go down as a result of these moves, Bureaus often encounter an increase to baseline O&M costs not otherwise captured in fixed costs. This category of funding properly adjusts the baseline fixed cost amount to maintain steady-state funding for these requirements.	+0	+0
<b>Total, Fixed Costs OIA</b>	<b>-204</b>	<b>-62</b>

# Language Citations





## C. Language Citations

### 1. Appropriation Changes

#### **ASSISTANCE TO TERRITORIES**

*For expenses necessary for assistance to territories under the jurisdiction of the Department of the Interior and other jurisdictions identified in section 104(e) of Public Law 108-188, \$80,967,000, of which: (1) \$71,537,000 shall remain available until expended for territorial assistance, including general technical assistance, maintenance assistance, disaster assistance, coral reef initiative activities, and brown tree snake control and research; grants to the judiciary in American Samoa for compensation and expenses, as authorized by law (48 U.S.C. 1661(c)); grants to the Government of American Samoa, in addition to current local revenues, for construction and support of governmental functions; grants to the Government of the Virgin Islands, as authorized by law; grants to the Government of Guam, as authorized by law; and grants to the Government of the Northern Mariana Islands as authorized by law (Public Law 94-241; 90 Stat. 272); and (2) \$9,430,000 shall be available until September 30, 2020, for salaries and expenses of the Office of Insular Affairs: Provided, That all financial transactions of the territorial and local governments herein provided for, including such transactions of all agencies or instrumentalities established or used by such governments, may be audited by the Government Accountability Office, at its discretion, in accordance with chapter 35 of title 31, United States Code: Provided further, That Northern Mariana Islands Covenant grant funding shall be provided according to those terms of the Agreement of the Special Representatives on Future United States Financial Assistance for the Northern Mariana Islands approved by Public Law 104-134: Provided further, That the funds for the program of operations and maintenance improvement are appropriated to institutionalize routine operations and maintenance improvement of capital infrastructure with territorial participation and cost sharing to be determined by the Secretary based on the grantee's commitment to timely maintenance of its capital assets: Provided further, That any appropriation for disaster assistance under this heading in this Act or previous appropriations Acts may be used as non-Federal matching funds for the purpose of hazard mitigation grants provided pursuant to section 404 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5170c).*

Note.—A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115–56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.

#### **COMPACT OF FREE ASSOCIATION**

*For grants and necessary expenses, \$3,109,000, to remain available until expended, as provided for in section 221(a)(2) and 233 of the Compact of Free Association for the Republic of Palau; and section 221(a)(2) of the Compacts of Free Association for the Government of the Republic of the Marshall Islands and the Federated States of Micronesia, as authorized by Public Law 99-658 and Public Law 108-188.*

Note.—A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115–56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.

**ADMINISTRATIVE PROVISIONS** (Including transfer of funds)

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

**2. Authorizations**

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

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

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

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

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

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

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

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

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# **American Samoa Operations**



### III. Activity/Subactivity-Level Presentation

#### A. American Samoa Operations

<b>Activity: American Samoa</b>						
<b>Subactivity: American Samoa Operations \$(000)</b>						
	2017 Actual	2018 CR	2019			Change from 2018 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
General Operations	21,897	21,742	0	-1,068	20,674	-1,068
High Court	855	855	0	0	855	0
<b>Total Requirements</b>	<b>22,752</b>	<b>22,597</b>	<b>0</b>	<b>-1,068</b>	<b>21,529</b>	<b>-1,068</b>
FTE	2	2	0	0	2	0

#### SUMMARY OF 2019 PROGRAM CHANGES

<b>Request Component</b>		
Program Changes	Amount	FTE
American Samoa Operations	-1,068	0

Through this budget activity the Office of Insular Affairs annually provides grant funds to American Samoa to support the operation of the local government, including the judiciary.

#### JUSTIFICATION OF 2019 PROGRAM CHANGES

##### **American Samoa Operations (- \$1.1 million)**

The budget request will continue to support American Samoa government operations but will require greater self-sufficiency from American Samoa.

**PROGRAM OVERVIEW**

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

A secondary objective of this program activity is to promote self-sufficiency. In this regard, the Department’s policy is to maintain the operations grant at a constant level, thus requiring American Samoa to absorb the costs of inflation or costs associated with a growth in population. Over the years, American Samoa has assumed an increasing percentage of the total costs of government operations. The American Samoa Operations funding provided currently represents approximately 14 percent of ASG’s General Fund revenue and 9 percent of the LBJ Hospital’s revenue.

*FY 2000 Tobacco Loan and Fiscal Reform Plan:* In response to a proposal from the American Samoa Government, Congress enacted legislation authorizing American Samoa to receive a direct Federal loan up to \$18.6 million. The loan is to be repaid from ASG’s share of the Tobacco Settlement Escrow Fund created for the purpose of paying debts (\$14.3 million) and implementing financial reforms (\$4.3 million). American Samoa identified a list of creditors who were willing to accept less than full dollar on the money they were owed. These creditors have now been paid. As a condition to the loan and requirement of the 1980 legislation, ASG submitted an Initial Fiscal Reform Plan on July 30, 2001. Subsequent to discussions and meetings between ASG and OIA, a Memorandum of Agreement (MOA) was signed by Governor Tauese P. Sunia and Interior Department Deputy Assistant Secretary David B. Cohen on August 2, 2002. The MOA defined the implementation of the fiscal reform plan designed to bring the ASG annual operating expenses into balance with projected revenues for the years 2003 and beyond as required under Public Law 106-113 (H.R. 2466) Part 5, Section 125(b)(3). As authorized by the MOA, OIA released \$4.3 million for expenses incurred by ASG under the Fiscal Reform Plan (FRP). The MOA requires ASG to submit quarterly reports, substantiated by an independent auditor, that provide updated revenue and expenditure information.

**2019 PROGRAM PERFORMANCE**

American Samoa will provide financial reports beginning with the quarter ending September 30, 2018 through the quarter ending June 30, 2019.



The following chart reflects the ASG's operations funding priorities for 2017, 2018 and 2019:

Funding Category	2017	2018	2019
	Award	Proposed Award	Proposed Award
Basic (DOE) Operations	\$12,571,000	\$12,484,000	\$11,416,000
LBJ Hospital Operations	\$7,900,000	\$7,900,000	\$7,900,000
ASCC Operations	\$1,358,000	\$1,358,000	\$1,358,000
High Court	\$923,000	\$855,000	\$855,000
<b>Total</b>	<b>\$22,752,000</b>	<b>\$22,597,000</b>	<b>\$21,529,000</b>

*OIA Designated American Samoa as High Risk:* In an effort to improve accountability for Federal funds, OIA designated American Samoa as a “high-risk” grantee as provided for in 2 CFR 200.519, and as recommended by the General Accounting Office (GAO) and the Office of Inspector General (OIG). This designation allows OIA to require American Samoa grantees to comply with special conditions for future or existing grants. The special conditions may include: payment of grant funds on a reimbursable basis, withholding of approval to proceed from one project phase to another until receipt of acceptable evidence of current performance, additional project monitoring, and requiring the grantee to obtain technical or management assistance.

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

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# CIP Grants



**B. Capital Improvement Project (CIP) Grants Summary**

<b>Activity: Capital Improvement Project (CIP) Grants \$(000)</b>						
<b>SUMMARY TABLE</b>						
	<b>2017 Actual</b>	<b>2018 CR*</b>	<b>2019</b>			<b>Change from 2018 (+/-)</b>
			<b>Fixed Costs &amp; Related Changes (+/-)</b>	<b>Program Changes (+/-)</b>	<b>Budget Request</b>	
CNMI Construction	9,082	9,082	0	+583	9,665	+583
American Samoa Construction	9,613	9,613	0	+251	9,864	+251
Guam Construction	6,578	6,578	0	-251	6,327	-251
Virgin Islands Construction	2,447	2,447	0	-583	1,864	-583
<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

\*Capital Improvement Project grant allocations by territory for 2018 will follow the competitive outcome displayed in the 2018 budget request once full-year appropriations are enacted instead of the 2018 CR allocations shown above.

Capital Improvement Project (CIP) funds address a variety of infrastructure needs in the U.S. territories including critical infrastructure such as hospitals, schools, wastewater and solid waste systems. Improvements to critical infrastructure not only benefit the current population and businesses, but lay the groundwork to attract new investment to the territories thereby promoting economic development and self-sufficiency.

Beginning with 2005, OIA implemented a competitive allocation system for the \$27.7 million in mandatory CIP grants. It is based on a premise that all funds will be used for capital needs in the U.S. territories. The 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.

Base level funding was established on the basis of historic trends in 2005 when the competitive allocation system was implemented. It was adjusted for fiscal years 2012 and again in 2017 based upon the performance of each of the U.S. territories over the past five years as required by the 2004 Section 702 Funding Agreement between OIA and the CNMI.

FY 2019 Baseline CIP Funding

(\$000)

CNMI	9,249
American Samoa	9,780
Guam	5,911
U.S. Virgin Islands	<u>2,780</u>
TOTAL	27,720

The determination of the annual allocation is made on the basis of a set of competitive criteria that measure the demonstrated ability of the governments to exercise prudent financial management practices and to meet Federal grant requirements. These criteria were revised in 2009 to strengthen these measures and to ensure that awarded funds are being utilized efficiently and effectively. In addition to the application of these criteria to the allocation of capital improvement assistance, the Office of Insular Affairs may consider the capacity of each insular government to absorb the amount of capital assistance it would otherwise qualify for and any special or extenuating conditions, such as unspent balances, that might require adjustments to the allocation. The competitive criteria are listed below:

Competitive Criteria for the Proposed Allocation of Mandatory CIP Funding

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

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

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

While the total available for funding stays constant (\$27.72 million), allocations will vary from year to year depending upon the performance of each insular government with respect to the above competitive criteria. A change in an annual allotment does not necessarily indicate deterioration in performance. It instead recognizes those governments whose performance has increased during a fiscal year. For example, the 2018 request for Guam increased \$709,000 over the baseline funding in the competitive process because it scored above the average of the insular areas on the ten criteria.

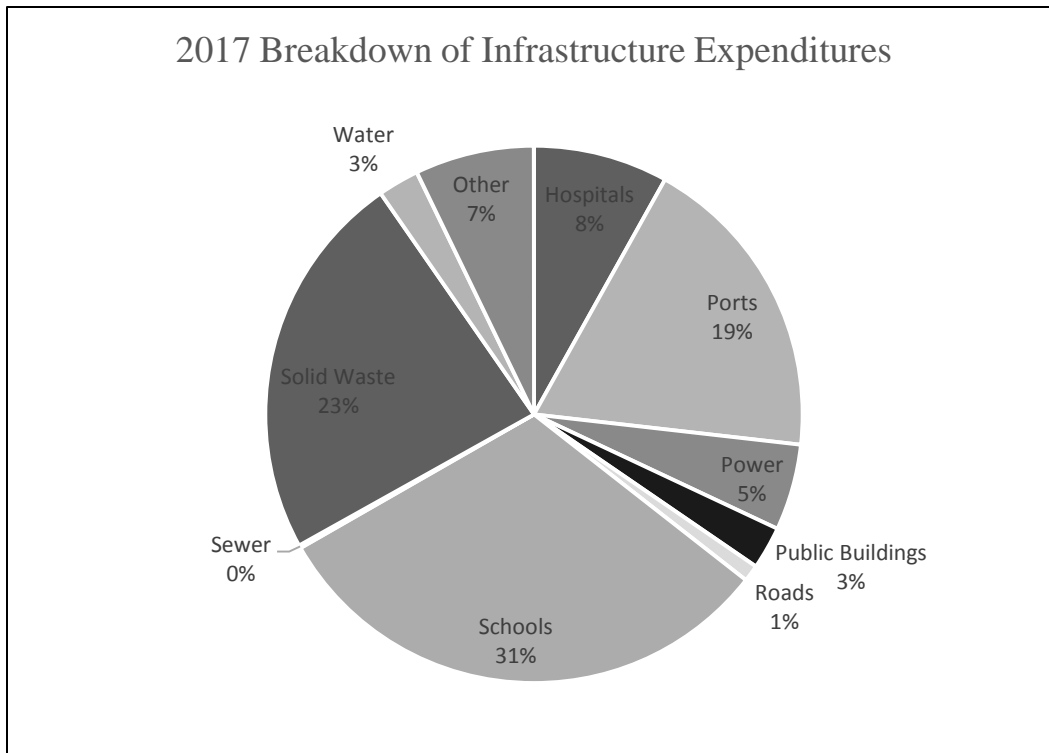
The competitive allocation system is applied to the \$27.72 million in CIP funds using a point method. The territories are given a score on each of the above criteria. The criteria themselves are ranked so that those considered more significant would receive a higher weight than those considered less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

The following chart reflects the baseline distribution along with adjustments made to 2018 and 2019 requests based on each insular government's score on the competitive criteria.

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

Territory	Baseline Funding	FY 2018	FY 2019	Total FY 2018	Total FY 2019	Diff +/- 2018
		+/- Baseline	+/- Baseline			
CNMI	9,249	-1,125	+416	8,124	9,665	+1,541
American Samoa	9,780	+541	+84	10,321	9,864	-457
Guam	5,911	+709	+416	6,620	6,327	-293
Virgin Islands	<u>2,780</u>	<u>-125</u>	<u>-916</u>	<u>2,655</u>	<u>1,864</u>	<u>-791</u>
<b>Total</b>	27,720	0	0	27,720	27,720	0

Capital Improvement Project funds address a variety of infrastructure needs in the U.S. territories including critical infrastructure such as hospitals, schools, wastewater and solid waste systems. The pie chart on the following page displays 2017 spending on infrastructure by category. The expenditures in the chart also include Compact Impact funding spent on infrastructure projects.





1.

<b>Activity: Capital Improvement Project Grants</b>						
<b>Subactivity: CNMI Construction \$(000)</b>						
	2017 Actual	2018 CR	2019			Change from 2018 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	9,082	9,082*	0	+583	9,665	+583
FTEs	0	0	0	0	0	0

\*2018 allocation will be \$8.1 million once full-year appropriations are enacted.

#### SUMMARY OF 2019 PROGRAM CHANGES

<b>Request Component</b>		
Program Changes	Amount	FTE
CNMI Construction	+583	0

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

#### JUSTIFICATION OF 2019 PROGRAM CHANGES

##### **CNMI Construction (+\$583,000)**

The 2019 budget request was calculated utilizing the CIP selection criteria and methods. The process is described in the beginning of this section (see Activity: CIP Grants summary section).

CNMI Baseline Funding.....	\$9,249,000
Results from Competitive Process.....	+\$ 416,000
Programmed funding for 2019.....	\$9,665,000

**PROGRAM OVERVIEW**

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

**2019 PROGRAM PERFORMANCE**

The past year saw progress on many CIP funded infrastructure projects in the CNMI. The Puerto Rico Dump Closure project and the Garapan Revitalization Drainage project were completed in 2017. Phase III of the Public School System ABC Initiative project is progressing and CUC continues to make progress on numerous Stipulated Order related projects as required by the U.S. District Court, Justice Department and EPA. The Tinian Airport Terminal, Tinian Solid Waste Transfer Station and Tinian .5 million gallon Water Storage Tank projects will be completed in 2018.

The \$9.7 million for 2019 will be used to continue meeting critical infrastructure needs in the CNMI similar to previous years.

The following chart summarizes the CNMI's funding priorities for 2017 and 2018:

<b>Funding Category</b>	<b>2017</b>	<b>2018</b>
	Award	Award
Economic Development	\$5,925,026	\$5,328,624
Solid Waste	2,043,448	\$1,693,826
Maintenance	\$113,526	\$101,550
Education	\$1,000,000	\$1,000,000
<b>Total</b>	<b>\$9,082,000</b>	<b>\$8,124,000</b>

2.

<b>Activity: Capital Improvement Project Grants</b>						
<b>Subactivity: American Samoa Construction \$(000)</b>						
	2017 Actual	2018 CR	2019			Change from 2018 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	9,613	9,613	0	+251	9,864	+251
FTEs	0	0	0	0	0	0

\*2018 allocation will be \$10.3 million once full-year appropriations are enacted.

**SUMMARY OF 2019 PROGRAM CHANGES**

<b>Request Component</b>		
Program Changes	Amount	FTE
American Samoa Construction	+251	0

The objective of this program is to assist American Samoa in providing infrastructure to promote economic development and improve health, education and public safety.

**JUSTIFICATION OF 2019 PROGRAM CHANGES**

**American Samoa Construction (+\$251,000)**

The 2019 budget request was calculated utilizing the CIP selection criteria and methods. The process is described in the beginning of this section (see Activity: CIP Grants summary section).

American Samoa Baseline Funding.....	\$ 9,780,000
Results from competitive process.....	+ \$ 84,000
Proposed funding for 2019.....	\$ 9,864,000

**PROGRAM OVERVIEW**

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

**2019 PROGRAM PERFORMANCE**

Over the past year, several important CIP projects in American Samoa were completed while others made significant progress. The American Samoa Department of Public Works completed numerous school maintenance projects across the territory while the American Samoa Department of Health completed renovations and an expansion of the Faga'alu Primary Care Center on Tutuila. The Department of Education completed construction of a new classroom building for the Samoana High School to alleviate overcrowding.

The LBJ Tropical Medical Center made steady progress on the renovation and expansion of the Labor, Delivery and Operating Room while the American Samoa Community College made progress with construction on its new Multipurpose Building that will be finished in the summer of 2018.

The requested \$9.9 million for 2019 will be used to continue meeting critical infrastructure needs in American Samoa similar to previous years.

The following chart reflects the ASG's funding priorities for 2017 and 2018:

Funding Category	2017	2018
	Award	Award
Health	\$1,000,000	\$1,454,950
Education	\$3,700,000	\$3,900,000
Water	-	\$800,000
Port	2,000,000	\$1,650,000
Public Buildings	\$2,913,000	\$2,000,000
O&M Set-Aside	-	\$516,050
<b>Total</b>	<b>\$9,613,000</b>	<b>\$10,321,000</b>

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

3.

<b>Activity: Capital Improvement Project Grants</b> <b>Subactivity: Guam Construction \$(000)</b>						
	2017 Actual	2018 CR	2019			Change from 2018 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	6,578	6,578	0	-251	6,327	-251
FTEs	0	0	0	0	0	0

\*2018 allocation will be \$6.6 million once full-year appropriations are enacted.

**SUMMARY OF 2019 PROGRAM CHANGES**

Request Component		
Program Changes	Amount	FTE
Guam Construction	-251	0

Funds provided under this subactivity are utilized for priority capital improvement projects in Guam and are in addition to Guam’s allocated share of impact aid.

**JUSTIFICATION OF 2019 PROGRAM CHANGES**

**Guam Construction (-\$251,000)**

The 2019 request amount was calculated utilizing the CIP selection criteria and methods. The process is described in the beginning of this section (see Activity: CIP Grants summary section).

Guam Baseline Funding.....	\$5,911,000
Results from competitive process.....	+ \$ 416,000
Proposed funding for 2019 .....	\$ 6,327,000

**PROGRAM OVERVIEW**

Legislation enacted in 1996 established a minimum six-year Capital Infrastructure Project (CIP) program for Guam as impact aid resulting from Micronesian immigration authorized in the Compacts of Free

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

### 2019 PROGRAM PERFORMANCE

CIP funded infrastructure projects on Guam made substantial progress this past year. The Department of Public Health Foster Care Facility, the Guam Memorial Hospital, the Department of Corrections E-Locking System replacement and the Department of Parks and Recreation Gymnasium renovations will be completed in 2018. In addition, Phase III of the Public Schools ABC Initiative project is progressing.

In 2019, Guam proposes to use its allocation of \$6.3 million to continue meeting critical infrastructure needs similar to previous years.

The chart below reflects Guam's funding priorities for 2017 and 2018:

Funding Category	2017	2018
	Award	Award
Maintenance	\$578,000	\$5,620,000
Public Safety	\$5,000,000	
Education	\$1,000,000	\$1,000,000
<b>Total</b>	<b>\$6,578,000</b>	<b>\$6,620,000</b>

4.

<b>Activity: Capital Improvement Project Grants</b>						
<b>Subactivity: Virgin Islands Construction \$(000)</b>						
	2017 Actual	2018 CR	2019			Change from 2018 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	2,447	2,447	0	-583	1,864	-583
FTEs	0	0	0	0	0	0

\*2018 allocation will be \$2.7 million once full-year appropriations are enacted.

#### SUMMARY OF 2019 PROGRAM CHANGES

<b>Request Component</b>		
Program Changes	Amount	FTE
Virgin Islands Construction	-583	0

Funds provided under this subactivity will address critical infrastructure needs in the U.S. Virgin Islands including deferred maintenance at public schools and court ordered repairs at the St. Croix Correctional Facility.

#### JUSTIFICATION OF 2019 PROGRAM CHANGES

##### Virgin Islands Construction (-\$583,000)

The 2019 budget request was calculated utilizing the CIP selection criteria and methods. The process is described in the beginning of this section (see Activity: CIP Grants summary section).

U.S. Virgin Islands Baseline Funding.....	\$2,780,000
Results from competitive process.....	<u>- \$ 916,000</u>
Proposed funding for 2019.....	\$1,864,000



**PROGRAM OVERVIEW**

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

Over the years each of the territories has received funding through this mandatory Covenant appropriation to fund Capital Improvement Projects (CIP). While, in past years, American Samoa and the Commonwealth of the Northern Mariana Islands received set levels of funding, the U.S. Virgin Islands received irregular funding. Recently though, the needs of the U.S. Virgin Islands have reached a threshold that without further addressing could pose a threat to the health and safety of residents and visitors. Currently, the U.S. Virgin Islands is focused on addressing the health and safety deferred maintenance items identified in OIA's Insular Assessment of Buildings and Classroom (Insular ABCs) initiative. OIA's 2013 assessment of every public school building in the U.S. Virgin Islands identified health and safety deferred maintenance items totaling approximately \$9.0 million. The U.S. Virgin Islands plans to use CIP funds to immediately address these maintenance items to ensure a safe learning environment throughout the territory.

**2019 PROGRAM PERFORMANCE**

CIP-funded infrastructure projects in the U.S. Virgin Islands made substantial progress this past year. The Bureau of Corrections made significant progress on the interior renovations at the Golden Grove Adult Correctional Facility on St. Croix. The project scope of work includes court-ordered renovations to modernize the kitchen facility and increase the seating capacity of the cafeteria as well as much needed roof repairs.

Construction work continued to progress at the Florence Williams Public Library and Athalie McFarlane Petersen Public Library on St. Croix. The libraries are in need of structural renovations to repair cracked walls, masonry, repair roof gutters, fire protection, generator, and install upgrades to the electrical, mechanical, plumbing, and telephone systems.

The Virgin Islands Department of Education made significant progress on the Insular ABCs Initiative by working through the permitting process and designing and completing various school maintenance projects.

The requested \$1.9 million for 2019 will be used to continue meeting critical infrastructure needs in the U.S. Virgin Islands similar to previous years.

The following chart summarizes the U.S. Virgin Islands' funding priorities for 2017 and 2018:

<b>Funding Category</b>	<b>2017</b>	<b>2018</b>
	Award	Award
Education	\$2,447,000	\$1,500,000
Transportation	--	\$1,155,000
<b>Total</b>	<b>\$2,447,000</b>	<b>\$2,655,000</b>

# **Territorial Assistance**



## C. Territorial Assistance

<b>Activity: Territorial Assistance \$(000)</b>						
<b>SUMMARY TABLE</b>						
	<b>2017 Actual</b>	<b>2018 CR</b>	<b>2019</b>			<b>Change From 2018 (+/-)</b>
			<b>Fixed Costs &amp; Related Changes (+/-)</b>	<b>Program Changes (+/-)</b>	<b>Budget Request</b>	
Office of Insular Affairs	9,448	9,384	-62	+108	9,430	+46
Technical Assistance	16,784	16,670	0	-1,999	14,671	-1,999
Maintenance Assistance	4,000	3,973	0	-2,950	1,023	-2,950
Brown Tree Snake Control	3,500	3,476	0	-639	2,837	-639
Coral Reef Initiative & Natural Resources	1,250	1,242	0	-296	946	-296
Empowering Insular Communities	3,471	3,447	0	-636	2,811	-636
Compact Impact Disc.	3,000	2,980	0	-2,980	0	-2,980
<b>Total</b>	<b>41,453</b>	<b>41,172</b>	<b>-62</b>	<b>-9,392</b>	<b>31,718</b>	<b>-9,454</b>
FTEs	31	34	0	0	34	0

The Territorial Assistance activity involves funding for two major functions. The first is salaries and expenses of the Office of Insular Affairs. The Office has oversight responsibility for more than \$600 million in annual financial assistance. Its policy and assistance activities involve dealing with virtually every major Federal agency, as well as seven insular governments. The Office has been able to attain clean audit opinions for all annual financial statements prepared under requirements defined in the Chief Financial Officers Act. Good financial management and effective internal controls are stressed within the

Office; however, in its report entitled “Opportunities Exist to Improve Interior’s Grant Oversight and Reduce the Potential for Mismanagement” (GAO-10-347), GAO noted that OIA would be more effective with additional oversight resources.

The second major function within this program area includes the various technical assistance activities carried out by the office. OIA’s technical assistance activities have always been considered its most effective tool to implement Administration policy, and to achieve mutually desired improvements in the insular areas. Many of the technical assistance activities are evolving from application-based grant programs, which reacted to problems identified, to programs that rely on the implementation of result-oriented plans. OIA asks the governments and assistance providers to form partnerships with us to identify major priorities and then develop and implement long-term action plans.

1.

<b>Activity: Territorial Assistance</b>						
<b>Subactivity: Office of Insular Affairs (OIA) \$(000)</b>						
	2017 Actual	2018 CR	2019			Change from 2018 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	9,448	9,384	-62	+108	9,430	+46
FTEs	31	34	0	0	34	0

**SUMMARY OF 2019 PROGRAM CHANGES**

<b>Request Component</b>		
Program Changes	Amount	FTE
Office of Insular Affairs	+108	0

This subactivity supports the professional staff of the Office of Insular Affairs as they carry out the Secretary's responsibilities with respect to U.S.-affiliated insular areas.

**JUSTIFICATION OF 2019 PROGRAM CHANGES****Office of Insular Affairs (+\$108,000)**

The budget request addresses the increasing contract costs for professional services.

**PROGRAM OVERVIEW**

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

1.) The Policy Division: performs general program, political, and economic analysis. It monitors and tracks Federal programs extended to the insular areas and handles legislative affairs, other than those related to the appropriations process. The Division maintains a field presence in American Samoa and the Commonwealth of the Northern Mariana Islands.

2.) The Technical Assistance Division: manages all Technical Assistance grants and cooperative agreements which provide support not otherwise available to the insular areas to combat deteriorating economic and fiscal conditions. Activities often include, but are not limited to, building institutional capacity in the following critical areas: health care, education, public safety, data collection and analysis, fiscal accountability, energy, transportation, economic development and communication. The division also manages the Brown Tree Snake and Maintenance Assistance programs as well as payments to the U.S. Virgin Islands (rum excise taxes) and Guam (Section 30 income taxes).

3.) The Budget and Grants Management Division: is responsible for budget formulation and presentation, chief financial officer activities, and strategic planning. It manages financial assistance under the Compacts of Free Association, operations and capital improvement grants to U.S. territories, Compact Impact grants, and infrastructure-related Territorial Assistance. The division monitors accountability issues and tracks insular area audit resolutions, including Single Audits. The Division maintains an office in Hawaii for Compact oversight in the FSM and the RMI and has a field presence in the FSM, and the RMI.

The Office of Insular Affairs is headed by the Assistant Secretary Insular and International Affairs, who provides overall policy direction, and a Director, who handles overall management of the Office and acts on behalf of the Assistant Secretary in their absence.

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

## **2019 PROGRAM PERFORMANCE**

In 2019, OIA will pursue the Department's mission of Fulfilling Our Trust and Insular Responsibilities by executing activities which bolster healthcare capacity, strengthen island economies, and fulfill U.S. Compact obligations. With financial assistance programs exceeding \$600 million per year, OIA requires sufficient personnel resources to provide oversight of grants, including Compact and mandatory CIP funding. At the 2019 level of funding OIA will:

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



**SECTION 403 COMPLIANCE**

**Working Capital Fund**

All of OIA’s overhead and administrative costs that support departmental functions are paid from the Office of Insular Affairs account as assessed through the Department’s Working Capital Fund (WCF) as follows:

	<b>2019</b>
External Administrative Costs	
WCF Centralized Billings	\$561,000
WCF Direct Billings/Fee for Service	\$299,000

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

*(Total Employment\*)*

	<u>2017 Actual</u>	<u>2018 Estimate</u>	<u>2019 Estimate</u>
SES	1	1	1
SL-0	1	1	1
GS-15	4	5	5
GS-14	7	7	7
GS-13	11	11	11
GS-12	7	6	6
GS-11	0	1	1
GS-10	0	0	0
GS-9	0	1	1
GS-8	0	0	0
GS-7	0	2	3
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
<hr/>			
Total Employment (actual/projected) at the end of the Fiscal Year	<b>31</b>	<b>35</b>	<b>36</b>

\*Includes two American Samoa judges (SL-1 & GS-15) which are funded through the American Samoa Operations program not OIA's operations account.

2.

<b>Activity: Territorial Assistance</b>						
<b>Subactivity: Technical Assistance (TAP) \$(000)</b>						
	2017 Actual	2018 CR	2019			Change from 2018 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	16,784	16,670	0	-1,999	14,671	-1,999
FTEs	0	0	0	0	0	0

**SUMMARY OF 2019 PROGRAM CHANGES**

<b>Request Component</b>		
Program Changes	Amount	FTE
Technical Assistance	-1,999	0

The Technical Assistance program provides support not otherwise available to the insular areas to meet immediate needs and to combat deteriorating economic and fiscal conditions and to maintain the momentum needed to make and sustain meaningful systemic changes.

**JUSTIFICATION OF 2019 PROGRAM CHANGES****Territorial Assistance (-\$2.0 million)**

The 2019 budget provides \$14.7 million for direct grants and projects to the seven insular areas.

**PROGRAM OVERVIEW**

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

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

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

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

Some programs are necessary on an ongoing basis for the insular areas; including, but not limited to: ongoing financial management, management, and audit training for all insular areas. The ongoing programs were incorporated into the technical assistance program because there was no other source of funds in the Federal budget for these projects.

The Technical Assistance 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 keys to implementation. Funded projects are focused to meet immediate needs in the short term and assist the governments in developing long-term solutions.

OIA staff and outside experts provide information on a variety of topics to help improve government operations in areas such as financial management, procurement and contract management, and the administration of Federal grant programs.

## **2019 PROGRAM PERFORMANCE**

The table on the following page shows the allocation of 2017 Technical Assistance funding.

**2017 Technical Assistance Summary  
(Dollars in Thousands)**

<b>Recipient</b>	<b>2017</b>
<b>Direct Grants to Insular Areas</b>	
American Samoa	1,415
Northern Mariana Islands (CNMI)	1,622
Guam	1,627
U.S. Virgin Islands	752*
Federated States of Micronesia (FSM)	386
Republic of the Marshall Islands (RMI) (includes 4 Atoll Healthcare)	1,856
Republic of Palau	324
<b>Total, Direct Grants to Insular Areas</b>	<b>7,982</b>
<b>Other TAP Crosscutting</b> (Provides Benefits to Multiple Insular Areas)	<b>8,802</b>
<b>Total, Technical Assistance</b>	<b>16,784</b>

\*USVI request for funds in support of fiscal reform not completed prior to September 30, 2017. Hurricane impacts occurred; OIA anticipates providing USVI substantial assistance in 2018.

OIA receives Technical Assistance requests through [www.grants.gov](http://www.grants.gov) under CFDA number 15.875. Review meetings are held with senior staff and the Technical Assistance Division to review, score and discuss submissions made by each insular area. Input is also solicited from OIA field representatives and others staff. Projects are selected for funding based on the results of these meetings and information provided by the insular area governments.

Technical Assistance funding priorities include, but are not limited to projects which foster the development of the insular areas in the following categories: Accountability, financial management, economic development, education, energy, management control initiatives, disaster assistance, natural and cultural resources, capacity building, health initiatives, and invasive species management.

**Direct Grants to Insular Areas**

In 2017, \$8.0 million in Technical Assistance funds were provided to directly benefit the seven insular areas. See chart on preceding page for amounts by insular area. Highlights of some of the awarded financial assistance include:

- Provided funding to CNMI: \$300,000 for a Saipan Groundwater Study; \$440,000 for fire and emergency equipment; \$250,000 to Commonwealth Health System for billing (chargemaster) system;
- Provided \$217,095 to Guam One Stop Shop for Compact Impact;

- Provided \$250,000 for tourism marketing & \$397,362 for eradication of invasive trees to American Samoa;
- Provided \$250,000 to Water and Power Authority and \$172,000 for hazmat equipment to the U.S. Virgin Islands;
- Provided \$131,900 to FSM Office of Public Auditor for training;
- Provided \$1,394,774 for the Republic of the Marshall Islands 4 Atoll Health Care project to provide primary healthcare physicians and nurses and healthcare programs to nuclear affected residents in Enewetak, Bikini, Rongelap and Utrik in the Republic of the Marshall Islands (approximately 3,000 residents); and
- Provided \$324,268 to Palau to modernize land & mapping systems.

Examples of TAP crosscutting grants:

- Close Up Foundation - \$900,000 for Insular Areas student civic education;
- Junior Statesman Foundation - \$398,590 for the Insular Areas Youth Civic Engagement and Leadership Program;
- Prior Service Trust Fund - \$865,800 for Prior Service Benefit Payments to the families of Micronesians who served in the Military between 1944 and 1968, who earned very low wages and did not have the rights to retirement, survivor or disability benefits when serving; and
- Graduate School USA - Approximately \$2,399,909 provided for financial management and management training in all insular areas, specific financial management assistance projects (such as compliance with the Single Audit Act), and Compact oversight financial management projects for the FAS.

## **HIGHLIGHTS OF THE TECHNICAL ASSISTANCE PROGRAM**

### **Statistical Improvement Program**

One of OIA's goals is to improve the quality and quantity of economic data in the territories. In December 2008, OIA completed a Memorandum of Understanding (MOU) with the Bureau of Economic Analysis (BEA) of the Department of Commerce to develop GDP data for the four U.S. Territories (American Samoa, Guam, Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands). The initial agreement with BEA was structured for a period of 18 months for a total cost of \$1.6 million. Annually, OIA pays \$750,000 to BEA to continue this project.

To calculate U.S. GDP, the BEA collects all the data it needs from other Federal agencies such as the Census Bureau, the Bureau of Labor Statistics (a DOL agency), and the IRS. Because the territories are not included in most of the current data and research work by Federal agencies, the BEA has to collect the data in the territories (hence travel) and put them in a format they use for U.S. GDP calculations. Since territorial data sources are not as extensive as those for the 50 states and DC and not as readily available, it takes more work, time and resources to put them together in the format consistent with the BEA's framework for U.S. GDP.

The GDP estimates for the four territories are available at the BEA web site which can be reached at: [http://www.bea.gov/national/gdp\\_territory.htm](http://www.bea.gov/national/gdp_territory.htm)

#### **Republic of the Marshall Islands 4 Atoll Healthcare Program**

The Four Atoll Health Care Program addresses the medical needs of Marshall Islands communities affected by the nuclear weapons testing program which the U.S. Department of Defense carried out in the Marshall Islands between 1946 and 1958. Technical Assistance provides for the primary health care needs of the Enewetak, Bikini, Rongelap and Utrik communities in the Republic of the Marshall Islands. In 2017, the Technical Assistance program funded \$1.4 million for medical professionals and needed medical supplies for the population of the 4 Republic of the Marshall Islands Atolls of Kili/Bikini, Enewetak/Ujelang, Rongelap/Mejatto Utrik, and Ejit. Program deliverables include:

- A full time primary care physician to each of the four atolls to work in collaboration with a full time island based health assistant.
- Improve access to quality and specialty care services; reduce inter-island referrals for secondary care; improve overall health of the communities served; utilize the full potential of our doctors for better delivery of service; conduct drinking water quality test for presence of pathogens.
- Begin visual impairment screening by primary care physicians; increase access to specialty clinics for diabetes, hypertension, well baby, and reproductive health; improve maternal and child care programs.

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

#### **Prior Service Benefits Program**

In the last days of World War II, Micronesians started working for the U.S. Military providing essential services to active duty soldiers, sailors and airmen, including care for the wounded and support for the men fighting in places like Iwo Jima and Okinawa. These people were paid very low meager salaries, often as low as 9 cents an hour, with no employee benefits. The Prior Service Benefits Trust Fund provides payments to beneficiaries that are citizens of the Commonwealth of the Northern Mariana Islands, Federated States of Micronesia, the Republic of the Marshall Islands and the Republic of Palau who worked for the U.S. Department of Navy and the U.S. Trust Territory of the Pacific Islands for the period from 1944 through June 30, 1968. The Prior Service Benefits Trust Fund helps ensure the solvency of the Fund so that payments to beneficiaries will continue uninterrupted. Without the funds provided by OIA, the Prior Service Benefits Trust fund will be unable to continue payments to its beneficiaries. Checks are sent out from this fund on a monthly basis. Currently, there are no funds available for any additional payments beyond those funds provided by OIA. Funds are desperately needed in order to allow the Prior Service Benefits Trust Fund to continue to make the monthly payments.

OIA made available \$865,800 in 2017 to support the Prior Service Trust Fund Administration (PSTFA).

**Close Up Foundation**

The Close Up Foundation has conducted the Close Up Insular Areas Program under a grant from the Technical Assistance program since 1988. Close Up was provided \$900,000 in funds in 2017 and conducted civic education work with students, teachers and administrators from American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, the Federated States of Micronesia, the Republic of the Marshall Islands, the Republic of Palau, and the U.S. Virgin Islands.

The goals of Close Up's Insular Areas Program for students and teachers are to: demonstrate how the United States' model of democracy functions and to foster the interest, knowledge, and skills needed to effectively participate in a democracy; address the academic needs of the insular areas and to provide training and materials to improve teachers' civic education skills; and increase mutual understanding between the United States' diverse citizenry with a special emphasis on public policy concerns and culture.

The technical assistance grant will provide funds for students and teachers from all insular areas to travel and participate in Close Up Washington civic education programs and for Close Up to conduct multi-day island-based student centric civic education programs.

Insular students and teachers participate in Close Up Washington programs alongside their peers from around the United States. This further integrates the island participants into American education and culture and exposes students from across our nation to the strategic importance and cultural uniqueness of the island communities.

Teachers participate in the Close Up Washington Program for Educators, with unique professional development sessions with education experts and collaboration with peers from around the United States. The program provides training and materials to improve teacher civic education skills in the island communities.

**Junior Statesman Foundation**

OIA awarded \$398,590 in 2017 for Junior Statesmen Foundation (JSF) scholarships for twenty-eight high school students from the insular areas to attend the Junior Statesmen Summer Schools. That was the 25th year that the Junior Statesmen Foundation has worked in partnership with the Office of Insular Affairs to identify, educate and train outstanding insular-area high school students for active, effective and ethical participation in public affairs.

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

At the month-long summer schools, students take a Political Science college level course, along with high level instruction in debate and leadership. All insular areas participate in the scholarship program.



OIA also funds academic prep programs in colleges in American Samoa, the Northern Mariana Islands, Guam, Palau and the U.S. Virgin Islands to help prepare their students for their summer school experience.

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

**Programs Managed by the Graduate School USA**

As part of DOI/OIA's Technical Assistance program, the International Institute of the Graduate School USA (GSUSA) provides training and related services through the Pacific and Virgin Islands Training Initiatives (PITI-VITI) to assist the insular governments to improve the financial management and program performance of the Pacific and Virgin Islands insular governments.

3.

<b>Activity: Territorial Assistance</b>						
<b>Subactivity: Maintenance Assistance (MAP) \$(000)</b>						
	2017 Actual	2018 CR	2019			Change from 2018 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	4,000	3,973	0	-2,950	1,023	-2,950
FTEs	0	0	0	0	0	0

**SUMMARY OF 2019 PROGRAM CHANGES**

<b>Request Component</b>		
Program Changes	Amount	FTE
Maintenance Assistance	-2,950	0

The Maintenance Assistance fund is used to support, develop, improve, and as much possible, institutionalize infrastructure maintenance practices in the seven insular areas. Funds can also be used for critical repairs to infrastructure.

**JUSTIFICATION OF 2019 PROGRAM CHANGES****Maintenance Assistance (-\$3.0 million)**

In the 2019 budget request, the program will continue its efforts to alleviate health and safety deferred maintenance in insular public schools as well as other efforts to institutionalize infrastructure maintenance practices.

**PROGRAM OVERVIEW**

The Office of Insular Affairs will continue to provide limited assistance for investments in public infrastructure in the insular areas. Historically, insular governments have not prioritized maintenance planning and budgeting, life cycle costing, and training. 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 focuses on changing those conditions that allow poor maintenance practices to exist. The program underwrites training, education, and technical advice related to maintenance. Funding is used to purchase specialized maintenance equipment or information technology related to maintenance. The program also funds the cost of inventories of maintenance needs and the development of maintenance plans.

The Maintenance Assistance program also provides funding to address general regional training needs and allows the insular governments to share expertise and develop maintenance practices appropriate to the region. The program has proven to be an effective method of institutionalizing better maintenance practices throughout the U.S. affiliated islands.

Grants to individual island areas may require a 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.

## 2019 PROGRAM PERFORMANCE

In 2017, the Maintenance Assistance program continued support of the Insular ABCs initiative working to remove deferred maintenance in territorial public schools. Additional Maintenance Assistance projects include:

### CNMI

- \$179,000 Solid Waste Management
- \$112,000 CNMI Port incinerator
- \$93,000 Kagman Farms Water Distribution upgrades for farms and ranches

### American Samoa

- \$120,000 Training for power linemen and \$99k for road maintenance equipment

### U.S. Virgin Islands

- \$104,000 Water and Power Authority equipment
- \$100,000 Correctional Facilities maintenance plans
- \$224,000 Specialized maintenance training for pacific lineman

4.

<b>Activity: Territorial Assistance</b>						
<b>Subactivity: Brown Tree Snake Control \$(000)</b>						
	2017 Actual	2018 CR	2019			Change from 2018 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	3,500	3,476	0	-639	2,837	-639
FTEs	0	0	0	0	0	0

**SUMMARY OF 2019 PROGRAM CHANGES**

<b>Request Component</b>		
Program Changes	Amount	FTE
Brown Tree Snake Control	-639	0

Brown Tree Snake Control is a combination research and operational program designed to prevent the dispersal of BTS from Guam to other vulnerable geographic areas and to ultimately eradicate existing or newly established BTS populations in U.S. areas.

**JUSTIFICATION OF 2019 PROGRAM CHANGES****Brown Tree Snake Control (-\$639,000)**

The 2019 requested funds will focus on the operational interdiction and control initiatives, including suppression and eradication. Funds may also be awarded to continue research funding and educational outreach dependent upon the availability of funding.

**PROGRAM OVERVIEW**

The invasive Brown Tree Snake (BTS) was introduced to the island of Guam following World War II. Due to an abundant prey base and an absence of natural predators, the BTS' population on Guam grew quickly reaching unprecedented numbers. It was not until the 1980s when researchers began to study the

sudden and sharp decline in Guam's bird populations that the environmental and socioeconomic damage caused by the BTS began to be understood.

The BTS is directly responsible for the extinction or local extirpation of 9 of 13 native forest birds and 3 of 12 native lizards on Guam. In addition, the BTS has had significant, negative impacts on Guam's economy. The risk of accidental transport and establishment of the BTS in other locations has impacted regional shipping and transportation through increased bio-security needs.

The BTS caused many power outages. A single island-wide outage can cost over \$3 million in lost productivity, not including repair costs, damage to electrical equipment and lost revenues. Estimates place annual costs of snake-caused outages on Guam at around \$4.5 million, not including personal equipment failures, shorter equipment life span, or increased costs due to purchasing personal power generators.

Since Guam is a major transportation hub in the Pacific, numerous opportunities exist for this invasive species to be inadvertently introduced to other areas in the Pacific. The BTS has already been accidentally transported from Guam to other sites worldwide through infested civilian and military vessels and cargo. Documented sites include: Hawaii, the CNMI, Corpus Christi, Texas; McAlester, Oklahoma; Japan; Anchorage, Alaska; Wake Island; Taiwan; Kwajalein; Diego Garcia; Darwin, Australia; and Rota, Spain. The majority of those sightings were in the CNMI (93) and on Oahu (10). There is appropriate concern that the introduction of the BTS to other vulnerable sites, such as Hawaii, will have similarly catastrophic ecological and economic impacts as on Guam. The potential cost of a BTS introduction on Hawaii alone has been estimated between \$593 million to \$2.14 billion annually.

Research is conducted to improve existing BTS control tools, such as barriers, traps and baits as well as to develop better control techniques such as toxins, repellents and attractants. Research is also intended to improve our understanding of the basic biology of the BTS and to develop methods enabling large-scale suppression of BTS. It is largely accepted that severe population suppression must be achieved before eradication can be pursued. The operational program utilizes the control tools and techniques developed via the research effort to reduce the risk of BTS dispersal to other Pacific islands, the U.S. mainland, and other vulnerable locations.

The BTS Program is a cooperative effort involving primarily the Office of Insular Affairs (financial assistance and grants management); the U.S. Fish and Wildlife Service (overall program coordination); the U.S. Geological Survey (basic and applied research); the U.S. Department of Agriculture's Animal and Plant Health Inspection Service, Wildlife Services (control, management and applied research); the U.S. Department of Defense (financial assistance, control and management on military facilities); and the Governments of Hawaii, Guam, and the Commonwealth of the Northern Mariana Islands.

## **2019 PROGRAM PERFORMANCE**

It is anticipated that the 2018 and 2019 BTS funds will be awarded with a continued focus on the

operational interdiction and control initiatives including suppression and eradication; funds may also be awarded to continue research funding and educational outreach dependent upon the availability of funding. Actual BTS awards for 2017 are detailed below:

- \$889,953 The U.S. Department of Agriculture’s Animal and Plant Health Inspection Service, Wildlife Services (WS), will continue its Guam-based operational BTS control program on and around commercial facilities operated by the Government of Guam and private entities. Current operations will be maintained at A.B. Won Pat International Airport, Commercial Port of Guam and commercial transportation and cargo facilities, aimed at reducing the risk of BTS dispersal to other Pacific islands, the U.S. mainland, and other locations at risk. WS will incorporate an integrated wildlife damage management approach to BTS containment using the following types of activities: detector dogs, traps, nighttime fence searches, oral toxicants, barriers, prey reduction, and public outreach activities. WS staff will ensure inspection of at least 90 percent of commercial cargo and aircraft departing Guam.
- \$504,939 The CNMI Department of Lands and Natural Resources, Division of Fish and Wildlife (DFW), will continue to operate a BTS interdiction program on the islands of Saipan, Tinian and Rota and ensure that, at the minimum, a 90 percent canine inspection rate of Guam-based cargo arrivals is reached and subsequently maintained. DFW will also maintain BTS traps at CNMI ports of entry and conduct public outreach.
- \$291,090 The Hawaii Department of Agriculture, Plant Quarantine Branch, will continue its BTS interdiction program, which now consists of a functioning Detector Dog program. The Plant Quarantine Branch also plans to increase its rapid response capacity, readiness and capabilities for snake sightings in Hawaii.
- \$174,195 to the USDA-WS- National Wildlife Research Center for the standardized index of Brown Tree Snake activity for adaptive management. This research will explore the use of camera traps in developing a standardized snake activity index. They will also develop an additional lure and detection methods for small snakes.
- \$126,514 to the USDA-WS- National Wildlife Research Center for the assessment of BTS fates after toxicant delivery to the Habitat Management Unit. NWRC, working with USGS, will assess the mortality rate of radio-tagged snakes subjected to aerial treatment with toxic baits applied via the automated bait delivery system.
- \$1,101,430 USGS researchers will continue the development and testing of tools intended to improve BTS interdiction, control, and management. Research will focus on developing better methods for the control and capture of juvenile snakes, as well as landscape-level snake control. The USGS Rapid Response Team will continue to respond to snake sightings and will conduct site response training to snake searchers in the Pacific region.
- \$309,337 USFWS will continue to provide overall BTS program coordination on a regional and national level to ensure continued progress. USFWS will also provide technical assistance to program partners and develop a strategic planning document for the program.
- \$150,000 Guam DAWR for Brown Tree Snake public outreach programs.

5.

<b>Activity: Territorial Assistance</b>						
<b>Subactivity: Coral Reef Initiative &amp; Natural Resources \$(000)</b>						
	2017 Actual	2018 CR	2019			Change from 2018 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	1,250	1,242	0	-296	946	-296
FTEs	0	0	0	0	0	0

**SUMMARY OF 2019 PROGRAM CHANGES**

<b>Request Component</b>		
Program Changes	Amount	FTE
Coral Reef Initiative & Natural Resources	-296	0

The Coral Reef Initiative and Natural Resources program supports efforts to protect the health of all natural resources in the U.S. insular areas for the long-term economic and social benefit to their island populations.

**JUSTIFICATION OF 2019 PROGRAM CHANGES****Coral Reef Initiative and Natural Resources (-\$296,000)**

The program will continue to support overall natural resource protection in the U.S. insular areas such as coral reef initiatives, training and law enforcement, watershed restoration, marine area protection and preservation, and the deterrence and prevention of the spread of invasive species.

**PROGRAM OVERVIEW**

Natural resources, from mountain ridges to reefs and in between, provide an integral foundation for healthy economies and the livelihood of islands and the people who reside therein. Funding provided through the Office of Insular Affairs (OIA) plays a critical role by supporting the efforts of U.S. insular

areas governments, as well as regional and non-profit organizations, in the development of strategies and effective programs for managing and protecting their natural resources.

Healthy coral reef resources for example, from the U.S. Virgin Islands to Guam, protect these islands from coastal erosion and storm damage, provide habitat to numerous marine species, and support important tourism and recreational industries. These resources are experiencing a variety of stresses including poor water quality, over-harvesting, coastal development, disease, and bleaching. OIA has supported coral reef initiatives under the guidance and recommendations provided by the U.S. Coral Reef Task Force and the All Islands Coral Reef Committee, as well as the Micronesia Challenge and The Nature Conservancy.

Other threats to natural resources include the Coconut Rhinoceros Beetle (CRB), *Oryctes rhinoceros*, which is found on Guam and Palau and was recently discovered on Rota in the Commonwealth of the Northern Mariana Islands (CNMI) as well as the Little Fire Ant (LFA), *Wasmannia auropunctata*, currently found on Guam and recently discovered in Yap. OIA funding has supported insular area governments and been leveraged with funding from other partners such as USDA and the University of Guam to contain and eradicate these invasive species.

OIA continues to support and bolster the efforts and work of each of the U.S. territories and the freely associated states to establish local advisory committees, devise strategic plans, and set their own priorities for natural resource management. Work of regional organizations such as the Micronesia Challenge, the Micronesia Conservation Trust, and the Regional Invasive Species Council (RISC) are encouraged and supported when possible. OIA also takes into consideration priorities identified by the Micronesian Islands Forum (MIF), composed of the Governors and Presidents of the Pacific Insular Areas and the Micronesian Presidents' Summit.

OIA continues to monitor efforts of the Pacific insular areas to update the Regional Biosecurity Plan (RBP) for Micronesia and Hawaii. In 2017, OIA funding was provided to Guam, CNMI, and the University of Guam to combat CRB and LFA spread and infestation, both identified as priorities in the RBP. OIA field staff participated in the November 6, 2017 meeting of the RISC and has been notified that they plan to submit RBP updates to the MIF meeting in the Spring of 2018 for review and approval.

## **2019 PROGRAM PERFORMANCE**

Guam's Department of Agriculture received \$74,516 in 2017 to start up a training and outreach program for the prevention, control and management of the little fire ant LFA), *Wasmannia auropunctata*, infestation on Guam. Funds provided for equipment and supplies, personnel training, a new website dedicated to LFA control, and workshops to encourage and engage the public in the control and management of this pest. A LFA infestation was first found at a green-waste site on the northern tip of Guam in 2011, and there are now over 20 widely dispersed infestation sites on the island. Other infestations of the LFA have been found in Hawaii and other islands of Polynesia further south, including Australia. The LFA has caused ecological disruption in Guam's forests and other areas on Guam. It is



feared that if unchecked, the LFA will cause further disruptions to Guam's ecosystem and spread to other islands in the Micronesia region.

The University of Guam (UOG) College of Natural and Applied Sciences received \$63,816 in 2017 to purchase supplies and equipment necessary to eradicate the little fire ant (LFA), *Wasmannia auropunctata*, from selected forest sites on Guam using techniques adapted from successful LFA mitigation projects in Hawaii. In cooperation with the UOG Cooperative Extension Services, entomologists will also train technical workers to recognize and control LFA infestations.

The University of Guam received \$176,553 in 2017 to fund a post-doctoral entomologist for two years and supplement existing work to administer *Oryctes nudivirius*, the biological control agent of choice against the Coconut Rhinoceros Beetle (CRB), *Oryctes rhinoceros*. This has typically reduced damage by up to 90 percent with population suppression lasting indefinitely. The CRB has been rapidly killing coconut trees in Guam and Palau. Ideal CRB breeding sites are in decaying vegetation, often left in the wake of tropical storms and typhoons. Without significant suppression, it is believed both Guam and Palau will lose most of their coconut trees and that it will only be a matter of time before other islands in Micronesia are invaded by the CRB.

These three aforementioned initiatives support efforts to control the Coconut Rhinoceros Beetle and the Little Fire Ant and align with the 2015 Biosecurity Plan for Hawaii and Micronesia. These two invasive species pose significant challenges to regional ecosystems and present both health and economic risks to communities in the Pacific. These specific initiatives were able to be funded because a one-time appropriation add-on of \$250,000 made available by the U.S. Congress in the 2017 budget towards these eradication efforts and to augment capacity building within the insular areas in the management of natural and cultural resources. At the 22<sup>nd</sup> Micronesian Islands Forum in May 2017, island leaders, including Guam Governor Eddie Calvo, identified invasive species and specifically the Coconut Rhinoceros Beetle, as one of the most important threats to island communities, economics, environments and human health.

Guam's Bureau of Statistics and Plans received \$95,000 in 2017 for a variety of projects including:

- 1) Providing coral reef management support through participation in local and regional meetings to address and promote sound management of coral reef conservation efforts on Guam. These efforts promote sustainability of Guam's tourism industry and responsible development along Guam's shorelines.
- 2) Support the Guam Nature Alliance, the University of Guam's Island Sustainability Conference and other efforts to engage communities in the management of Guam's land, water and ocean resources.
- 3) Tasi Watch Beach Guides will be hired and trained to monitor trends in recreational use and conduct educational outreach at Piti's Tepungan Bay, one of five marine preserves on Guam and also one of the most heavily used for introductory dives. The Guam Visitor's Bureau documented more than 125,000 dive visitors in 2015, with no details on how many may have

used the Piti site. Understanding those numbers will help guide strategies to reduce recreational impacts on one of Guam's most important local reefs. "Tasi" means "sea" in Chamorro.

Examples of Coral Reef related grants included \$200,000 provided in 2017 to continue the Coral Reef Institute Coral Fellows program which included fellows for Guam, CNMI, American Samoa & USVI; \$95,000 provided to American Samoa for a watershed coordinator & surveillance equipment to detect illegal fishing; and \$95,000 provided to Guam for mapping of priority reefs for informed management decisions.

Funding for cultural and natural resources protection and management was provided under what was formerly called the Coral Reef Initiative and is available under CFDA# 15.875 at <https://www.grants.gov>. All four U.S. territories of the U.S. Virgin Islands, American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands as well as the three freely associated states of the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau are eligible to apply.

6.

<b>Activity: Territorial Assistance</b>						
<b>Subactivity: Empowering Insular Communities \$(000)</b>						
	2017 Actual	2018 CR	2019			Change From 2018 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
Empowering Insular Communities	3,471	3,447	0	-636	2,811	-636
FTEs	0	0	0	0	0	0

**SUMMARY OF 2019 PROGRAM CHANGES**

<b>Request Component</b>		
Program Changes	Amount	FTE
Empowering Insular Communities	-636	0

Through this subactivity, the Office of Insular Affairs supports insular communities' efforts to increase the reliability and affordability of their energy supply and infrastructure.

**JUSTIFICATION OF 2019 PROGRAM CHANGES****Empowering Insular Communities (-\$636,000)**

The 2019 budget request for Empowering Insular Communities will provide \$2.8 million in grants to insular communities. With energy plans completed in Guam, the Commonwealth of the Northern Marianas Islands, American Samoa, and the U.S. Virgin Islands, funding will assist in the implementation of these energy plans and carry out high priority projects, which boost energy security and infrastructure resiliency. Expected areas of emphasis include power transmission, generation capacity, micro-grids, utility-scale and distributed solar energy generation, consumer efficiency, integrated resource planning, and electrical grid integration studies.

**PROGRAM OVERVIEW**

Insular communities face unique economic growth challenges due to their geographic isolation, finite resources, and dependence on imported oil for their energy needs. To assist the islands in meeting these

challenges, the Office of Insular Affairs is working to strengthen the foundations for economic development by addressing energy needs through building reliable and affordable energy strategies.

## 2019 PROGRAM PERFORMANCE

Energy security is critical to the insular areas' future economic development and viability. In terms of residential cost per kilowatt hour, the territories on average pay nearly two or three times the national average for electricity. Public Law 109-58 enacted in 2005 directed the Secretary of the Interior to draft long-term energy plans for the insular areas with the objective of reducing their reliance on energy imports, increase energy conservation and energy efficiency, and use native energy sources.

To combat the high cost of electricity the Office of Insular Affairs (OIA) entered into an Inter-Agency Agreement (IAA) with the U.S. Department of Energy, National Renewable Energy Lab (NREL) in 2010 to help develop long-term strategic energy plans in American Samoa, Commonwealth of the Northern Mariana Islands (CNMI), and Guam. The ultimate goal was to help the insular areas develop advanced energy systems that increase energy independence and energy security.

The governors of the three Pacific territories each established energy task forces that included a variety of energy stakeholders from the territories: colleges and universities, utility companies, energy offices, environmental protection agencies, private sector organizations, etc. The NREL staff worked closely with each territory's energy task force to develop long-term strategic energy plans and short-term energy action plans. These energy plans were finalized and published in July 2013 for the CNMI and Guam and American Samoa's energy action plan was published in August and its strategic energy plan in December 2013. In the end, these energy plans are the result of a tremendous collaborative effort among various energy stakeholders over several months.

Intended to be fluid foundational documents, the strategic energy plans lay out a variety of strategies that should be revisited and updated as appropriate. The strategies include analysis of diesel generation systems and renewable energy systems as well as cost effective energy efficiency improvements. Subsequently, the energy action plans were developed to outline how the strategic energy plans will be implemented. The action plans are meant to be much more detailed and specific, assigning specific tasks to individuals with detailed deadlines. It is intended that the governors' energy task forces will review the status of the energy action plans monthly to report on progress.

The energy action plans select a handful of specific strategies that are achievable in the short term (1-3 years), detail the strategies in feasible incremental steps, identify the stakeholders and desired outcomes, identify the organizations and individuals responsible for implementing the actions, and set a timeline for each step. The action plans are also considered to be living documents that will be regularly updated by the task forces.

OIA's Empowering Insular Communities (EIC) grant program plays a crucial role in helping the territories implement the actions identified in the strategic energy plans and action plans. Each year OIA

releases a call letter containing grant application instructions and set criteria for selecting the best submissions. The greatest weight is given to proposals that reduce a territory's cost of electricity, are identified in the territory's strategic energy plan or energy action plan, and propose to expend the funds within 24 months. Review meetings are held with OIA senior staff, the Budget and Grants Management Division, and others to review and discuss each submission. Projects are selected for funding based on the results of these meetings and information provided by territorial governments.

Since 2013, American Samoa has made significant progress in implementing the strategies identified in its 2013 Energy Action Plan. The American Samoa Renewable Energy Committee updated its Energy Action Plan in 2016 with the assistance of NREL and added new strategies that continue to reduce the cost of electricity and improve energy infrastructure in the territory.

This past year saw substantial progress on several EIC-funded energy projects in the territories. The American Samoa Power Authority completed the installation of solar power system and battery-storage-enabled microgrid in the Manu'a Islands. It is one of the most advanced microgrids in the world. The hybrid energy system, installed by Tesla and SolarCity, can supply 100 percent of the island's power needs from solar energy, providing a cost-saving alternative to imported diesel fuel and removing the hazards of power intermittency and eliminating debilitating power outages. OIA awarded a fiscal year 2016 EIC grant of \$927,500 to help purchase the battery-storage component of the package thereby allowing the island to reach nearly 100% renewable energy. The microgrid, 1.4 megawatts of solar generation capacity and 6 megawatt hours of Tesla battery storage, was implemented within just a one year timeframe. The project allows the island to save significantly on energy costs. NREL provided technical assistance during the planning and design phases of the project. The American Samoa Power Authority is also nearing completion of a similar microgrid on the islands of Ofu and Olosega of the Manu'a Islands.

In May 2015, the Guam Memorial Hospital was awarded a \$500,000 EIC grant for the installation of a 100 kW solar rooftop system. As a large facility that operates 24 hours a day 7 days a week, the hospital is one of the largest energy consumers on the island. The hospital estimates the project will result in energy cost savings of \$88,559 annually. In addition to cost savings, the project will also improve resiliency since the design incorporates advanced features to enable a future micro grid which will allow solar panels to continue producing power in coordination with the existing backup power system in the event of a loss of utility power. NREL provided technical assistance for the project by helping develop a scope of work and request for proposals. The Guam Memorial Hospital selected a contractor and construction is ongoing with an expected completion date in the summer 2018.

This past year the Marianas High School in the CNMI finished the design and installation of a 100 kW solar panel system. The high school is the largest in the territory with an enrollment of over 1,500 students. The CNMI Department of Education completed the project in the fall of 2017.

In 2016, the Commonwealth Utilities Corporation (CUC) in the CNMI completed an Integrated Resource Plan that identified the optimal mix of demand, supply, and transmission resources to ensure system adequacy and reliability at reasonable cost over a multi-year planning horizon.

7.

<b>Activity: Territorial Assistance</b>						
<b>Subactivity: Compact Impact - Discretionary \$(000)</b>						
	2017 Actual	2018 CR	2019			Change from 2018 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	3,000	2,980	0	-2,980	0	-2,980
FTEs	0	0	0	0	0	0

**SUMMARY OF 2019 PROGRAM CHANGES**

<b>Request Component</b>		
Program Changes	Amount	FTE
Compact Impact Discretionary	-2,980	0

**JUSTIFICATION OF 2019 PROGRAM CHANGES****Compact Impact – Discretionary (-\$3.0 million)**

Funding is not requested for the Compact Impact Discretionary program in order to prioritize funding for the U.S. territories in other OIA financial assistance programs. Additionally, the 2019 budget request maintains permanently appropriated Compact Impact funding, which, like discretionary Compact Impact funding, is authorized to defray costs of qualified nonimmigrants incurred by affected jurisdictions.

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# **Compacts of Free Association**



**D. Compacts of Free Association**

1.

<b>Activity: Compact of Free Association (Current Appropriation)</b>						
<b>Subactivity: Federal Services Assistance \$(000)</b>						
	2017 Actual	2018 CR	2019			Change from 2018 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	2,818	2,798	0	-162	2,636	-162
FTEs	0	0	0	0	0	0

**SUMMARY OF 2019 PROGRAM CHANGES**

<b>Request Component</b>		
Program Changes	Amount	FTE
Federal Services Assistance	-162	0

The Federal Services Assistance program provides support for U.S. Postal Service mail and package delivery to the Freely Associated States.

**JUSTIFICATION OF 2019 PROGRAM CHANGES****Federal Services (-\$162,000)**

The 2019 budget request provides \$2.6 million, to support United States Postal Service mail delivery to the freely associated states.

**PROGRAM OVERVIEW**

The Compacts of Free Association guarantee that the freely associated states (FAS) will continue to receive certain Federal services in accordance with negotiated agreements, as is the case for the Federated States of Micronesia (FSM) and the Republic of the Marshall Islands (RMI). These services include those of the U.S. Postal Service (USPS).

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

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

### **2019 PROGRAM PERFORMANCE**

Despite OIA budget reductions, funding for the USPS contained within the Federal Services activity is largely maintained in recognition of the Palau Compact Section 432 Review Agreement. OIA will enter into a reimbursable agreement with the USPS for services provided to the FAS.

Approximately \$600,000 of the request level will be granted to Palau for its annual single audit.

2.

<b>Activity: Compact of Free Association (Current Appropriation)</b>						
<b>Subactivity: Enewetak \$(000)</b>						
	2017 Actual	2018 CR	2019			Change from 2018 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	500	497	0	-24	473	-24
FTEs	0	0	0	0	0	0

**SUMMARY OF 2019 PROGRAM CHANGES**

<b>Request Component</b>		
Program Changes	Amount	FTE
Enewetak	-24	0

The Enewetak Support program provides supplemental foods for the community, rehabilitates the island's agricultural resources, and provides agricultural maintenance training.

**JUSTIFICATION OF 2019 PROGRAM CHANGES****Enewetak (-\$24,000)**

The 2019 budget provides \$473,000 to support agricultural operations and activities, as well as food and commodity purchases.

**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.

**2019 PROGRAM PERFORMANCE**

The Enewetak program currently uses approximately 40 percent of its funding for operations of the agriculture field station and the agriculture rehabilitation program. Approximately 31 percent 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 vessel and support office in Majuro. OIA will provide grants for Enewetak in 2019 to continue these activities.

3.

<b>Activity: Compact of Free Association (Current Appropriation)</b>						
<b>Subactivity: Palau Compact Extension \$(000)</b>						
	2017 Actual	2018 CR	2019			Change from 2018 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	13,147	13,058	0	-13,058	0	-13,058
FTEs	0	0	0	0	0	0

**SUMMARY OF 2019 PROGRAM CHANGES**

<b>Request Component</b>		
Program Changes	Amount	FTE
Palau Compact Extension	-13,058	0

**JUSTIFICATION OF 2019 PROGRAM CHANGES****Palau Compact Extension (-\$13.1 million)**

The 2019 OIA budget does not request funding for another Palau Compact Extension reflecting a proposal to provide full funding for an enacted Palau Compact as a transfer from the Department of Defense. Instead of continuing the temporary extension for Palau Compact, the budget proposes \$111.0 million in discretionary Department of Defense appropriations as a transfer to the Department of the Interior to fund the 2010 Compact Review Agreement with Palau. These funds are provided to assist the Government of Palau in its efforts to advance the well-being of its people and in recognition of the special relationship that exists between the United States and Palau, its importance as an ally and a key part of the Nation's Asia-Pacific national security strategy.

**PROGRAM OVERVIEW**

Economic assistance provisions under Palau's Compact of Free Association (P.L. 99-658) were set to expire at the end of 2009. The Department of the Interior, Environment, and Related Agencies Appropriations Act, 2010 (Pub. L. No. 111-88 Sec. 122) and subsequent discretionary appropriations acts have continued to extend economic assistance to Palau within OIA current budget authority.

4.

<b>Account: Compact of Free Association (Permanent and Indefinite)</b>						
<b>Activity: Economic Assistance</b>						
<b>Subactivity: Federated States of Micronesia and Republic of the Marshall Islands \$(000)</b>						
	2017 Actual	2018 CR	2019			Change from 2018 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
RMI	76,065	76,948	0	+1,270	78,218	+1,270
FSM	110,135	111,500	0	+1,844	113,344	+1,844
Judicial Training	370	361	0	+6	367	+6
<b>Total</b>	<b>186,570</b>	<b>188,809</b>	<b>0</b>	<b>+3,120</b>	<b>191,929</b>	<b>+3,120</b>
FTEs	0	0	0	0	0	0

**SUMMARY OF 2019 PROGRAM CHANGES**

<b>Request Component</b>		
Program Changes	Amount	FTE
RMI	+1,270	0
FSM	+1,844	0
Judicial Training	+6	0

The 2019 budget request for Compact of Free Association - Economic Assistance to the Marshall Islands and Federated States of Micronesia is \$191.9 million. The program changes in this account are required inflation adjustments under the amended Compact of Free Association. The increases are based on changes in the United States Gross Domestic Product Implicit Price Deflator but may not exceed 5 percent annually.

**PROGRAM OVERVIEW**

Article I of Title Two of the Compacts of Free Association describes the financial assistance commitment by the United States to the Federated States of Micronesia (FSM) and the Republic of the Marshall



Islands (RMI). The first period of financial assistance expired on September 30, 2003. Following four years of negotiations led by the Department of State with support from OIA, Congress enacted amendments to the Compact as Public Law 108-188. These amendments also include a new permanent and indefinite appropriation that ensures continuation of direct financial assistance through 2023.

The long term goal of United States' Compact financial support is to assist the freely associated states "in their efforts to advance the economic self-sufficiency of their peoples." The funding provided during the first Compact financial assistance period (1987-2003) provided the basis for meeting the two primary political goals of the compact, to (1) secure self-government for each country by ending the four decades-old Trusteeship; and (2) ensure national security rights for the United States in the freely associated states. The two primary goals could not have been achieved without the stability compact funding gave the FSM and RMI economies.

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

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

The amended Compact provides assistance in the form of direct grants in six sectors: education, health care, infrastructure, public sector capacity building, private sector development, and environment. Joint economic management committees, comprised of high ranking officials from the U.S. and the RMI or FSM, meet twice 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 was established in Honolulu in 2003 and personnel have also been located in U.S. embassies in the RMI and FSM capitals. Through a negotiated fiscal procedures agreement, accountability and control standards similar to those which apply domestically to grant agreements between the Federal Government and State and local governments have been implemented.

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

**2019 PROGRAM PERFORMANCE**

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

- Conduct a minimum of 200 in-person days of site visits in the RMI and FSM.
- Collect quantitative and qualitative data on performance objectives and measures.
- Issue and administer all sector grants and the Supplemental Education Grant in the RMI and FSM.
- Convene regular and special meetings of the joint economic management and financial accountability committee for the RMI and the joint economic management committee for the FSM to address major issues as they arise.

Specific information for 2018 is not available at the time of this report due to the nature of the Compact agreement. As agreed to in the Compact, performance plans and budgets for 2018 are not submitted by the FSM and RMI until 90 days before the start of the fiscal year.

**i. Fiscal Year 2018 Sector Allocations for the FSM**

The base amount of Compact of Free Association financial assistance made available to the Federated States of Micronesia (FSM) for 2018 through Section 211 of Public Law 108-88 was \$66,600,000. This amount is adjusted annually by 2/3 of the Gross Domestic Product Implicit Price Deflator. The inflation adjustment for 2018 was \$13,579,740. Combining the base amount and inflation adjustment, the total amount of Section 211 Compact of Free Association financial assistance made available to the FSM was \$80,179,740. From this total, an amount of \$240,780 was provided to the FSM's Disaster Assistance Emergency Fund.

An annual grant, up to \$500,000, was also made available to the FSM to conduct audits required under Article VIII of the Fiscal Procedures Agreement.

The following is a breakdown of 2018 grant allocations for the FSM made by sector and the annual contribution by the United States to the Trust Fund for the People of the Federated States of Micronesia.

<b>Sector</b>	<b>Funds Allocated</b>
Education	\$25,629,189
Health	\$22,741,227
Infrastructure	\$2,600,000
Environment	\$1,788,283
Capacity Building	\$1,904,232
Private Sector	\$1,247,513
Enhanced Reporting & Accountability	\$1,528,408
Compact Trust Fund	\$30,819,840
<b>Total</b>	<b>\$88,258,692</b>

\$21,381,688 was reserved for the Public Infrastructure Sector. In September 2017, the FSM entered into support agreements with the U.S. Army Corps of Engineers for technical program support in administering Compact Public Sector Infrastructure assistance.

**Long Term Fiscal Planning Efforts by the FSM**

The Compact of Free Association, as amended, included two provisions that, by design, lead to annual reductions in the real value of the grants made available to the FSM. The first was similar to that which prevailed during the initial Compact period, which is the partial inflation adjustment applied to grants. The FSM receives annual adjustments equal to two-thirds of inflation as measured by annual changes in the U.S. GDP implicit price deflator; thus, the real value of assistance declines in proportion to a broad measure of U.S. inflation from 2005 to 2023. The baseline for this annual calculation is established as the index value at the end of the third quarter of 2003—in other words at the outset of 2004—as the beginning of the amended Compact twenty-year period.

The second provision, although less familiar, is simply a different and larger-in-magnitude version of what was done during the initial Compact period. This is the so-called decrement, whereby from 2007 to 2023 the nominal value of the grants available for award to the FSM is reduced by \$800,000 per year. During the initial Compact period, reductions were done at Year 6 and Year 11 (the so-called “first stepdown” and “second stepdown”). The design shift to an annual decrement was meant to present a less difficult (more gradual) adjustment. The decrement, contrary to the step-downs implemented during the initial Compact period, does not actually represent a reduction in total funding from the U.S., but rather, represents a redirection of the same \$800,000 as an annual increment in the level of annual U.S. contributions to the Compact Trust Fund.

Taken together—and assuming a 3 percent annual inflation rate—the partial inflation adjustment and the decrement result in approximately a 2 percent loss in the real value of grants each year. Since Compact funds are an important component of revenues for all four states of the FSM, the result is a persistent form of fiscal compression, requiring some combination of reductions in real government services or increases in the real value of tax and fee revenue collections. Of course, the preferred way to offset declines in real resource transfers is sustained and significant economic growth. Such remains the goal of the FSM; however, it would not be prudent to rely upon such growth exclusively in the FSM’s planning fiscal process. The likelihood of such sustained growth is reduced in the face of an increasing level of outward migration.

While the annual real decline was present from the outset of the Compact, as amended, other adjustment problems, and the difficulty of transitioning to the greatly revised grant assistance terms at the outset of the amended Compact period, resulted in limited policy focus on the substantial cumulative impact of the annual decline in the real value of Compact sector grants.

By 2009, a focus on the cumulative, combined impact of the decrement and partial inflation adjustment came to the forefront. In particular, concerned observers both within the FSM and among U.S. government officials noted that the standard response to the declining real value of Compact sector grants was dominated by incremental cuts that did not result from focused deliberations and thus did not tend to reflect explicit or even sensible priorities.

The observed behavior of incremental, un-prioritized expenditure cutting that has prevailed for the state governments within the FSM, would almost certainly be sustainable during short periods of fiscal compression; however, over a long period of fiscal compression, an entirely different and more deliberative approach is needed. The state governments are clearly faced with the latter circumstance of a prolonged period of fiscal compression. As just two examples, priority activities with an impact on human health or public safety may need to be protected entirely or even enhanced, while lower priority activities, even if popular among some interest groups, may need to be eliminated entirely. A phrase used to reflect a needed change in policy approach going forward over the long period of declining real value of Compact sector grants is to “avoid dilution” of truly prioritized governmental activities.

Some entire functions or activities of government need to be eliminated or disproportionately reduced, so that other, higher priority activities can be maintained in an efficient and effective manner. Alternatively, all of the adjustment to declining resources could be offset by tax and fee revenue reform; however, only limited progress has been made in this area nationally. Ultimately, a balanced fiscal adjustment is likely to be preferred—with a mix of expenditure cuts and revenue increases.

As a result of this observed common pattern of behavior throughout the FSM, the Joint Economic Management Planning Committee (JEMCO), comprised of three U.S. and two FSM members, adopted a series of increasingly specific and binding resolutions which, taken together and with some delays, resulted in the current requirement for “decrement management planning,” that has now come to be known as the Long-Term Fiscal Framework (LTFF). The LTFF is being developed, in the first instance, on a state-by-state basis before its full development with the FSM National Government, to allow it to become an FSM-wide fiscal planning commitment.

The strength of the commitments undertaken for the LTFF development process in the FSM state governments was demonstrated by the inclusion of policy makers at all levels of government. The LTFF process was designed to address a broad range of fiscal challenges including, in no particular order:

- Unsustainable growth trends in health and education expenditures, including rapid growth of wages in these two sectors;
- Evidence of unmet needs in critical service areas of government, especially in health and education;
- Unsustainable growth in government wage bills—to the detriment of spending on all other expenditure categories—including both Compact-funded areas and all or most other areas funded by local revenues;
- Limited progress on broad-based and FSM-wide tax reforms and limitations on the extent to which its own tax policy can be stretched to raise further revenues without severely distorting incentives for private sector development;
- Apparent political obstacles to achieving sustained, broad-based and FSM-wide tax reform (as opposed to narrow, and potentially inefficient, tax increase measures);
- The decline of Compact funding in real terms, by design, due to the combined impact of the partial inflation adjustment and the annual decrement;
- Stagnant or declining economic activity during the early amended Compact period followed by more positive results in the recent few years;
- The inability or perhaps just a delay, to-date, of the FSM to meet its obligations under the Compact to match contributions to the Infrastructure Maintenance Fund, and the evident need of still greater allocations towards infrastructure maintenance;
- The need to constrain expenditures, increase revenues, and/or find subsequent domestic or foreign contributors to increase Compact Trust Fund contributions, in order to be able credibly to adjust to projected levels of sustainable support after 2023.

The LTFF for the FSM was also designed to take into consideration other factors of importance, which may either worsen or lessen the evident fiscal challenge, such as:

- Population trends and the impact of outmigration;
- Demographic and service delivery requirement trends;
- Remittance levels and trends, to the extent such data is available;
- The current and reliable future levels of assistance from other donors;

Finally, the LTFF and the embedded commitments herein for the FSM were to be reflected in the budgets and policy/planning priorities from 2014 onward. A clear demonstration of this commitment was presented in the monitoring matrix as part of the annual budget preparation process and in budget consultations with OIA staff. An update to the LTFF was due in 2017. It appears that the FSM is no longer undertaking fiscal planning in a documented or disciplined manner having largely disavowed the originally submitted LTFF.

### Compact Sectors

#### Education

The education Sector Grant is intended to support and improve the educational system of the Federated States of Micronesia, including, without limitation, the systems for primary, secondary, and post-secondary education, respectively, and develop the human and material resources necessary for the Federated States of Micronesia to perform these services. Emphasis should be on advancing a quality basic education system by increasing the achievement levels of students in the primary and secondary education system based on performance standards and assessments appropriate for the Federated States of Micronesia; providing secondary education or vocational training to qualified students; improving management and accountability within the educational system; raising the level of staff quality, including teacher training, with the ultimate aspiration that highly qualified teachers are in the classroom; and improving the relevance of education to the needs of the economy.

#### Health

The health Sector Grant is intended to support and improve the delivery of preventive, curative and environmental care, and develop the human and material resources necessary for the Federated States of Micronesia to perform these services. Priority should be given to establishing sustainable funding mechanisms for operating a community-based system with emphasis on prevention, primary care, mental health, substance abuse prevention, and the operation of hospitals to provide secondary care at appropriate levels and reduce reliance on medical referrals abroad.

#### Public Infrastructure

In accordance with section 211(a) of the Compact, as amended, unless otherwise agreed, annual Grant assistance is intended to assist the Government of the Federated States of Micronesia in its efforts to provide adequate public infrastructure assistance. With respect to the public infrastructure Sector Grant, the highest priority is to be given to primary and secondary education capital projects and projects that

directly affect health and safety, including water and wastewater projects, solid waste disposal projects, and health care facilities. Second priority shall be given to economic development-related projects, including airport and seaport improvements, roads, sea walls, and energy development including renewable energy that cannot be funded through the rate structure.

#### Environment

The environment Sector Grant is intended to support the efforts of the Government of the Federated States of Micronesia to protect the Nation's land and marine environment and to conserve and achieve sustainable use of its natural resources. These efforts are to include the ongoing development, adoption and enforcement of policies, laws and regulation in pursuit of the above stated goals; the reduction and prevention of environmental degradation and all forms of environmental pollution; monitoring climate change; the protection of biological diversity, including the assurance of adequate legal and international treaty safeguards relating to the protection of botanical and other agroecological property belonging to the Federated States of Micronesia; the establishment and management of conservation (sustainable use) areas; environmental infrastructure planning, design construction, and operation; interaction and cooperation with nongovernmental organizations; the promotion of increased environmental awareness in governmental and private sectors; and the promotion of increased involvement of citizens and traditional leaders of the Federated States of Micronesia in the process of conserving their country's natural resources.

In 2018, the FSM received an allocation of approximately \$1.8 million for its environment sector. Each State received funding for an Environmental Protection Agency or similar agency with a like mission. Financial assistance also supported marine and forestry conservation efforts. Public education programs were a part of all programs funded under this sector. The lack of national goals for the environment sector continued to hamper the evaluation of performance progress.

#### Private Sector Development

The Sector Grant for private sector development is intended to support the efforts of the Government of the Federated States of Micronesia to attract new foreign investment and increase indigenous business activity by vitalizing the commercial environment, ensuring fair and equitable application of the law, promoting adherence to Core Labor Standards, maintaining progress toward the privatization of state-owned and partially state-owned enterprises, and engaging in other reforms. Priorities should be given to advancing the private development of fisheries, tourism and agriculture; employing new telecommunications technologies; and analyzing and developing new systems, laws, regulations and policies to foster private sector development, to facilitate investment by potential private investors, and to develop business and entrepreneurial skills.

In 2018, the FSM received an allocation of \$1.3 million for its private sector development sector grant. This amount funded the basic operations of a number of different agencies to increase tourism, promote agriculture, and support small businesses. The lack of national goals for the private sector development sector grant continued to hamper the evaluation of performance progress.

Enhanced Reporting and Accountability

In 2018, the FSM received a grant of \$1.5 million for the sector entitled “Enhanced Reporting and Accountability.” This sector is intended to address the additional complexities and costs of compliance inherent in the Compact, as amended, specifically those related to budgeting, financial accountability, and expanded financial and performance reporting requirements.

Priorities are given to achieving and maintaining full and timely compliance with Articles V and VI of this Agreement, the development and operation of a Financial Management Information System that is capable of accurately and efficiently accounting for and reporting on the use of Compact and all other funds available to the national and state governments of the Federated States of Micronesia; the development and operation of a performance-based budgeting and reporting system for the planned use and expenditure of Compact and all other funds available to each of the national and state governments of the Federated States of Micronesia; and including the development and operation of financial management procedures, practices and internal controls that ensure timely revenue collections, accurate and timely payments, and accurate and timely submission of all required quarterly and annual reports by each of the national and state governments of the Federated States of Micronesia.

Public Sector Capacity Building

The Sector Grant for capacity building is intended to support the efforts of the Federated States of Micronesia to build effective, accountable, and transparent national and local government and other public sector institutions and systems. Priority should be given to improving economic planning, financial management, auditing, law enforcement, immigration controls, the judiciary, and the compilation and analysis of appropriate statistical indicators with the goal of ensuring that essential functions can be carried out and that essential positions are filled with qualified personnel.

**ii. Fiscal Year 2018 Allocations for the RMI**

The following is a breakdown of allocations to the RMI by sector and Compact of Free Association, Section 211, 212, and 216-mandated funding:

<b>Sector</b>	<b>Funds Allocated</b>
Education	\$11,022,660
Health	\$6,869,099
Infrastructure	\$9,426,395
Environment	\$180,766
Ebeye Special Needs	\$6,089,890
Kwajalein Environmental Impact	\$240,780
RMI Trust Fund (Section 216)	\$16,854,600
Kwajalein Landowner Payments (Sec 216)	\$21,670,200
Disaster Assistance Emergency Fund	\$240,780
RMI Single Audit (Section 212)	\$500,000
Kwajalein Impact Fund	\$2,287,410
Total	\$75,382,580



Education

The RMI continues to utilize Compact education sector funds to make progress in meeting the following education goals:

1. Improve curriculum at all levels.
2. Improve effectiveness of staff and teachers.
3. Improve student performance and learning outcomes.
4. Implement infrastructure development and maintenance plan.
5. Supplement special educational needs of Ebeye.
6. Provide financial assistance to post-secondary students.
7. Improve performance of the College of the Marshall Islands.

Funding from the Compact, Ebeye Special Needs (ESN), Supplemental Education Grants, and Special Education funds from the U.S. Department of Education fund 75 percent of RMI's education system. In School Year 2017-2018, over 15,000 students were enrolled in 95 elementary and 16 secondary schools including non-public schools which receive financial assistance from the Ministry of Education (MOE). Many of these schools are located on remote atolls over 200 miles from the population centers and accessible only by ship. The geographic isolation of these schools, lack of resources and access to technology, and a limited pool of qualified human resources are major impediments to providing quality education service. As Compact assistance continues to decline in real value, MOE will face even greater challenges to improve education service delivery.

Lack of credentialed teachers and low student achievement continue to be associated and persistent problems. About 35 percent of RMI's teachers still possess only a high school degree. Despite a significant investment in upgrading teacher skills, the percentage of teachers with only a high school degree has remained roughly the same due to high turnover rates. Many teachers leave for higher paying government jobs once they have received a college degree. As more teachers receive college degrees and a commensurate increase in their salary, personnel costs will rise to unsustainable levels if there is no contribution of additional resources to MOE's budget. The RMI has recently provided additional resources from its General Fund to further support its education system.

Under new leadership, the MOE has set the following actions to improve education outcomes in the RMI:

1. Achieve an annual 5 percent improvement in student performance and in student and teacher attendance levels for every school.
2. Have all students able to read in both English and Marshallese by third grade.
3. Provide vocational and other life skills for students not able to enter high school and college.
4. Establish a new school accreditation system.

Health

For 2018, the Ministry of Health identified adequate resources for the three special initiatives required by JEMFAC; that is, the continuation of leprosy elimination and MDR TB prevention and management

activities, and the institution of steps to reduce recurring diabetes-related hospitalizations.

The Ministry of Health combined a number of revenue resources in developing its global budget. The proposed level of Compact financial assistance in 2018 represents 37 percent of the total budget. A third of the Ministry's annual budget comes from two special revolving accounts allotted to the Ministry by law. The general fund contributes 16 percent.

General funds and Compact financial assistance are the Ministry's only two flexible resources. The remaining budgetary inputs have predetermined uses. Because the Compact's annual decrements are unavoidable and will erode in terms of real value in the future, it behooves the Ministry to maintain fiscal discipline, raise fees for service where appropriate, and institute efficiency and effectiveness measures within its authority. These steps are essential to counteract declining funding for health.

#### Public Infrastructure

The RMI allocated reserved \$9.1 million for infrastructure improvements and maintenance in 2018. The RMI consistently adheres with the Amended Compacts' policy that at least 30 percent of all annual United States Compact financial assistance made available through Section 211 of the Amended Compact be directed toward infrastructure development. To guide project selection, the RMI has updated its comprehensive Infrastructure Development and Maintenance Program (IDMP) with complete project descriptions, timelines, financial requirements and measurable project indicators.

#### Environment

In 2018, the RMI received an allocation of \$240,780 for Kwajalein Environmental Impact. This amount is used to support the RMI Environmental Protection Agency (EPA) activities and programs on Ebeye. The RMI also received \$180,766 to support operational needs for the Majuro Atoll Waste Corporation.

5.

<b>Account: Compact of Free Association (Permanent and Indefinite)</b>						
<b>Activity: Compact Impact \$(000)</b>						
	<b>2017 Actual</b>	<b>2018 CR</b>	<b>2019</b>			<b>Change from 2018 (+/-)</b>
			<b>Fixed Costs &amp; Related Changes (+/-)</b>	<b>Program Changes (+/-)</b>	<b>Budget Request*</b>	
Hawaii	12,610	12,762	0	0	12,762	0
Guam	14,729	14,907	0	0	14,907	0
CNMI	2,282	2,309	0	0	2,309	0
American Samoa	21	22	0	0	22	0
Census	357	0	0	0	0	0
<b>Total</b>	<b>30,000</b>	<b>30,000</b>	<b>0</b>	<b>0</b>	<b>30,000</b>	<b>0</b>
FTEs	0	0	0	0	0	0

\*2019 allocations by jurisdiction are placeholders awaiting the results of the enumeration to be completed in 2018.

## PROGRAM OVERVIEW

Section 104 (e) of Title One of the amended Compacts of Free Association describes the financial assistance committed by the United States to the State of Hawaii, Guam, the Commonwealth of the Northern Mariana Islands and American Samoa. The goal of this financial support is to provide through 2023, \$30.0 million in grants to affected jurisdictions to aid in defraying costs incurred as a result of increased demands placed on health, educational, social, or public safety services, or infrastructure related to such services, due to the residence of qualified nonimmigrants from the Republic of the Marshall Islands, the Federated States of Micronesia, or the Republic of Palau.

The \$30.0 million distribution is based on a ratio allocation to the government of each affected jurisdiction on the basis of the results of the most recent enumeration. At a minimum, enumerations will be conducted every five years. The next enumeration will be completed in 2018 by the U.S. Census Bureau and the results will be used to determine the distribution of the \$30.0 million beginning in 2019. As a result, 2019 Compact Impact allocations by jurisdiction contained in the 2019 budget request are placeholders. This allocation is in accordance with the provision in Section 104(e)(5) of Title One of the amended Compacts of Free Association.

**2019 PROGRAM PERFORMANCE**

The following 2018 grants will be made to each eligible jurisdiction based on the population of qualified migrants:

- Hawaii: \$12,762,000
- Guam: \$14,907,000
- CNMI: \$ 2,309,000
- American Samoa: \$ 22,000

Compact Impact grant assistance may be used only for health, educational, social, or public safety services, or infrastructure related to such services, specifically affected by qualified nonimmigrants. Each jurisdiction is to provide a spending plan to the Office of Insular Affairs (OIA) for the use of the funds prior to the awarding of the grant. The 2018 spending plans follow:

The State of Hawaii is expected to use the full 2018 amount of its \$12.8 million to supplement state funds to support indigent health care as in past years.

Guam has proposed to use its 2018 Compact Impact grant of \$14.9 million in the following manner:

- DOE/DPW Schools Leaseback \$6,661,550
- Government of Guam General Operations Offset \$8,245,121

The CNMI has proposed to use its 2018 Compact Impact grant of \$2.3 million in the following manner:

- Department of Public Health Operations Offset \$ 894,546
- Division of Youth Services Operations Offset \$ 10,931
- Division of Public Safety Operations Offset \$ 262,049
- Department of Corrections Operations Offset \$ 416,151
- Office of Public Defender Operations Offset \$ 39,216
- Northern Marianas College Operations Offset \$ 41,355
- Public School System Operations Offset \$ 204,905
- Karidat Operations Offset \$ 50,667
- Judiciary Operations Offset \$ 113,072
- Department of Fire and Emergency Services \$ 276,470

American Samoa has proposed to use its 2018 Compact Impact grant of \$22,000 as an operational offset for the American Samoa Department of Education budget.

# Miscellaneous Schedules



## IV. Miscellaneous Schedules

Office of Management and Budget  
Program and Financing Schedule Data, FY 2019 Budget  
(In millions of dollars)

Agency Title	Bureau Title	Account Title	Transmittal Code Title	Line Number	Line Title	Line Serial Number	2017	2018	2019
							PY Amt	CY Amt	BY Amt
<b>Department of the Interior</b>									
Insular Affairs									
<b>010-85-0412 Assistance to Territories</b>									
Transmit 0 Enacted/requested									
<b>0009</b> Office of Insular Affairs 01 10 9 9									
<b>0010</b> Technical assistance 01 16 16 15									
<b>0015</b> Coral reef initiative 01 1 1 1									
<b>0017</b> Maintenance assistance fund 01 4 3 1									
<b>0018</b> American Samoa operations grants 01 23 22 22									
<b>0019</b> Brown Treesnake 01 4 3 3									
<b>0021</b> Empowering Insular Communities 01 4 3 3									
<b>0031</b> Compact Impact Discretionary 01 3 3 0									
<b>0091</b> Direct subtotal, discretionary 01 65 60 54									
<b>0101</b> Covenant grants, mandatory 01 15 41 28									
<b>0900</b> Total new obligations, unexpired accounts 01 80 101 82									
Unobligated balance brought forward, Oct									
<b>1000</b> 1 01 3 18 17									
Discretionary unobligated balance brought									
<b>1001</b> fwd, Oct 1 01 3 3 0									
<b>1021</b> Recoveries of prior year unpaid obligations 01 3 8 8									
<b>1050</b> Unobligated balance (total) 01 6 26 25									
<b>1100</b> Appropriation 01 64 64 53									
<b>1160</b> Appropriation, discretionary (total) 01 64 64 53									
<b>1200</b> Appropriation 01 28 28 28									
<b>1260</b> Appropriations, mandatory (total) 01 28 28 28									
<b>1900</b> Budget authority (total) 01 92 92 81									
<b>1930</b> Total budgetary resources available 01 98 118 106									
Unexpired unobligated balance, end of									
<b>1941</b> year 01 18 17 24									
<b>3000</b> Unpaid obligations, brought forward, Oct 1 01 136 120 115									

<b>3010</b>	New obligations, unexpired accounts	01	80	101	82
<b>3020</b>	Outlays (gross)	01	-93	-98	-83
	Recoveries of prior year unpaid				
<b>3040</b>	obligations, unexpired	01	-3	-8	-8
<b>3050</b>	Unpaid obligations, end of year	01	120	115	106
	Uncollected pymts, Fed sources, brought				
<b>3060</b>	forward, Oct 1	01	-1	-1	-1
	Uncollected pymts, Fed sources, end of				
<b>3090</b>	year	01	-1	-1	-1
<b>3100</b>	Obligated balance, start of year	01	135	119	114
<b>3200</b>	Obligated balance, end of year	01	119	114	105
<b>4000</b>	Budget authority, gross	01	64	64	53
<b>4010</b>	Outlays from new discretionary authority	01	34	45	37
<b>4011</b>	Outlays from discretionary balances	01	22	37	42
<b>4020</b>	Outlays, gross (total)	01	56	82	79
<b>4070</b>	Budget authority, net (discretionary)	01	64	64	53
<b>4080</b>	Outlays, net (discretionary)	01	56	82	79
<b>4090</b>	Budget authority, gross	01	28	28	28
<b>4100</b>	Outlays from new mandatory authority	01	0	1	1
<b>4101</b>	Outlays from mandatory balances	01	37	15	3
<b>4110</b>	Outlays, gross (total)	01	37	16	4
<b>4160</b>	Budget authority, net (mandatory)	01	28	28	28
<b>4170</b>	Outlays, net (mandatory)	01	37	16	4
<b>4180</b>	Budget authority, net (total)	01	92	92	81
<b>4190</b>	Outlays, net (total)	01	93	98	83
<b>010-85-0415</b>	<b>Compact of Free Association</b>				
Transmit 0	Enacted/requested				
<b>0001</b>	Federal services assistance	01	3	3	3
<b>0002</b>	Enewetak	01	1	1	1
<b>0003</b>	Palau Compact	01	0	0	44
<b>0091</b>	Direct program activities, subtotal	01	4	4	48
<b>0101</b>	Palau Compact Extension, mandatory	01	13	13	0
<b>0192</b>	Subtotal	01	17	17	48
<b>0201</b>	Assistance to the Marshall Islands	01	77	77	78
	Assistance to the Federated States of				
<b>0202</b>	Micronesia	01	101	112	113
<b>0204</b>	Compact Impact	01	30	30	30
<b>0205</b>	Judical Training/FEMA	01	1	1	1
<b>0291</b>	Subtotal, permanent indefinite	01	209	220	222
<b>0799</b>	Total direct obligations	01	226	237	270
	Compact of Free Association				
<b>0801</b>	(Reimbursable)	01	17	17	17
<b>0900</b>	Total new obligations, unexpired accounts	01	243	254	287
	Unobligated balance brought forward, Oct				
<b>1000</b>	1	01	209	222	233
<b>1021</b>	Recoveries of prior year unpaid obligations	01	6	13	13



<b>1050</b>	Unobligated balance (total)	01	215	235	246
<b>1100</b>	Appropriation	01	3	16	3
<b>1121</b>	Appropriations transferred from other acct	01	0	0	111
<b>1160</b>	Appropriation, discretionary (total)	01	3	16	114
<b>1200</b>	Appropriation	01	230	219	222
<b>1260</b>	Appropriations, mandatory (total)	01	230	219	222
<b>1700</b>	Collected	01	17	17	17
	Spending auth from offsetting collections,				
<b>1750</b>	disc (total)	01	17	17	17
<b>1900</b>	Budget authority (total)	01	250	252	353
<b>1930</b>	Total budgetary resources available	01	465	487	599
	Unexpired unobligated balance, end of				
<b>1941</b>	year	01	222	233	312
<b>3000</b>	Unpaid obligations, brought forward, Oct 1	01	76	83	130
<b>3010</b>	New obligations, unexpired accounts	01	243	254	287
<b>3020</b>	Outlays (gross)	01	-230	-194	-308
	Recoveries of prior year unpaid				
<b>3040</b>	obligations, unexpired	01	-6	-13	-13
<b>3050</b>	Unpaid obligations, end of year	01	83	130	96
<b>3100</b>	Obligated balance, start of year	01	76	83	130
<b>3200</b>	Obligated balance, end of year	01	83	130	96
<b>4000</b>	Budget authority, gross	01	20	33	131
<b>4010</b>	Outlays from new discretionary authority	01	1	18	49
<b>4011</b>	Outlays from discretionary balances	01	18	0	15
<b>4020</b>	Outlays, gross (total)	01	19	18	64
<b>4030</b>	Federal sources	01	-17	-17	-17
	Offsets against gross budget authority and				
<b>4040</b>	outlays (total)	01	-17	-17	-17
<b>4070</b>	Budget authority, net (discretionary)	01	3	16	114
<b>4080</b>	Outlays, net (discretionary)	01	2	1	47
<b>4090</b>	Budget authority, gross	01	230	219	222
<b>4100</b>	Outlays from new mandatory authority	01	70	88	89
<b>4101</b>	Outlays from mandatory balances	01	141	88	155
<b>4110</b>	Outlays, gross (total)	01	211	176	244
<b>4160</b>	Budget authority, net (mandatory)	01	230	219	222
<b>4170</b>	Outlays, net (mandatory)	01	211	176	244
<b>4180</b>	Budget authority, net (total)	01	233	235	336
<b>4190</b>	Outlays, net (total)	01	213	177	291
<b>010-85-0418</b>	<b>Payments to the United States Territories, Fiscal Assistance</b>				
	Transmit 0 Enacted/requested				
	Advance payments to Guam of estimated				
<b>0001</b>	U.S. income tax collections	01	86	78	78
	Advance payments to the Virgin Islands of				
<b>0002</b>	estimated U.S. excise tax collections	01	242	224	224
<b>0900</b>	Total new obligations (object class 41.0)	01	328	302	302

<b>1200</b>	Appropriation	01	328	302	302
<b>1260</b>	Appropriations, mandatory (total)	01	328	302	302
<b>1930</b>	Total budgetary resources available	01	328	302	302
<b>3010</b>	New obligations, unexpired accounts	01	328	302	302
<b>3020</b>	Outlays (gross)	01	-328	-302	-302
<b>4090</b>	Budget authority, gross	01	328	302	302
<b>4100</b>	Outlays from new mandatory authority	01	328	302	302
<b>4160</b>	Budget authority, net (mandatory)	01	328	302	302
<b>4170</b>	Outlays, net (mandatory)	01	328	302	302
<b>4180</b>	Budget authority, net (total)	01	328	302	302
<b>4190</b>	Outlays, net (total)	01	328	302	302
<b>010-85-4163 Assistance to American Samoa Direct Loan</b>					
<b>Financing Account</b>					
Transmit 0	Enacted/requested				
<b>0713</b>	Payment of interest to Treasury	01	1	1	1
<b>0900</b>	Total new obligations, unexpired accounts	01	1	1	1
<b>1800</b>	Collected	01	1	1	1
<b>1850</b>	Spending auth from offsetting collections, mand (total)	01	1	1	1
<b>1930</b>	Total budgetary resources available	01	1	1	1
<b>3010</b>	New obligations, unexpired accounts	01	1	1	1
<b>3020</b>	Outlays (gross)	01	-1	-1	-1
<b>4090</b>	Budget authority, gross	01	1	1	1
<b>4110</b>	Outlays, gross (total)	01	1	1	1
<b>4123</b>	Non-Federal sources - interest payments fr. Am. Samoa	01	-1	-1	-1
			<b>10,088</b>	<b>10,020</b>	<b>11,204</b>

Object Class - Presidential Budget, FY 2019  
(In millions of dollars)

Agency Title	Bureau	Sequence	Bureau Title	Account Title	Transmit Title	Direct/Reimbursable	Direct Reimbursable Title	OB Class	Group Title	OB Class	Data		
											PY Amt	CY Amt	BY Amt
Department of the Interior	86		Insular Affairs								651	657	671
				010-85-0412	[014-0412 ]	Assistance to Territories					651	657	671
				TRANSMIT 0	Enacted/requested						80	101	82
					D	Direct obligations					80	101	82
										Personnel Compensation And Benefits	5	5	5
										1111 Full-Time Permanent	4	4	4
										1121 Civilian Personnel Benefits	1	1	1
										Contractual Services And Supplies	17	17	17
										1210 Travel And Transportation Of Persons	1	1	1
										1252 Other Services From Non-Federal Sources	3	3	3
										1253 Other Goods And Services From Federal Sources	13	13	13
										Grants And Fixed Charges	58	79	60
										1410 Grants, Subsidies, And Contributions	58	79	60
				010-85-0415	[014-0415 ]	Compact of Free Association					243	254	287
				TRANSMIT 0	Enacted/requested						243	254	287
					D	Direct obligations					226	237	270
										Contractual Services And Supplies	3	3	3
										1253 Other Goods And Services From Federal Sources	3	3	3
										Grants And Fixed Charges	223	234	267
										1410 Grants, Subsidies, And Contributions	223	234	267
										R Reimbursable obligations	17	17	17
										Grants And Fixed Charges	17	17	17
										2410 Grants, Subsidies, And Contributions	17	17	17
				010-85-0418	[014-0418 ]	Payments to the United States Territories, Fiscal Assistance					328	302	302
				TRANSMIT 0	Enacted/requested						328	302	302
					D	Direct obligations					328	302	302
										Grants And Fixed Charges	328	302	302
										1410 Grants, Subsidies, And Contributions	328	302	302

Historical Table

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

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

**FSM-RMI Compact Payment Projections  
2004-2008**

*(In thousands of dollars)*

	2004			2005			2006			2007			2008			Subtotal 2004-2008
	Base	Inflation 0.00%	Total	Base	Inflation 2.00%	Total	Base	Inflation 4.35%	Total	Base	Inflation 6.68%	Total	Base	Inflation 8.58%	Total	
<b>Federated States of Micronesia</b>																
Annual Grant Section 211	76,200	-	76,200	76,200	1,524	77,724	76,200	3,315	79,515	75,400	5,037	80,437	74,600	6,401	81,001	394,876
Audit Grant Section 212 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500	2,500
Trust Fund Section 215	16,000	-	16,000	16,000	320	16,320	16,000	696	16,696	16,800	1,122	17,922	17,600	1,510	19,110	86,048
<i>Total FSM Compact</i>	<i>92,700</i>	<i>-</i>	<i>92,700</i>	<i>92,700</i>	<i>1,844</i>	<i>94,544</i>	<i>92,700</i>	<i>4,011</i>	<i>96,711</i>	<i>92,700</i>	<i>6,159</i>	<i>98,859</i>	<i>92,700</i>	<i>7,911</i>	<i>100,611</i>	<i>483,424</i>
<b>Republic of the Marshall Islands</b>																
Annual Grant Section 211	35,200	-	35,200	34,700	694	35,394	34,200	1,488	35,688	33,700	2,251	35,951	33,200	2,849	36,049	178,281
Audit Grant Section 213 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500	2,500
Trust Fund Section 216 (a&c)	7,000	-	7,000	7,500	150	7,650	8,000	348	8,348	8,500	568	9,068	9,000	772	9,772	41,838
Kwajalein Impact Section 212	15,000	-	15,000	15,000	300	15,300	15,000	653	15,653	15,000	1,002	16,002	15,000	1,287	16,287	78,242
Rongelap Resettlement Section 103 (f)(4)	-	-	-	1,780	-	1,780	1,760	-	1,760	1,760	-	1,760	-	-	-	5,300
Enewetak Section 103 (f)(2)(c)(i)	1,300	-	1,300	1,300	26	1,326	1,300	57	1,357	1,300	87	1,387	1,300	112	1,412	6,781
<i>Total RMI Compact</i>	<i>59,000</i>	<i>-</i>	<i>59,000</i>	<i>60,780</i>	<i>1,170</i>	<i>61,950</i>	<i>60,760</i>	<i>2,545</i>	<i>63,305</i>	<i>60,760</i>	<i>3,908</i>	<i>64,668</i>	<i>59,000</i>	<i>5,019</i>	<i>64,019</i>	<i>312,942</i>
<b>Compact-Other</b>																
Compact Impact Section 104 (e)	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	29,700	(26)	29,674	149,674
Compact Impact Enumeration Section 104 (e)(4)	-	-	-	-	-	-	-	-	-	-	-	-	300	26	326	326
Judicial Training	300	-	300	300	6	306	300	13	313	300	20	320	300	26	326	1,565
<i>Total Compact-Other</i>	<i>30,300</i>	<i>-</i>	<i>30,300</i>	<i>30,300</i>	<i>6</i>	<i>30,306</i>	<i>30,300</i>	<i>13</i>	<i>30,313</i>	<i>30,300</i>	<i>20</i>	<i>30,320</i>	<i>30,300</i>	<i>26</i>	<i>30,326</i>	<i>151,565</i>
<b>GRAND TOTAL</b>	<b>182,000</b>	<b>-</b>	<b>182,000</b>	<b>183,780</b>	<b>3,020</b>	<b>186,800</b>	<b>183,760</b>	<b>6,569</b>	<b>190,329</b>	<b>183,760</b>	<b>10,087</b>	<b>193,847</b>	<b>182,000</b>	<b>12,956</b>	<b>194,956</b>	<b>947,931</b>

**FSM-RMI Compact Payment Projections  
2009-2013**

*(In thousands of dollars)*

	2009 Inflation			2010 Inflation			2011 Inflation			2012 Inflation			2013 Inflation			Subtotal 2009-2013
	Base	10.51%	Total	Base	10.94%	Total	Base	11.97%	Total	Base	13.40%	Total	Base	15.71%	Total	
<b>Federated States of Micronesia</b>																
Annual Grant Section 211	73,800	7,756	81,556	73,000	7,986	80,986	72,200	8,642	80,842	71,400	9,568	80,968	70,600	11,091	81,691.26	406,044
Audit Grant Section 212 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500.00	2,500
Trust Fund Section 215	18,400	1,934	20,334	19,200	2,100	21,300	20,000	2,394	22,394	20,800	2,787	23,587	21,600	3,393	24,993.36	112,609
<i>Total FSM Compact</i>	<i>92,700</i>	<i>9,690</i>	<i>102,390</i>	<i>92,700</i>	<i>10,087</i>	<i>102,787</i>	<i>92,700</i>	<i>11,036</i>	<i>103,736</i>	<i>92,700</i>	<i>12,355</i>	<i>105,055</i>	<i>92,700</i>	<i>14,485</i>	<i>107,185</i>	<i>521,153</i>
<b>Republic of the Marshall Islands</b>																
Annual Grant Section 211	32,700	3,437	36,137	32,200	3,523	35,723	31,700	3,794	35,494	31,200	4,181	35,381	30,700	4,823	35,523	178,258
Audit Grant Section 213 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500	2,500
Trust Fund Section 216 (a&c)	9,500	998	10,498	10,000	1,094	11,094	10,500	1,257	11,757	11,000	1,474	12,474	11,500	1,807	13,307	59,130
Kwajalein Impact Section 212	15,000	1,577	16,577	15,000	1,641	16,641	15,000	1,796	16,796	15,000	2,010	17,010	15,000	2,357	17,357	84,380
Rongelap Resettlement Section 103 (f)(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Enewetak Section 103 (f)(2)(c)(i)	1,300	137	1,437	1,300	142	1,442	1,300	156	1,456	1,300	174	1,474	1,300	204	1,504	7,313
<i>Total RMI Compact</i>	<i>59,000</i>	<i>6,148</i>	<i>65,148</i>	<i>59,000</i>	<i>6,400</i>	<i>65,400</i>	<i>59,000</i>	<i>7,002</i>	<i>66,002</i>	<i>59,000</i>	<i>7,839</i>	<i>66,839</i>	<i>59,000</i>	<i>9,190</i>	<i>68,190</i>	<i>331,580</i>
<b>Compact-Other</b>																
Compact Impact Section 104 (e)	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	29,700	(47)	29,653	149,653
Compact Impact Enumeration Section 104 (e)(4)	-	-	-	-	-	-	-	-	-	-	-	-	300	47	347	347
Judicial Training	300	32	332	300	33	333	300	36	336	300	40	340	300	47	347	1,688
<i>Total Compact-Other</i>	<i>30,300</i>	<i>32</i>	<i>30,332</i>	<i>30,300</i>	<i>33</i>	<i>30,333</i>	<i>30,300</i>	<i>36</i>	<i>30,336</i>	<i>30,300</i>	<i>40</i>	<i>30,340</i>	<i>30,300</i>	<i>47</i>	<i>30,347</i>	<i>151,688</i>
<b>GRAND TOTAL</b>	<b>182,000</b>	<b>15,870</b>	<b>197,870</b>	<b>182,000</b>	<b>16,519</b>	<b>198,519</b>	<b>182,000</b>	<b>18,075</b>	<b>200,075</b>	<b>182,000</b>	<b>20,234</b>	<b>202,234</b>	<b>182,000</b>	<b>23,722</b>	<b>205,722</b>	<b>1,004,420</b>

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

*(In thousands of dollars)*

	2014 Inflation			2015 Inflation			2016 Inflation			2017 Inflation			2018 Inflation			Subtotal 2014-2018
	Base	16.54%	Total	Base	16.28%	Total	Base	17.87%	Total	Base	18.91%	Total	Base	20.39%	Total	
<b><u>Federated States of Micronesia</u></b>																
Annual Grant Section 211	69,800	11,545	81,345	69,000	11,233	80,233	68,200	12,187	80,387	67,400	12,745	80,145	66,600	13,580	80,180	402,291
Audit Grant Section 212 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500	2,500
Trust Fund Section 215	22,400	3,705	26,105	23,200	3,777	26,977	24,000	4,289	28,289	24,800	4,690	29,490	25,600	5,220	30,820	141,680
<i>Total FSM Compact</i>	<i>92,700</i>	<i>15,250</i>	<i>107,950</i>	<i>92,700</i>	<i>15,010</i>	<i>107,710</i>	<i>92,700</i>	<i>16,476</i>	<i>109,176</i>	<i>92,700</i>	<i>17,435</i>	<i>110,135</i>	<i>92,700</i>	<i>18,800</i>	<i>111,500</i>	<i>546,471</i>
<b><u>Republic of the Marshall Islands</u></b>																
Annual Grant Section 211	32,200	5,326	37,526	31,700	5,161	36,861	31,200	5,575	36,775	30,700	5,805	36,505	30,200	6,158	36,358	184,025
Audit Grant Section 213 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500	2,500
Trust Fund Section 216 (a&c)	12,000	1,985	13,985	12,500	2,035	14,535	13,000	2,323	15,323	13,500	2,553	16,053	14,000	2,855	16,855	76,750
Kwajalein Impact Section 212	18,000	-	18,000	18,000	2,930	20,930	18,000	3,217	21,217	18,000	3,404	21,404	18,000	3,670	21,670	103,221
Rongelap Resettlement Section 103 (f)(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Enewetak Section 103 (f)(2)(c)(i)	1,300	215	1,515	1,300	212	1,512	1,300	232	1,532	1,300	246	1,546	1,300	265	1,565	7,670
<i>Total RMI Compact</i>	<i>64,000</i>	<i>7,526</i>	<i>71,526</i>	<i>64,000</i>	<i>10,338</i>	<i>74,338</i>	<i>64,000</i>	<i>11,347</i>	<i>75,347</i>	<i>64,000</i>	<i>12,008</i>	<i>76,008</i>	<i>64,000</i>	<i>12,948</i>	<i>76,948</i>	<i>374,166</i>
<b><u>Compact-Other</u></b>																
Compact Impact Section 104 (e)	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	29,700	(61)	29,639	149,639
Compact Impact Enumeration Section 104 (e)(4)	-	-	-	-	-	-	-	-	-	-	-	-	300	61	361	361
Judicial Training	300	50	350	300	49	349	300	54	354	300	57	357	300	61	361	1,770
<i>Total Compact-Other</i>	<i>30,300</i>	<i>50</i>	<i>30,350</i>	<i>30,300</i>	<i>49</i>	<i>30,349</i>	<i>30,300</i>	<i>54</i>	<i>30,354</i>	<i>30,300</i>	<i>57</i>	<i>30,357</i>	<i>30,300</i>	<i>61</i>	<i>30,361</i>	<i>151,770</i>
<b>GRAND TOTAL</b>	<b>187,000</b>	<b>22,825</b>	<b>209,825</b>	<b>187,000</b>	<b>25,397</b>	<b>212,397</b>	<b>187,000</b>	<b>27,877</b>	<b>214,877</b>	<b>187,000</b>	<b>29,500</b>	<b>216,500</b>	<b>187,000</b>	<b>31,808</b>	<b>218,808</b>	<b>1,072,407</b>

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

	2019			2020			2021			2022			2023			Subtotal 2019-2023	Total 2004- 2023
	Base	Inflation 22.39%	Total	Base	Inflation 24.39%	Total	Base	Inflation 26.39%	Total	Base	Inflation 28.39%	Total	Base	Inflation 30.39%	Total		
<b>Federated States of Micronesia</b>																	
Annual Grant Section 211	65,800	14,733	80,533	65,000	15,854	80,854	64,200	16,942	81,142	63,400	17,999	81,399	62,600	19,024	81,624	405,552	1,608,762
Audit Grant Section 212 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500	2,500	10,000
Trust Fund Section 215	26,400	5,911	32,311	27,200	6,634	33,834	28,000	7,389	35,389	28,800	8,176	36,976	29,600	8,995	38,595	177,106	517,443
<i>Total FSM Compact</i>	<i>92,700</i>	<i>20,644</i>	<i>113,344</i>	<i>92,700</i>	<i>22,488</i>	<i>115,188</i>	<i>92,700</i>	<i>24,332</i>	<i>117,032</i>	<i>92,700</i>	<i>26,176</i>	<i>118,876</i>	<i>92,700</i>	<i>28,020</i>	<i>120,720</i>	<i>585,158</i>	<i>2,136,206</i>
<b>Republic of the Marshall Islands</b>																	
Annual Grant Section 211	29,700	6,650	36,350	29,200	7,122	36,322	28,700	7,574	36,274	28,200	8,006	36,206	27,700	8,418	36,118	181,270	721,834
Audit Grant Section 213 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500	2,500	10,000
Trust Fund Section 216 (a&c)	14,500	3,247	17,747	15,000	3,659	18,659	15,500	4,090	19,590	16,000	4,542	20,542	16,500	5,014	21,514	98,052	275,771
Kwajalein Impact Section 212	18,000	4,030	22,030	18,000	4,390	22,390	18,000	4,750	22,750	18,000	5,110	23,110	18,000	5,470	23,470	113,751	379,593
Rongelap Resettlement Section 103 (f)(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,300
Enewetak Section 103 (f)(2)(c)(i)	1,300	291	1,591	1,300	317	1,617	1,300	343	1,643	1,300	369	1,669	1,300	395	1,695	8,215	29,979
<i>Total RMI Compact</i>	<i>64,000</i>	<i>14,218</i>	<i>78,218</i>	<i>64,000</i>	<i>15,488</i>	<i>79,488</i>	<i>64,000</i>	<i>16,758</i>	<i>80,758</i>	<i>64,000</i>	<i>18,028</i>	<i>82,028</i>	<i>64,000</i>	<i>19,298</i>	<i>83,298</i>	<i>403,788</i>	<i>1,422,477</i>
<b>Compact-Other</b>																	
Compact Impact Section 104 (e)	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	29,700	(91)	29,609	149,609	598,575
Compact Impact Enumeration Section 104 (e)(4)	-	-	-	-	-	-	-	-	-	-	-	-	300	91	391	391	1,425
Judicial Training	300	67	367	300	73	373	300	79	379	300	85	385	300	91	391	1,896	6,918
<i>Total Compact-Other</i>	<i>30,300</i>	<i>67</i>	<i>30,367</i>	<i>30,300</i>	<i>73</i>	<i>30,373</i>	<i>30,300</i>	<i>79</i>	<i>30,379</i>	<i>30,300</i>	<i>85</i>	<i>30,385</i>	<i>30,300</i>	<i>91</i>	<i>30,391</i>	<i>151,896</i>	<i>606,918</i>
<b>GRAND TOTAL</b>	<b>187,000</b>	<b>34,928</b>	<b>221,928</b>	<b>187,000</b>	<b>38,048</b>	<b>225,048</b>	<b>187,000</b>	<b>41,168</b>	<b>228,168</b>	<b>187,000</b>	<b>44,288</b>	<b>231,288</b>	<b>187,000</b>	<b>47,408</b>	<b>234,408</b>	<b>1,140,842</b>	<b>4,165,601</b>



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

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	TOTALS
<b>ACTIVITY (P.L. 99-658)</b>																
Sect. 211(a) Current Account	12,000	12,000	12,000	12,000	7,000	7,000	7,000	7,000	7,000	7,000	6,000	6,000	6,000	6,000	6,000	120,000
Sect. 211(b) Energy Production	28,000															28,000
Sect. 211(c) Communications	1,650	150	150	150	150	150	150	150	150	150	150	150	150	150	150	3,750
Sect. 211(d) Maritime Surveillance, Health, Scholarships	631	631	631	631	631	631	631	631	631	631	631	631	631	631	631	9,465
Sect. 211(e) Start-up for 211(d)	667															667
Sect. 211(f) Investment Fund a/	66,000		4,000													70,000
<b>Subtotal Sec. 211</b>	<b>108,948</b>	<b>12,781</b>	<b>16,781</b>	<b>12,781</b>	<b>7,781</b>	<b>7,781</b>	<b>7,781</b>	<b>7,781</b>	<b>7,781</b>	<b>7,781</b>	<b>6,781</b>	<b>6,781</b>	<b>6,781</b>	<b>6,781</b>	<b>6,781</b>	<b>231,882</b>
Sect. 212(b) Capital Account	36,000															36,000
Sect. 213 Defense Use Impact	5,500															5,500
Sect. 215 Inflation Adjustment	35,719	5,842	6,075	6,440	3,790	3,861	4,004	4,076	4,290	4,362	3,875	3,998	4,121	4,244	4,367	99,060
<b>SUBTOTAL</b>	<b>186,167</b>	<b>18,623</b>	<b>22,856</b>	<b>19,221</b>	<b>11,571</b>	<b>11,642</b>	<b>11,785</b>	<b>11,857</b>	<b>12,071</b>	<b>12,143</b>	<b>10,656</b>	<b>10,779</b>	<b>10,902</b>	<b>11,025</b>	<b>11,148</b>	<b>372,442</b>
Sect. 221(b) Special Block Grant	6,300	4,900	3,500	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	38,700
<b>DIRECT PAYMENTS</b>	<b>192,467</b>	<b>23,523</b>	<b>26,356</b>	<b>21,221</b>	<b>13,571</b>	<b>13,642</b>	<b>13,785</b>	<b>13,857</b>	<b>14,071</b>	<b>14,143</b>	<b>12,656</b>	<b>12,779</b>	<b>12,902</b>	<b>13,025</b>	<b>13,148</b>	<b>411,142</b>
Federal Services	1,340	0	0	0	0	0	0	1,539	1,539	1,539	1,539	1,539	1,539	1,539	1,539	13,652
Sect. 212(a) Palau Road Construction	53,000		96,000													149,000
<b>GRAND TOTAL, PALAU</b>	<b>246,807</b>	<b>23,523</b>	<b>122,356</b>	<b>21,221</b>	<b>13,571</b>	<b>13,642</b>	<b>13,785</b>	<b>15,396</b>	<b>15,610</b>	<b>15,682</b>	<b>14,195</b>	<b>14,318</b>	<b>14,441</b>	<b>14,564</b>	<b>14,687</b>	<b>573,794</b>

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