



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

and Performance Information  
Fiscal Year 2023

## **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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# **Office of Insular Affairs**

Fiscal Year 2023 Budget Justification

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## GENERAL STATEMENT

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 American Samoa, the Commonwealth of the Northern Mariana Islands (CNMI), Guam, and the U.S. Virgin Islands (USVI). Residents of these U.S. territories are U.S. citizens or U.S. 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 2023 budget request achieves the Department's mission to Promote Well-Being, Equity, and Justice for Insular Communities by providing technical assistance to Insular communities that increases access to quality health care and promotes economic development.

The territories are an integral part of the fabric of America, and the freely associated states, while independent countries, are uniquely interwoven with the United States in terms of a shared history, ongoing partnership, and a shared vision for a free and open Indo-Pacific.

Each of the territories and freely associated states are unique, yet their economies are all small, isolated, and dependent on one or two main sources of income. The Office of Insular Affairs has an important role to play in understanding the nuances of the Federal government's interrelationship with each of the insular areas. OIA facilitates coordination of Federal policies and programs to best serve the insular areas and utilizes its own assistance programs to fill gaps not fulfilled by other Federal programs to meet the needs of the insular areas.

OIA programs are purposely designed to offer the flexibility needed to respond to urgent, immediate needs in the insular areas. In 2023, technical assistance will be provided to address pressing issues and priorities and develop action plans to mitigate the challenges the insular areas are facing. This assistance will include advancing environmental justice and investing in a clean energy future. Direct grants, reimbursable agreements, and contracts with technical assistance providers, both within and outside the Federal government, support these efforts. In addition, Capital Improvement Project (CIP) funds not only address a variety of infrastructure needs in the U.S. territories, including critical infrastructure such as hospitals, schools, wastewater, and solid waste systems to promote economic development; but, can also be leveraged as local matching funds for other Federal grant programs.

Most of OIA's budget consists of mandatory funding, including an estimated \$230.4 million for 2023, to fulfill U.S. obligations under the Compacts of Free Association. Financial assistance under the Compacts of Free Association is scheduled to end after 2023 for the Federated States of Micronesia and the Republic of the Marshall Islands and in 2024 for Palau. Negotiations on the expiring provisions of the Compacts of Free Association with FSM, the RMI, and Palau continue, underscoring the importance of the bilateral relationships and opportunities for greater cooperation on a free and open Indo-Pacific. The Assistant Secretary – Insular and International Affairs and the Office of Insular Affairs are actively working to ensure the U.S. relationship with each of the freely associated states remains robust and mutually beneficial.

The 2023 Office of Insular Affairs' budget request strengthens insular economies through strategic investments in environmental justice activities, clean energy deployment, and infrastructure improvement. The Office will also promote policies and work to improve Federal coordination on issues impacting insular economies while restoring trust with territorial communities and promoting well-being, equity, and justice for Insular communities.

## Good Accounting Obligation in Government Act Report

The Good Accounting Obligation in Government Act (GAO-IG Act, P.L. 115-414) enacted January 3, 2019, requires that Agencies report the status of each open audit recommendation issued more than one year prior to the submission of the Agency's annual budget justification to Congress. The Act requires Agencies to include the current target completion date, implementation status, and any discrepancies on closure determinations.

The Department of the Interior leadership takes audit follow-up very seriously and considers our external auditors, to include the Government Accountability Office (GAO) and Office of the Inspector General, valued partners in not only improving the Department's management and compliance obligations but also enhancing its programmatic and administrative operations. As stewards of taxpayer resources, the Department applies cost-benefit analysis and enterprise risk management principles in recommendation implementation decisions.

The Department's GAO-IG Act Report is available at the following link: <https://www.doi.gov/cj>

## BUDGET HIGHLIGHTS

The proposed 2023 OIA budget for current appropriations is \$125.7 million. All permanent amounts for 2022-2023 in the table below are estimates.

### Total 2023 Budget Request

*(Dollars in Thousands)*

<b>Budget Authority</b>	<b>2021 Actual</b>	<b>2022 CR at Annual Rate</b>	<b>2023 Request</b>
Current Discretionary	87,436	87,436	98,000
Current Mandatory	27,720	27,720	27,720
<b>Total Current</b>	<b>115,156</b>	<b>115,156</b>	<b>125,720</b>
Permanent	597,386	607,294	610,414
<b>Total OIA</b>	<b>712,542</b>	<b>722,450</b>	<b>736,134</b>
<i>FTEs</i>	<i>29</i>	<i>36</i>	<i>36</i>

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. For 2023, these commitments are estimated at \$380.0 million for fiscal payments to Guam and the U.S. Virgin Islands and \$230.4 million for payments under the Compacts of Free Association.

The Administration supports funding the renewal of our COFA relationships with the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau. The Administration will request necessary mandatory funding to be appropriated to the Department of State, with language calling for continued implementation by the Department of the Interior. The United States remains committed to its long-standing partnerships with the governments and the people of the freely associated states as we work together to promote a free and open Indo-Pacific.



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## BUREAU-LEVEL TABLES

## 2023 Budget at a Glance

## Office of Insular Affairs

(Dollars in Thousands)

	2021 Actual	2022 CR at Annual Rate	Fixed Costs (+/-)	Internal Transfers (+/-)	Program Changes (+/-)	2023 Request
<u>Assistance to Territories</u>						
American Samoa Operations	24,620	24,620	0	0	0	24,620
Capital Improvement Projects	27,720	27,720	0	0	0	27,720
Territorial Assistance						
Office of Insular Affairs	9,553	9,553	+380	0	+284	10,217
Technical Assistance	21,800	21,800	0	0	0	21,800
Maintenance Assistance	4,375	4,375	0	0	0	4,375
Brown Tree Snake Control	3,500	3,500	0	0	0	3,500
Coral Reef Initiative & Natural Resources	2,625	2,625	0	0	+900	3,525
<i>Address additional conservation needs in the Insular Areas</i>					[+900]	
Energizing Insular Communities	8,500	8,500	0	0	+7,000	15,500
<i>Develop renewable energy and grid infrastructure</i>					[+7,000]	
Compact Impact Disc.	4,000	4,000	0	0	+2,000	6,000
<b>Subtotal, Assistance to Territories</b>	<b>106,693</b>	<b>106,693</b>	<b>+380</b>	<b>0</b>	<b>+10,184</b>	<b>117,257</b>
<b>Total, Assistance to Territories</b>	<b>106,693</b>	<b>106,693</b>	<b>+380</b>	<b>0</b>	<b>+10,184</b>	<b>117,257</b>
<u>Compact of Free Association - Current</u>						
Federal Services	7,813	7,813	0	0	0	7,813
Enewetak	650	650	0	0	0	650
<b>Total, Compact of Free Association - Current</b>	<b>8,463</b>	<b>8,463</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,463</b>
<b>Total Current Discretionary/Mandatory</b>	<b>115,156</b>	<b>115,156</b>	<b>+380</b>	<b>0</b>	<b>+10,184</b>	<b>125,720</b>
<u>Compact of Free Association</u>						
Marshall Islands Compact	80,504	80,402	0	0	+1,270	81,672
Federated States of Micronesia Compact	116,663	116,515	0	0	+1,844	118,359
Compact Impact	30,000	30,000	0	0	0	30,000
Judicial Training	378	377	0	0	+6	383
<b>Total Compact (Permanent)</b>	<b>227,545</b>	<b>227,294</b>	<b>0</b>	<b>0</b>	<b>+3,120</b>	<b>230,414</b>
<u>Fiscal Payments</u>						
Guam Section 30 Income Taxes	76,141	80,000	0	0	0	80,000
VI Rum Excise Taxes	293,700	300,000	0	0	0	300,000
<b>Total, Fiscal Payments (Permanent)</b>	<b>369,841</b>	<b>380,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>380,000</b>
<b>Total, Office of Insular Affairs</b>	<b>712,542</b>	<b>722,450</b>	<b>+380</b>	<b>0</b>	<b>+13,304</b>	<b>736,134</b>

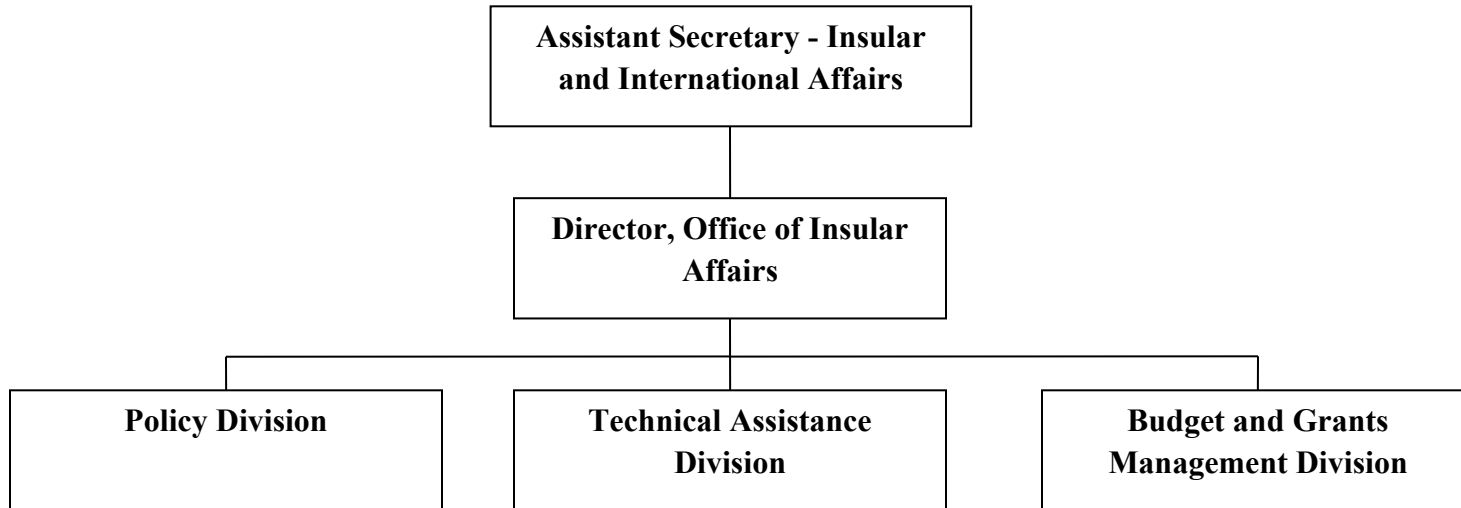
**Office of Insular Affairs**  
**2021 Funding (Budget Authority) by Activity and Insular Areas**

\$(000)

Activity	Am Samoa	CNMI	Guam	USVI	FSM	RMI	Palau	Hawaii	DC	Other*	Total
<u>Assistance to Territories</u>											
American Samoa Operations	24,620										24,620
Capital Improvement Projects	10,280	9,082	5,578	2,780				250	5,966	3,337	27,720
Office of Insular Affairs								111	3,138	2,539	9,553
Technical Assistance	2,751	3,530	2,842	2,560	943	3,036	350				21,800
Maintenance Assistance	865	704	909	857	304	436	300				4,375
Brown Tree Snake Control		408	1,200					752		1,140	3,500
Coral Reef Initiative & Natural Resources	93	300	866	280	300	364	212			210	2,625
Energizing Insular Communities	2,030	2,120	2,196	2,154							8,500
Compact Impact Discretionary	2	220	1,671					2,107			4,000
<i>Total, Assistance to Territories</i>	<i>40,641</i>	<i>16,364</i>	<i>15,262</i>	<i>8,631</i>	<i>1,547</i>	<i>3,836</i>	<i>862</i>	<i>3,220</i>	<i>9,104</i>	<i>7,226</i>	<i>106,693</i>
<u>Compact of Free Association - Current</u>											
Federal Services						5,000	563			2,250	7,813
Enewetak						650					650
<i>Total, Compact of Free Association - Current</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>5,650</i>	<i>563</i>	<i>0</i>	<i>0</i>	<i>2,250</i>	<i>8,463</i>
<b>Total Current Discretionary/Mandatory</b>	<b>40,641</b>	<b>16,364</b>	<b>15,262</b>	<b>8,631</b>	<b>1,547</b>	<b>9,486</b>	<b>1,425</b>	<b>3,220</b>	<b>9,104</b>	<b>9,476</b>	<b>115,156</b>
<u>Compact of Free Association</u>											
Marshall Islands Compact						80,504					80,504
Federated States of Micronesia Compact					116,663						116,663
Compact Impact	16	1,653	12,532					15,799			30,000
Judicial Training										378	378
<i>Total, Compact (Permanent)</i>	<i>16</i>	<i>1,653</i>	<i>12,532</i>	<i>0</i>	<i>116,663</i>	<i>80,504</i>	<i>0</i>	<i>15,799</i>	<i>0</i>	<i>378</i>	<i>227,545</i>
<u>Fiscal Payments</u>											
Guam Section 30 Income Taxes			76,141								76,141
VI Rum Excise Taxes				293,700							293,700
<i>Total, Fiscal Payments (Permanent)</i>	<i>0</i>	<i>0</i>	<i>76,141</i>	<i>293,700</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>369,841</i>
<b>Total Permanent Mandatory</b>	<b>16</b>	<b>1,653</b>	<b>88,673</b>	<b>293,700</b>	<b>116,663</b>	<b>80,504</b>	<b>0</b>	<b>15,799</b>	<b>0</b>	<b>378</b>	<b>597,386</b>
<b>Grand Total - Office of Insular Affairs</b>	<b>40,657</b>	<b>18,017</b>	<b>103,935</b>	<b>302,331</b>	<b>118,210</b>	<b>89,990</b>	<b>1,425</b>	<b>19,019</b>	<b>9,104</b>	<b>9,854</b>	<b>712,542</b>

\*Includes unawarded amounts where the funds are not appropriated for a specific location.

**Organization Chart**  
**Office of Insular Affairs**



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**SUMMARY OF REQUIREMENTS**

**Office of Insular Affairs  
ASSISTANCE TO TERRITORIES  
2023 Summary of Requirements  
(Dollars in Thousands)**

Activity/Subactivity	2021 Actual	2022 CR at Annual Rate		Fixed Costs (+/-)	Internal Transfers (+/-)	Program Changes (+/-)		2023 Request		Change from 2022 (+/-)	
	Amount	FTE	Amount			FTE	Amount	FTE	Amount	FTE	Amount
<b>ASSISTANCE TO TERRITORIES</b>											
1. American Samoa Operations	24,620	2	24,620					2	24,620		
2. Capital Improvement Project (CIP) Grants	27,720		27,720						27,720		
3. Territorial Assistance											
Office of Insular Affairs	9,553	34	9,553	+380			+284	34	10,217		+664
Technical Assistance	21,800		21,800						21,800		
Maintenance Assistance	4,375		4,375						4,375		
Brown Tree Snake Control	3,500		3,500						3,500		
Coral Reef Initiative & Natural Resources	2,625		2,625				+900		3,525		+900
Energizing Insular Communities	8,500		8,500				+7,000		15,500		+7,000
Compact Impact - Discretionary	<u>4,000</u>		<u>4,000</u>				<u>+2,000</u>		<u>6,000</u>		<u>+2,000</u>
<i>Subtotal, Territorial Assistance</i>	54,353	34	54,353	+380	0	0	+10,184	34	64,917		+10,564
<b>TOTAL, ASSISTANCE TO TERRITORIES</b>	<b>106,693</b>	<b>36</b>	<b>106,693</b>	<b>+380</b>	<b>0</b>	<b>0</b>	<b>+10,184</b>	<b>36</b>	<b>117,257</b>	<b>0</b>	<b>+10,564</b>

**Office of Insular Affairs**  
**COMPACT OF FREE ASSOCIATION - CURRENT APPROPRIATION**  
**2023 Summary of Requirements**  
*(Dollars in Thousands)*

	2021 Actual		2022 CR at Annual Rate		Fixed Costs (+/-)	Internal Transfers (+/-)	Program Changes (+/-)		2023 Request		Change from 2022 (+/-)	
	Amount	FTE	Amount	FTE			FTE	Amount	FTE	Amount	FTE	Amount
<b>COMPACT OF FREE ASSOCIATION - CURRENT</b>												
1. Federal Services	7,813		7,813							7,813		
2. Enewetak	650		650							650		
<b>TOTAL, COMPACT - CURRENT</b>	<b>8,463</b>	<b>0</b>	<b>8,463</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,463</b>	<b>0</b>	<b>0</b>

**Office of Insular Affairs**  
**COMPACT OF FREE ASSOCIATION - PERMANENT APPROPRIATION**  
**2023 Summary of Requirements**  
*(Dollars in Thousands)*

Activity/Subactivity	2021 Actual	2022 CR at Annual Rate		Fixed Costs (+/-)	Internal Transfers (+/-)	Program Changes (+/-)		2023 Request		Change from 2022 (+/-)	
	Amount	FTE	Amount			FTE	Amount	FTE	Amount	FTE	Amount
<b>COMPACT OF FREE ASSOCIATION - PERMANENT</b>											
<u>Assistance to the Marshall Islands:</u>											
Sector Grants	36,159		35,484				-75		35,409		-75
Audit	500		500						500		
Trust Fund	19,529		20,133				+959		21,092		+959
Rongelap Resettlement	0		0						0		
Kwajalein Lease Payment	22,678		22,649				+360		23,009		+360
Enewetak	<u>1,638</u>		<u>1,636</u>				<u>+26</u>		<u>1,662</u>		<u>+26</u>
Subtotal, Marshall Islands Assistance	80,504		80,402				+1,270		81,672		+1,270
<u>Assistance to the Federated States of Micronesia (FSM)</u>											
Sector Grants	80,886		79,776				+245		80,021		+245
Trust Fund	35,277		36,239				+1,599		37,838		+1,599
Audit	<u>500</u>		<u>500</u>						<u>500</u>		
Subtotal, FSM Assistance	116,663		116,515				+1,844		118,359		+1,844
<u>Compact Impact</u>	30,000		30,000						30,000		
<u>Judicial Training</u>	378		377				+6		383		+6
<b>TOTAL, COMPACT, Permanent</b>	<b>227,545</b>	<b>0</b>	<b>227,294</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>+3,120</b>	<b>0</b>	<b>230,414</b>	<b>0</b>	<b>+3,120</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>2022 Total or Change</b>	<b>2022 to 2023 Change</b>
Change in Number of Paid Days This column reflects changes in pay associated with the change in the number of paid days between 2022 and 2023, which is the same number of paid days in both 2022 and 2023.	0	-23
Pay Raise The President's Budget for FY2023 includes one quarter of a planned 2.7% pay raise and three quarters of a planned 4.6% pay raise for 2023.	+120	+238
Employer Share of Federal Employee Retirement System There is no budgeted increase for the Federal Employee Retirement System employer contribution for FY2023.	+42	0
Departmental Working Capital Fund The change reflects the final 2023 Central Bill approved by the Working Capital Fund Consortium.	-28	+62
Worker's Compensation Payments The amounts reflect final chargeback costs of compensating injured employees and dependents of employees who suffer accidental deaths while on duty. Costs for FY2023 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
Unemployment Compensation Payments 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
Rental Payments The amounts reflect changes in the costs payable to 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 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.	+150	+103
Baseline Adjustments for O&M Increases In accordance with space maximization efforts across the Federal Government, this adjustment captures the associated increase to baseline operations and maintenance 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>+284</b>	<b>+380</b>

## APPROPRIATIONS LANGUAGE

### 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, \$117,257,000, of which: (1) \$107,040,000 shall remain available until expended for territorial assistance, including general technical assistance, maintenance assistance, disaster assistance, coral reef initiative and natural resources 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) \$10,217,000 shall be available until September 30, 2024, 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 2022 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, 2022 (Division A of Public Law 117–43, as amended). The amounts included for 2022 reflect the annualized level provided by the continuing resolution.

## Compact of Free Association

*For grants and necessary expenses, \$8,463,000, to remain available until expended, as provided for in sections 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: Provided, That of the funds appropriated under this heading, \$5,000,000 is for deposit into the Compact Trust Fund of the Republic of the Marshall Islands as compensation authorized by Public Law 108–188 for adverse financial and economic impacts.*

Note.—A full-year 2022 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, 2022 (Division A of Public Law 117–43, as amended). The amounts included for 2022 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.*

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

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

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

## AMERICAN SAMOA OPERATIONS

**Activity:** American Samoa

**Subactivity:** American Samoa Operations \$(000)

	2021 Actual	2022 CR at Annual Rate	2023			Change from 2022 (+/-)
			Fixed Costs (+/-)	Program Changes (+/-)	Budget Request	
General Operations	23,708	23,708	0	0	23,708	0
High Court	912	912	0	0	912	0
<b>Total Requirements</b>	<b>24,620</b>	<b>24,620</b>	<b>0</b>	<b>0</b>	<b>24,620</b>	<b>0</b>
<i>FTE</i>	2	2	0	0	2	0

### Program Overview

Each year the Office of Insular Affairs provides grant funds to American Samoa for the operation of the local government, including the judiciary. The American Samoa Government (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. Over the years, American Samoa has assumed an increasing percentage of the total costs of government operations.

### 2023 Program Performance

American Samoa will provide financial reports beginning with the quarter ending December 31, 2022 through the quarter ending September 30, 2023.

The following chart reflects the ASG’s operations funding priorities for 2021, 2022 and 2023:

Funding Category	2021	2022	2023
	Award	Award	Proposed Award
Basic (DOE) Operations	\$13,087,000	\$13,087,000	\$13,087,000
LBJ Hospital Operations	\$9,063,000	\$9,063,000	\$9,063,000
ASCC Operations	\$1,558,000	\$1,558,000	\$1,558,000
High Court	\$912,000	\$912,000	\$912,000
<b>Total</b>	<b>\$24,620,000</b>	<b>\$24,620,000</b>	<b>\$24,620,000</b>

Designation of the American Samoa Government (ASG) as High Risk: OIA designated ASG as a “high-risk” grantee in 2005 as provided for in 2 CFR 200.519, due to Federal concerns of ASG’s internal controls for general financial management and the administration of Federal grant programs. The designation was recommended by the Government Accountability Office (GAO) and the Office of Inspector General (OIG) and allows OIA to require ASG to comply with special conditions for existing and future grants. Although ASG has satisfied two of the three conditions for removal of the “high-risk” designation, i.e., timely completion of annual independent audits and balanced budgets for at least two consecutive years, material issues remain in ASG’s internal controls for effective financial management and compliance with Federal grant programs. Until ASG achieves unmodified audit opinions on its financial data and has sufficient internal controls in place to prevent and detect fraud, waste, and abuse in the administration of Federal grant programs, the designation as a “high-risk” grantee will remain. OIA performs periodic reviews to determine if there is justification for removal of the “high-risk” designation. Reviews since FY 2020 have been hampered by the COVID-19 pandemic restrictions which have included suspension of commercial flights into the Territory by its Governor and will resume as travel guidance permits.

## CAPITAL IMPROVEMENT PROJECT (CIP) GRANTS SUMMARY

### Activity: Capital Improvement Project (CIP) Grants \$(000) SUMMARY TABLE

	2021 Actual	2022 CR at Annual Rate	2023			Change from 2022 (+/-)
			Fixed Costs (+/-)	Program Changes (+/-)	Budget Request	
CNMI Construction	9,082	8,829	0	-551	8,278	-551
American Samoa Construction	10,280	10,263	0	+719	10,982	+719
Guam Construction	5,578	6,628	0	-168	6,460	-168
Virgin Islands Construction	2,780	2,000	0	0	2,000	0
<b>Totals</b>	<b>27,720</b>	<b>27,720</b>	<b>0</b>	<b>0</b>	<b>27,720</b>	<b>0</b>
<i>FTEs</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>

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 also lay the groundwork to attract new investment to the territories thereby promoting economic development.

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, 2017, and 2022 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 2022 Baseline CIP Funding

(\$000)

CNMI	9,032
American Samoa	9,963
Guam	6,328
U.S. Virgin Islands	<u>2,397</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 agencies.
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.

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 receive a higher weight than those considered less important in the overall, final score.

To ensure that no territory receives less than \$2 million as a result of the annual allocation and to discourage accumulating CIP funding over multiple fiscal years, OIA proposed an allocation floor of \$2 million. This proposal was communicated to the Governors of each territory in the notice of the fiscal year 2022 allocations and baseline recalculations. No objections or comments were received.

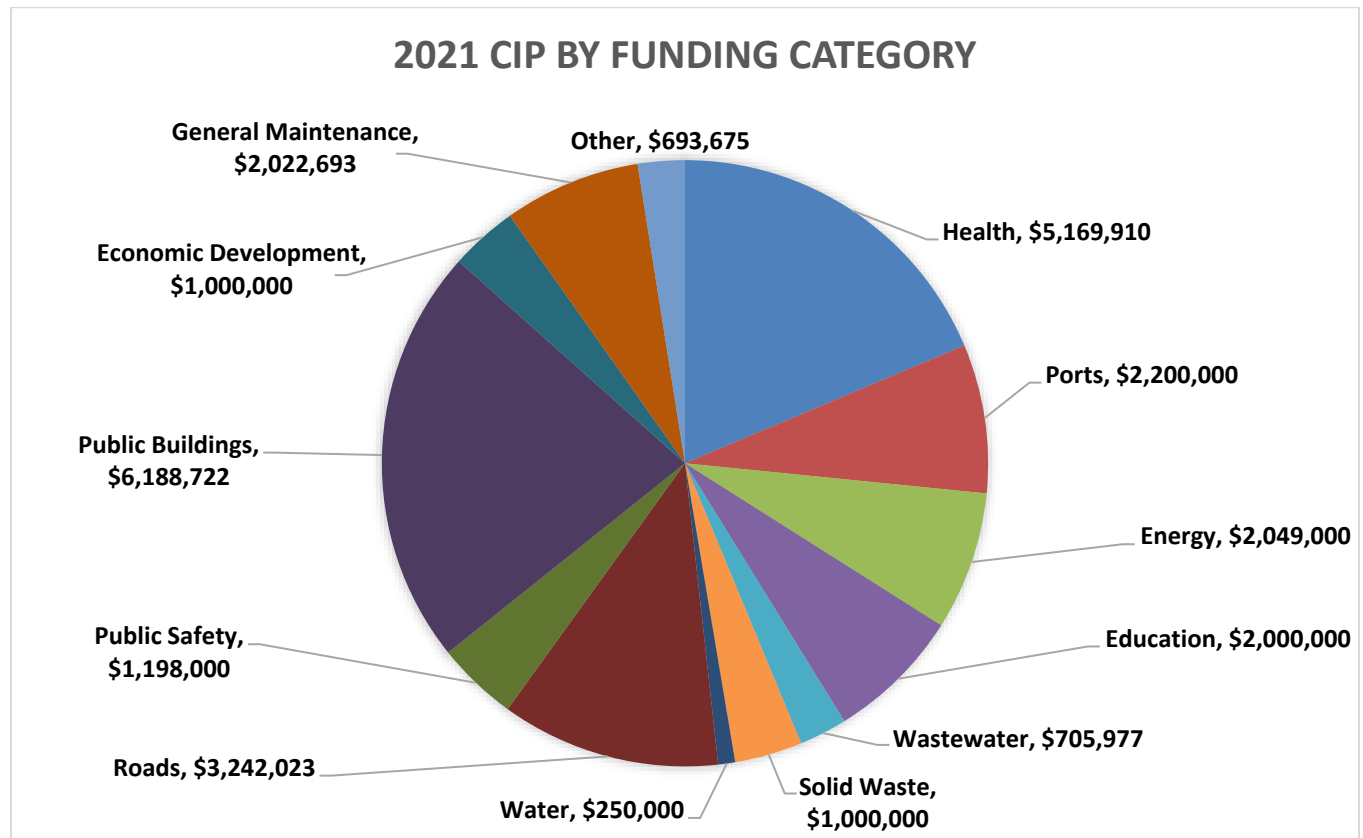
The following chart reflects the baseline distribution along with adjustments made to 2021 and 2022 requests based on each insular government’s score on the competitive criteria.

**CIP Grant Funding Levels**

*(\$000)*

Territory	Baseline Funding	FY 2022 +/- Baseline	FY 2023 +/- Baseline	Total FY 2022	Total FY 2023	Diff +/- 2022
CNMI	9,032	(203)	(754)	8,829	8,278	(551)
American Samoa	9,963	+300	+1,019	10,263	10,982	+719
Guam	6,328	+300	(132)	6,628	6,460	(168)
Virgin Islands	<u>2,397</u>	<u>(397)</u>	<u>(397)</u>	<u>2,000</u>	<u>2,000</u>	<u>0</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. OIA will work closely with the Governors in future years to identify and prioritize investment in health care infrastructure. The following pie chart displays 2021 spending on infrastructure by category.



Note: Funds shown as “Other” consist of CIP Program Administration.

## 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.

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).

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 attention could pose a threat to the health and safety of residents and visitors. Currently, the U.S. Virgin Islands is focused on addressing the safety and rehabilitation of its public roads system, which will greatly enhance the safety and accessibility of the islands.

## 2023 Program Performance

### CNMI Construction

The Federal government has granted more than \$500 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. Investments in capital development have 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.

The 2023 budget request was calculated utilizing the CIP selection criteria and methods. The process is described in the beginning of this section.

CNMI Baseline Funding.....	\$9,032,000
Results from Competitive Process.....	<u>-\$ 551,000</u>
Programmed Funding for 2023.....	\$8,278,000

The global COVID-19 pandemic caused multiple delays in shipping of materials and full work stoppages as a method of curbing transmission, in addition to continued delays resulting from the lack of available contracts, supply chain issues, and the local government's uncertain financial situation. Despite this, a number of projects have commenced and are in progress, including the coating and repair of roofs at the Hospital, Tenorio Multipurpose Building, and multiple government buildings. The renovation of government building 1365 for use as the Commonwealth Disability Center will break ground in early 2022. Additionally, with the completion of architecture and engineering plans of multiple projects including the West San Jose waterline and Department of Corrections fire alarm and sprinkler system, these projects are expected to move forward.

The Commonwealth Utilities Corporation continues to make progress on various Stipulated Order projects, as required by the U.S. District Court, Justice Department, and EPA. CUC is currently in the process of completing the remaining Stipulated Order 2 projects, as adjusted by Court Order, and close out all related grant projects in mid-2022.

The \$8.28 million for 2023 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 2021 and 2022:

Funding Category	2021	2022*
	Award	Award
Health	\$2,969,910	-
Energy	\$2,049,000	\$932,640
Education	\$1,000,000	\$595,840
Solid Waste	-	-
Water	\$250,000	-
Roads	-	\$932,640
Public Safety	-	\$3,850,000
Public Buildings	\$1,610,722	\$1,150,000
Maintenance	\$508,693	\$882,974
Other**	\$693,675	\$485,634
<b>Total</b>	<b>\$9,082,000</b>	<b>\$8,829,728</b>

\*Amounts reflect requested FY 2022 projects that have yet to be awarded.

\*\*Funds shown as "Other" consist of CIP Program Administration.

### American Samoa Construction

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

The 2023 budget request was calculated utilizing the CIP selection criteria and methods. The process is described in the beginning of this section.

American Samoa Baseline Funding.....	\$ 9,963,000
Results from Competitive Process.....	+\$ 1,019,000
Proposed Funding for 2023.....	\$10,982,000

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.

Over the past year, American Samoa's infrastructure projects have rebounded after delays resulting from the COVID-19 pandemic. Although the pandemic continues to impact the island and supply chain, multiple projects were completed. The Manulife Elementary School gym, Lupelele Elementary School gym, Matafao Elementary School gym, and Pago Pago Elementary School gym projects were completed in 2021, along with great progress on the American Samoa Shipyard Authority 3,000 Ton Slipway and the Lyndon B. Johnson Tropical Medical Center Labor Delivery and Operating Room renovations.

The requested \$10.9 million for 2023 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 2021 and 2022:

Funding Category	2021	2022*
	Award	Award
Health	\$1,200,000	\$1,052,630
Ports	\$3,200,000	\$2,105,260
Education	-	\$1,315,280
Wastewater	\$1,000,000	-
Public Buildings	\$3,880,000	-
Economic Development	\$1,000,000	\$1,052,630
Maintenance	-	\$1,736,836
Roads	-	\$3,000,000
<b>Total</b>	<b>\$10,280,000</b>	<b>\$10,262,636</b>

\*Amounts reflect requested FY 2022 projects that have yet to be awarded.

**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.

### Guam Construction

The 2023 request amount was calculated utilizing the CIP selection criteria and methods. The process is described in the beginning of this section.

Guam Baseline Funding.....	\$ 6,328,000
Results from Competitive Process.....	+ \$ 132,000
Proposed Funding for 2023.....	\$ 6,460,000

CIP funded infrastructure projects on Guam continue to be impacted by the COVID-19 pandemic, delays due to supply chain issues, and prolonged NEPA reviews. As a result, the Guam Memorial Hospital Authority renovations expected to be completed and the commencement of the upgrade of its heating, ventilation, and air conditioning (HVAC) systems have yet to occur, and projects like the Department of Public Health and Social Services Division of Environmental Health Facility and the Department of Youth Affairs projects have been delayed. Phase III of the Guam Department of Education's Insular ABCs Initiative continues and the accompanying enterprise asset management system is in use by the Department. Phase I of the Department of Public Works' renovation and repair of public gymnasiums, sports facilities, and public restrooms throughout the island was completed in December 2021 and Phase II has commenced.

The requested \$6.4 million for 2023 will be used to continue meeting critical infrastructure needs in Guam, similar to previous years. The following chart reflects Guam's funding priorities for 2021 and 2022:

Funding Category	2021	2022*
	Award	Award
Education	\$1,000,000	-
Public Buildings	\$4,578,000	\$6,627,636
<b>Total</b>	<b>\$5,578,000</b>	<b>\$6,627,636</b>

\*Amount reflects requested FY 2022 projects that have yet to be awarded.

### Virgin Islands Construction

Funds provided under this program 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.

The 2023 budget request was calculated utilizing the CIP selection criteria and methods. The process is described in the beginning of this section.

U.S. Virgin Islands Baseline Funding.....	\$2,397,000
Results from Competitive Process.....	- \$ 397,000
Proposed Funding for 2023.....	\$2,000,000

Also affected by the global COVID-19 pandemic, the U.S. Virgin Islands also experienced delays in its CIP-funded infrastructure projects this past year, though cafeteria renovations at the Bureau of Corrections' Golden Grove Adult Correctional Facility on St. Croix and work as part of the Fort Christian renovation project were completed in 2020.

Current efforts in the USVI are focused on repairing critical road infrastructure on all three islands, water and wastewater site improvements, and deferred maintenance reduction within the Virgin Islands Department of Education. The public libraries are also a focus, as the Florence Williams Public Library and Athalie McFarlane Petersen Public Library on St. Croix are in need of structural renovations to repair cracked walls, masonry, roof gutters, fire protection, generator, and install upgrades to the electrical, mechanical, plumbing, and telephone systems.

The requested \$2 million for 2023 will be used to continue meeting critical infrastructure needs in the U.S. Virgin Islands similar to previous years, with a focus on territorial roads rehabilitation. The following chart summarizes the U.S. Virgin Islands' funding priorities for 2021 and 2022:

Funding Category	2021	2022*
	Award	Award
Wastewater	\$705,977	-
Roads	\$1,842,023	\$2,000,000
Public Safety	\$232,000	-
<b>Total</b>	<b>\$2,780,000</b>	<b>\$2,000,000</b>

\*Amount reflects requested FY 2022 projects that have yet to be awarded.

## TERRITORIAL ASSISTANCE

Activity: Territorial Assistance \$(000)

### SUMMARY TABLE

	2021 Actual	2022 CR at Annual Rate	2023			Change From 2022 (+/-)
			Fixed Costs (+/-)	Program Changes (+/-)	Budget Request	
Office of Insular Affairs	9,553	9,553	+380	+284	10,217	+664
Technical Assistance	21,800	21,800	0	0	21,800	0
Maintenance Assistance	4,375	4,375	0	0	4,375	0
Brown Tree Snake Control	3,500	3,500	0	0	3,500	0
Coral Reef Initiative & Natural Resources	2,625	2,625	0	+900	3,525	+900
Energizing Insular Communities	8,500	8,500	0	+7,000	15,500	+7,000
Compact Impact Disc.	4,000	4,000	0	+2,000	6,000	+2,000
<b>Total</b>	<b>54,353</b>	<b>54,353</b>	<b>+380</b>	<b>+10,184</b>	<b>64,917</b>	<b>+10,564</b>
<i>FTEs</i>	<i>27</i>	<i>34</i>	<i>0</i>	<i>0</i>	<i>34</i>	<i>0</i>

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 \$700 million in annual financial assistance. Its policy and assistance activities involve dealing with virtually every major Federal agency, as well as seven insular governments. Good financial management and effective internal controls are stressed within the Office, and 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.

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. Technical assistance activities have and will continue to secure environmental justice for the insular areas, such as by ensuring that benefits of climate change and clean energy investments are directed to insular communities. 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.



**Office of Insular Affairs****Activity: Territorial Assistance****Subactivity: Office of Insular Affairs (OIA) \$(000)**

	2021 Actual	2022 CR at Annual Rate	2023			Change from 2022 (+/-)
			Fixed Costs (+/-)	Program Changes (+/-)	Budget Request	
Office of Insular Affairs	9,553	9,553	+380	+284	10,217	+664
<i>FTEs</i>	<i>27</i>	<i>34</i>	<i>0</i>	<i>0</i>	<i>34</i>	<i>0</i>

**Justification of 2023 Program Changes**

Program Changes	(\$000)	FTE
Baseline Capacity	+284	0
<b>TOTAL Program Changes</b>	<b>+284</b>	<b>0</b>

The 2023 budget request for Office of Insular Affairs is \$10,217,000 and 34 FTE, a program change of +\$284,000 and 0 FTE from 2022.

**Office of Insular Affairs Baseline Capacity (+\$284,000 / 0 FTE)**

The 2023 budget includes important investments in programs needed to help strengthen America and be more competitive as the world continues to change. These investments include funding needed to maintain a strong, talented workforce and the must-pay requirements needed to continue to fulfill OIA's mission. The budget includes \$284,000 in this Subactivity which reflects the incremental amount needed to cover the fixed costs associated with mission operations in FY 2022. This request in combination with the FY 2023 fixed costs amounts will allow the program to meet must-pay requirements without impacting program activities.

**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.) 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, the Commonwealth of the Northern Mariana Islands, and Guam.
- 2.) Technical Assistance Division: manages all Technical Assistance grants that 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 Coral Reef and Natural Resources program, 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.) Budget and Grants Management Division: 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 (Capital Infrastructure Projects). 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, RMI and Palau 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, a Deputy Assistant Secretary, and a Director, who handles overall management of the Office and acts on behalf of the Assistant Secretary and Deputy Assistant Secretary in their absence.

**2023 Program Performance**

In 2023, OIA will support the Department’s mission of Fulfilling Our Trust and Insular Responsibilities by executing activities to strengthen economic and health capacities in the territories, fulfill Compact obligations, and address climate resilience, conservation, and clean energy deployment. 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 2023 level of funding OIA will:

- Improve out-year performance by grantees by continuing to focus on oversight.
- Continue providing professional services to the Insular Areas through interagency agreements.
- Continue interagency coordination on issues impacting the Insular Areas
- Conduct site visits to grant projects.
- 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 and resolution of financial statement qualifications and audit findings.
- Continue to advance negotiations on the expiring provisions of the Compacts of Free Association with FSM, the RMI, and Palau.

**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>External Administrative Costs</b>	<b>2023</b>
WCF Centralized Billings	\$663,143
WCF Direct Billings/Fee for Service	\$209,217

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

*(Total Employment\*)*

	<b>2021 Actual</b>	<b>2022 Estimate</b>	<b>2023 Estimate</b>
SES	2	2	2
<b>Subtotal</b>	<b>1</b>	<b>1</b>	<b>1</b>
SL-0	1	1	1
<b>Subtotal</b>	<b>1</b>	<b>1</b>	<b>1</b>
GS-15	5	5	5
GS-14	3	7	9
GS-13	9	9	9
GS-12	8	9	9
GS-11	0	1	1
GS-10	0	0	0
GS-9	1	0	0
GS-8	0	0	0
GS-7	0	0	0
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
<b>Subtotal</b>	<b>26</b>	<b>31</b>	<b>33</b>
<b>Total Employment (actuals &amp; estimates)</b>	<b>29</b>	<b>34</b>	<b>36</b>

*\*Includes two American Samoa judges (SL-1 & GS-15) which are funded through the American Samoa Operations program, and one SES funded through the Office of the Secretary. These three positions are not funded by the OIA operations account.*

## Technical Assistance

**Activity:** Territorial Assistance

**Subactivity:** Technical Assistance (TAP) \$(000)

	2021 Actual	2022 CR at Annual Rate	2023			Change from 2022 (+/-)
			Fixed Costs (+/-)	Program Changes (+/-)	Budget Request	
Technical Assistance	21,800	21,800	0	0	21,800	0
<b>Total</b>	<b>21,800</b>	<b>21,800</b>	<b>0</b>	<b>0</b>	<b>21,800</b>	<b>0</b>
<i>FTEs</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>

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.

### 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 most other Federal budgets 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, reimbursable agreements, and contracts 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.

### **2023 Program Performance**

In 2023, the Technical Assistance Program will support the Administration's commitment to promoting equity and supporting underserved communities through continued financial assistance and support to the insular areas for projects which foster the development of the insular areas in the following categories: climate change, accountability, financial management, economic development, education, energy production, management control initiatives, disaster assistance, natural and cultural resources, capacity building, public safety/emergencies, information technology, health initiatives, and invasive species management.

The table below shows the allocation of 2021 Technical Assistance funding:

#### **2021 Technical Assistance Summary**

*(Dollars in Thousands)*

<b>Recipient</b>	<b>2021</b>
<b>Direct Grants to Insular Areas</b>	
American Samoa	2,829
Northern Mariana Islands (CNMI)	2,790
Guam	2,842
U.S. Virgin Islands	2,560
Federated States of Micronesia (FSM)	820
Republic of the Marshall Islands (RMI) (includes 4 Atoll Healthcare)	3,079
Republic of Palau	350
<b>Total, Direct Grants to Insular Areas</b>	<b>15,270</b>
<b>Other TAP Crosscutting</b> (Provides Benefits to Multiple Insular Areas)	<b>6,530</b>
<b>Total, Technical Assistance</b>	<b>21,800</b>

OIA receives Technical Assistance requests through [www.grants.gov](http://www.grants.gov) under CFDA number 15.875.

#### **Direct Grants to Insular Areas**

In 2021, OIA received \$67 million in Technical Assistance grant requests. Approximately \$21.8 million in Technical Assistance was provided in 2021. See preceding chart for amounts by insular area.

Highlights of some of the awarded financial assistance include:

**Commonwealth of the Northern Mariana Islands (CNMI):** Department of Finance - \$1,722,295 for the development of a new tax system that will address the challenges posed by COVID-19, meet the

needs of CNMI Tax Laws, replace outdated IBM AS/400, meet IRS compliance standard and implement an online tax platform in order to provide better service to CNMI taxpayers. The new system will be integrated to work with the Department of Finance Financial Management Information System. \$363,736 to procure professional services of a licensed and experienced appraisal company to determine the value of CNMI government property in order to ensure government asset management and financial risk management. \$241,431 for CNMI Statewide Comprehensive Outdoor Recreational Planning Initiative. \$245,000 for Commonwealth Utilities Corporation Wastewater Collection, Transmission, and Treatment System feasibility study. \$183,876 to the Office of the Governor to complete a new Comprehensive Wetlands Management Plan for all Saipan, Tinian and Rota. \$150,000 for implementation of Saipan Street naming and Addressing Master Map. \$265,000 to the Commonwealth Utilities Corporation for an Automated Water Read, Supply, and Leak Detection System pilot project. \$169,307 for the House of Taga Restoration and Preservation Project- to restore and preserve local culture and traditions by creating replicas of traditional Chamorro huts, and multilingual signage around the House of Taga to facilitate future cultural events on the island of Tinian.

**Guam:** Guam Bureau of Statistics and Plans - \$759,902 for the 2050 Sustainability Plan. This will provide indigenous sustainable solutions in a comprehensive roadmap that is built on an integrative process that empowers Guamanians to solve problems. Guam Community College - \$456,054 for the Construction Trades Bootcamp program. Guam Power Authority - \$208,750 for Energy Engineering Training and Certification program and for a comprehensive security plan for Guam's critical energy infrastructure. Guam Department of Revenue and Taxation - \$173,118 for training for revenue officers and auditor and revenue agents. Mane'lu - \$535,074 for the continuation of the Micronesian Resource Center One Stop Shop, which provides information and resources to Freely Associated States citizens who live on Guam.

**American Samoa:** Department of Treasury - \$175,000 for a Tax System replacement feasibility study and design document. LBJ Tropical Medical Center - \$150,000 for Maternal Fetal Medicine Telehealth Training project. Office of Disaster Assistance and Petroleum Management - \$269,000 for a building survey for all American Samoa Government public buildings. Department of Commerce - \$300,000 for a Statistical Enhancement Framework project.

**U.S. Virgin Islands (USVI):** Virgin Islands Territorial Emergency Management Agency - \$630,872 for a 911 Emergency Communications Center Phone System Upgrade. University of the Virgin Islands (UVI) - \$250,000 for the Capacity Building in the USVI to Increase Constitutional Development and Self-Determination project; and \$495,000 for the UVI Business Innovation Center. Virgin Islands Bureau of Information Technology - \$350,000 for the Cybersecurity Vulnerability Prevention project. Virgin Islands Department of Finance - \$375,000 for the Electronic Payment Process Solution project.

**Federated States of Micronesia (FSM):** Habel - Robo League - \$342,299 to support student robotics teams at 26 public and private high schools across the Federated States of Micronesia where at least 450 students are participating weekly in designing, building, and navigating robots. Pohnpei State Aid Coordination Unit Office- \$237,444 to procure needed equipment to support and enhance Pohnpei Public Broadcasting Corporation. Pacific Mission Aviation - \$200,000 to purchase equipment for one Short Take-Off and Landing Aircraft. Pohnpei Port Authority - \$30,000 for the development of a Master Plan for the Pohnpei State transportation Zone. Micronesian Productions- \$9,950 to purchase equipment so

that Micronesians can continue to disseminate accurate and reliable news on COVID-19 and climate change.

**Republic of the Marshall Islands (RMI):** Republic of the Marshall Islands 4 Atoll Health Care - \$1,737,051 to provide primary healthcare physicians and nurses and healthcare programs to nuclear affected residents of Enewetak, Bikini, Rongelap and Utrik in the Republic of the Marshall Islands (approximately 20,000 residents). RMI Economic Policy, Planning and Statistics Office - \$500,000 for the RMI Census of Population and Housing 2020. Rongelap Government - \$285,000 for the Solar Energy Power for Homes project. Namo Government - \$100,000 for the Renewable Energy Project. Marshallese Youth of Orange County - \$500,000 for the COVID Aid, Relief and Economic Security project. Kili Bikini Ejit Government – Bikini COVID-19 Repatriation Costs. RMI Ministry of Health and Human Services - \$408,694 for the Vaccination Program for Outer Islands.

**Palau:** WestCare Pacific Islands, Inc - \$350,000 for the Cherberdil Belau Center in Palau. This youth and family center will provide workshops for healthy relationships, parenting and financial management education for 50 young adults and will also fund tutoring for 100 students per year (1st-8th grade).

### **Highlights of the Technical Assistance Ongoing Programs**

#### **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, and the Internal Revenue Service. 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 2021, the Technical Assistance program funded \$1.7 million for medical professionals and needed medical supplies for the population of the 4Atolls in the Republic of the Marshall Islands: Kili/Bikini/Ejit,



Enewetak/Ujelang, Rongelap/Mejatto, and Utrik. Technical Assistance has funded this program annually since 2005. Program deliverables include:

- A full-time primary care physician for 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; and conduct drinking water quality tests for presence of pathogens; and
- Visual impairment screenings by primary care physicians; access to specialty clinics for diabetes, hypertension, well baby, and reproductive health; and improved 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 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 needed in order to allow the Prior Service Benefits Trust Fund to continue to make the monthly payments. OIA made available \$739,500 in 2021 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 \$1,000,000 in 2021 and conducted virtual 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 of the United States' diverse citizenry with a special emphasis on public policy concerns and culture.

**Junior Statesman Foundation**

OIA awarded \$499,100 in 2021 for Junior Statesmen Foundation (JSF) scholarships for twenty-eight high school students from the insular areas to attend virtual Junior Statesmen Summer Schools. This was the 27th 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.

OIA grants cover the cost of each scholarship winner's summer school tuition and access to virtual learning. 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 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. During 2020 and 2021, due to the pandemic, almost of these training programs were conducted virtually which allowed the training to reach many more participants than usual. Programs include but are not limited to: Executive Leadership Development Program, Island Government Finance Officers Association training events, Association of Pacific Island Public Auditors training events, Audit Improvement, Performer Analysis, consultation and training in each of the seven insular areas, and economic monitoring and analysis.

## Maintenance Assistance

**Activity:** Territorial Assistance

**Subactivity:** Maintenance Assistance (MAP) \$(000)

	2021 Actual	2022 CR at Annual Rate	2023			Change from 2022 (+/-)
			Fixed Costs (+/-)	Program Changes (+/-)	Budget Request	
Maintenance Assistance	4,375	4,375	0	0	4,375	0
<i>FTEs</i>	0	0	0	0	0	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.

### Program Overview

The Office of Insular Affairs will continue to provide limited maintenance assistance to support public infrastructure investments 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, development of maintenance plans, and fund urgent repairs.

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.

**2023 Program Performance**

In 2023, the Maintenance Assistance program will continue to provide critical support otherwise unavailable to the insular areas to foster proper maintenance practices, fund necessary maintenance training, supplies, equipment and repairs.

In 2021, the Maintenance Assistance program grant awards included \$200,000 to the American Samoa Shipyard Authority for their Maintenance and Security Operations Improvement project. The Commonwealth Utilities Corporation was awarded \$368,500 for acquisition of a Jet Vac Sewer Cleaning Equipment and \$556,000 was awarded to the Guam Department of Public Works for the procurement of Highway Infrastructure Maintenance Program Equipment. The Maintenance Assistance program also awarded \$246,050 to the Yap State Public Service Corporation for the Pacific Lineman Training program, which provides training to Pacific power linemen on proper line maintenance to prevent outages and repair lines after disaster events.

## Brown Tree Snake Control

**Activity:** Territorial Assistance

**Subactivity:** Brown Tree Snake Control \$(000)

	2021 Enacted	2022 CR at Annual Rate	2023			Change from 2022 (+/-)
			Fixed Costs (+/-)	Program Changes (+/-)	Budget Request	
Brown Tree Snake Control	3,500	3,500	0	0	3,500	0
<i>FTEs</i>	0	0	0	0	0	0

Brown Tree Snake Control (BTS) is an environmental justice, conservation program combining research and operational components 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.

### 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 exponentially. 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.

BTS routinely climb guy-wires accessing electrical distribution and transmission lines. This can cause ground faults or short circuits resulting in power outages of varying severity and duration. Island-wide outages result in lost productivity, damage to electrical equipment and lost revenues; and often interfere with national defense activities on the island.

Since Guam is a major transportation hub in the Pacific, numerous opportunities exist for this invasive species to be inadvertently introduced to other areas. 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.

In 2020, a population of snakes was documented on Cocos Island and threatens several native species. Cocos Island is a 36 hectare atoll-like island off southern Guam, and has native species no longer present

on the main island of Guam due to the brown tree snake. Three species of nesting sea birds, including the locally endangered sãli and federal endangered ko'ko' birds, and many species of lizards, all provide a pre-snake-invasion picture of Guam. Their survival is now at risk due to the recent invasion of BTS on this island.

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 on Guam. 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.

### **2023 Program Performance**

It is anticipated that 2022 and 2023 BTS funds will continue to support environmental justice and conservation through a continued focus on the operational interdiction and control initiatives including suppression and eradication. Funding may be used to aid in the efforts to remove BTS from Cocos Island, and to continue research funding and educational outreach dependent upon the availability of funding.

In 2021, USDA-APHIS-Wildlife Services caught and killed 1,330 snakes at the commercial ports on Guam. There were zero credible snake sightings in the CNMI or Hawaii. As mentioned above, BTS is now present on Cocos Island, which had little to no biosecurity measures in place. USGS and USDA-WS-National Wildlife Research Center began and continued several research projects that are aimed towards landscape scale suppression and early detection and rapid response. USGS typically provides rapid response training to new people every year, and the current Rapid Response Team has 98 total members. Some future goals of the program are making the Aerial Bait Delivery System fully operational, expanding it to a larger landscape, and finding a viable artificial bait to replace mice.

Actual BTS awards for 2021 are detailed below:

- \$1,077,420 to the U.S. Department of Agriculture's Animal and Plant Health Inspection Service, Wildlife Services (WS), which continued its Guam-based operational BTS control program on and around commercial facilities operated by the Government of Guam and private entities. Current operations were 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 incorporated 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 ensured inspection of at least 90 percent of commercial cargo and aircraft departing Guam.

- \$1,106,279 was also awarded to USDA-WS for the fiscal year 2022 Guam Interdiction program. This was done so the full funding for the year was available immediately at the start of the next fiscal year.
- \$99,312 to USDA-WS to for the Cocos Island Control Program. Similar to the commercial interdiction at the ports, USDA will monitor all traffic leaving Guam for Cocos Island to ensure no further snakes are getting to the island and will assist with snake searches on the island.
- \$407,950 to the CNMI Department of Lands and Natural Resources, Division of Fish and Wildlife (DFW), which continued to operate a BTS interdiction program on the islands of Saipan, Tinian and Rota and ensured that, at the minimum, a 90 percent canine inspection rate of Guam-based cargo arrivals was reached and subsequently maintained. DFW also maintained BTS traps at CNMI ports of entry and conducted public outreach.
- \$288,706 to the Hawaii Department of Agriculture which continued to operate the Hawaii BTS interdiction program, which includes a functioning Detector Dog program. They inspect all cargo and air and sea crafts arriving from Guam to Honolulu, as well as maintain traps around the ports.
- \$649,842 to the USDA-WS-National Wildlife Research Center for various research projects including monitoring the invasion and removal of BTS of Cocos Island, a feasibility assessment for BTS eradication in Pacific Islands, short to long term indicators of foraging history of BTS on Cocos Island, and a risk assessment for acetaminophen baiting in urban and residential areas on Guam. This also funded the next phase of the Aerial Bait Delivery System, which is creating and installing autonomous pilot software.
- \$1,055,522 to the USGS for researchers to continue the development and testing of tools intended to improve BTS interdiction, control, and management. Research focuses on moving towards landscape-level snake control via delivery to aerial toxicants, developing and testing artificial baits, improving early detection of BTS and rapid responses to possible incipient populations on snake free islands, the development of multi-species barriers for resource protection and restoration on Guam, and mitigation and damage control for incipient or recently established populations of BTS. The USGS Rapid Response leader and team also responds to all credible off-island BTS sightings, including Cocos Island. This year they were also working towards restructuring the Rapid Response Team to prioritize active early detection protocols.
- \$317,923 to the U.S. Fish and Wildlife Service (USFWS) to continue to provide overall BTS program coordination on a regional and national level to ensure continued progress. USFWS also provides technical assistance to program partners and develops a strategic planning document for the program.
- \$100,000 to the Guam Department of Agriculture, Division of Aquatic and Wildlife Resources to create a volunteer snake search team for Cocos Island. This included hiring a volunteer coordinator and purchasing supplies and equipment. The volunteer team will work with the other agencies to conduct BTS searches on Cocos Island.
- \$70,389 to the Guam Power Authority to gather and share existing and new GIS data on snake related power outages.

## Coral Reef Initiative & Natural Resources

Activity: Territorial Assistance

Subactivity: Coral Reef Initiative & Natural Resources \$(000)

	2021 Actual	2022 CR at Annual Rate	2023			Change from 2022 (+/-)
			Fixed Costs (+/-)	Program Changes (+/-)	Budget Request	
Coral Reef Initiative & Natural Resources	2,625	2,625	0	+900	3,525	+900
<i>FTEs</i>	0	0	0	0	0	0

### Justification of 2023 Program Changes

Program Changes	(\$000)	FTE
Address additional conservation needs in the Insular Areas	+900	0
<b>TOTAL Program Changes</b>	<b>+900</b>	<b>0</b>

The 2023 budget request for Coral Reef Initiative and Natural Resources is \$3,525,000 and 0 FTE, a program change of +\$900,000 and 0 FTE from 2022.

### **Coral Reef Initiative and Natural Resources Address additional conservation needs in the Insular Areas (+\$900,000 / 0 FTE)**

The proposed increase will support 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 including control, prevention, rapid response, eradication, and other efforts to combat invasive species and restore native 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 OIA plays a critical role by supporting the efforts of U.S. insular area 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, directly related to climate change and related extreme weather events. 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 invasive species such as 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 detect, respond to, contain and eradicate 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 set their own priorities for natural resource management in accordance with focal areas and species included in the Regional Biosecurity Plan. 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.

### **2023 Program Performance**

#### **Coral Reef Initiative & Natural Resources**

In 2022 and 2023, the Coral Reef Initiative and Natural Resources program is expected to continue to provide financial assistance to the insular areas to protect natural resources and to combat invasive species related to focal themes and focal species identified in the Regional Biosecurity Plan update at the end of this section.

In fiscal year 2021, OIA provided \$2,722,896 in grants to the U.S. territories and the freely associated states to help protect coral reefs and marine resources. Projects ranged from rehabilitation of corals, to outreach, restoration, and removal of invasive species and pests. Invasive species in the islands are disruptive of both marine and terrestrial resources in the islands, which already are under stress. Grants were provided to help control and eradicate invasive species in the islands in order to protect public health, livelihoods, and fragile environments and economies.

Fiscal year 2021 accomplishments included (but are not limited to):

- Placed a Coral Fellow in fiscal year 2021 in each of the following territories: American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands. The Coral Fellow program has provided needed capacity in the territories for both coral reef conservation and invasive species management. Grantee: Nova Southeastern University National Coral Reef Management Fellowship Program – \$210,000.
- American Samoa – To promote coral reef and human health by improving dry litter piggeries and implementing green infrastructure treatment of shallow groundwater with elevated nutrients in select villages of American Samoa. Grantee: Ridge to Reefs – \$115,879.
- CNMI – Supports RBP. Focal species: Coconut Rhinoceros Beetle. The CNMI continues to be proactive with its approach to combat the invasive species – CRB detection, eradication and preventative measures. Grantee: Department of Land and Natural Resources – \$250,000.

- CNMI- Supports RBP. Focal species: Plants. To eliminate certain plant species that threaten the natural resources on Mount Sabana's Forest on the island of Rota by removing the ever-growing pandanus forest trees as well introduce native species that offer benefits to the forests as well as residents. Grantee: Department of Lands and Natural Resources – \$75,160.
- Guam – Supports RBP. Focal species: Coconut Rhinoceros Beetle. To establish a detector dog program to identify invasive species residing at the ports of entry and transiting cargo. The detector dog will be cross trained on other target invertebrate invasive species scents. Grantee: University of Guam – \$866,423.
- USVI – Established Strike Teams to conduct systematic surveys to search for and neutralize recently discovered outbreaks of the Stoney Coral Tissue Loss Disease, which has already impacted almost half of the coral species found in the USVI. Grantee: Department of Planning and Natural Resources – \$279,977.
- FSM – Enhancing Kosrae, Chuuk, and Yap's Ecosystem and Food Security through the Prevention, Eradication, Control and Management of Invasive Alien Species. Grantee: Micronesia Conservation Trust – \$300,000.
- Republic of the Marshall Islands – Supports RBP. Focal species: small mammalian carnivores. Remove invasive rats from part of Mili Atoll. Island Conservation will work with local partners to construct and implement a biosecurity plan; design and implement a rodent eradication on a minimum of three islets. Grantee: Island Conservation – \$299,838.

House Report 116-448 (July 14, 2020) contained the following directive requiring the Department to include an update on efforts to implement the Regional Biosecurity Plan for Micronesia and Hawaii. The following is the requested biosecurity update.

**REGIONAL BIOSECURITY PLAN (RBP)**

The U.S. Department of the Interior (DOI) continues to lead extensive activities in the Pacific region in collaboration with Federal agencies, State, territorial, and international governments, and other organizations to improve biosecurity and minimize invasive species threats. DOI investments through Region 12 – Pacific Islands agencies include the National Park Service (NPS), Office of Insular Affairs (OIA), Office of Native Hawaiian Relations, U.S. Fish and Wildlife Service (USFWS), and U.S. Geological Survey (USGS), which support a range of invasive species-related activities in Hawaii and U.S. affiliated Pacific Islands (USAPI) such as prevention, detection, control, eradication, research, education, and restoration. The USAPI consists of three United States territories: American Samoa, the Commonwealth of the Northern Mariana Islands, and Guam; and three independent countries in free association with the United States: the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau.

In Hawaii and the USAPI, DOI activities aim to limit the introduction, establishment, and spread of numerous invasive species of concern. Species range from brown tree snakes to insects, such as the coconut rhinoceros beetle and little fire ant, marine species such as smothering seaweed, and other invasive species capable of changing island ecology including feral swine, Miconia, and plant pathogens such as the fungi that causes rapid Ohia death impacting 80 percent of Hawaii’s forests. DOI is committed to working internally and with other Federal departments, including the Departments of Defense, Commerce, Agriculture, and State, as well as with the U.S. Ambassadors to the Freely Associated States, and regional and local partners to identify opportunities to improve biosecurity and invasive species management in the Pacific region.

Efforts undertaken by DOI bureaus and offices in Hawaii and the USAPI complement strategies identified by partners in the Pacific region. These efforts also align with priorities identified in the “Regional Biosecurity Plan for Micronesia and Hawaii (RBP),” a plan developed by the Department of the Navy in 2015 that provides strategic guidance and sets forth recommended actions necessary to strengthen biosecurity.

In fiscal year 2023 bureaus will continue to focus on high-impact invasive species, or groups of species, that are either established or identified as likely to become established and warrant actions to minimize risk of introduction and impacts. These focal areas and species are listed below.

Central to all work conducted in Hawaii and the USAPI is the relationship to biocultural resources. Biocultural resources are physical, biological, and human elements that strengthen a native people’s evolving relationship with a defined place and maintain their unique set of customs, beliefs, language, traditional knowledge, objects, and built environment. Understanding the importance of biocultural resources and integrating them into stewardship activities is crucial for project success and long-term viability in Hawaii and the USAPI.

**Focal Themes (which will continue in fiscal year 2023):**

- **Prevention:** The action of stopping invasive species from being introduced or spreading into a new ecosystem.
- **Early Detection (Surveillance) and Monitoring:** A process of surveying for, reporting, and verifying the presence of a non-native species before it becomes established such that eradication is no longer feasible. Monitoring is the action of conducting surveys repeated through time to document changes in select attributes of wildlife, plants, habitats, ecological communities, or abiotic resources.
- **Rapid Response (including Eradication, when possible):** A process that is employed to eradicate a non-native species from a specific location before it becomes established such that eradication is no longer feasible. Eradication is the removal or destruction of an entire population of invasive species.
- **Long-term Control (including Eradication, when possible):** Containing, suppressing, or reducing populations of invasive species.
- **Research:** Scientific investigation into invasive species such as biology, impacts, risk, detection, monitoring, and control methods.
- **Outreach:** The action of providing information externally, outside of DOI, or internally, within DOI, related to invasive species.

**Focal Species:**

- **Invasive plants:** This category includes non-native grasses, shrubs, and trees.
- **Rapid Ohia death (and other plant pathogens):** This category includes plant pathogens (diseases). Rapid Ohia death is a plant pathogen that attacks and kills the culturally and ecologically significant native Ohia tree in Hawaii.
- **Mosquitoes and avian malaria:** The combination of introduced mosquitoes and avian malaria have decimated Hawaii's native forest birds and limited their distribution to high elevations that are too cool for mosquitoes to breed. These high-elevation habits are shrinking with a warming climate.
- **Ants and other non-native social insects:** Some Pacific Islands had no or limited species of social insects. Introduced ants and wasps have had devastating impacts on natural resources.
- **Brown Tree Snakes:** The Brown Tree Snake caused significant negative impacts to the avifauna, ecosystems, economy, and agriculture on Guam. The spread of this invasive species to other Pacific islands is a significant national concern. Other reptiles and some amphibians are also potential threats.
- **Small mammalian carnivores:** This category includes species such as rats, mice, cats, and mongoose. All have historically, and currently, had devastating impacts on Pacific Island ecosystems.
- **Ungulates:** This category includes ungulates such as feral goats, pigs, mouflon, water buffalo, cattle, and deer that have had significant negative impacts on ecosystems and water resources.
- **Aquatic invasive species:** This category includes a wide range of invasive marine algae, freshwater fish, macroinvertebrates, and aquatic plants that have had significant negative impacts on aquatic ecosystems.

**Roles and Responsibilities:**

**National Park Service:** The NPS preserves unimpaired the natural and cultural resources and values of the National Park System for the enjoyment, education, and inspiration of this and future generations. The NPS collaborates with partners to extend the benefits of natural and cultural resource conservation and outdoor recreation throughout the United States and the world. Over 6,500 non-native invasive species have been found on NPS lands and waters. Of these, about 650 are in marine environments. The NPS utilizes several approaches for addressing invasive species including, but not limited to, an integrated pest management approach, coordinated and prioritized strategic planning, and Invasive Plant Management Teams to rapidly respond to invasive plants. For example, in Hawaii, NPS has designated Special Ecological Areas that best represent native Hawaiian systems, and these areas are managed as high priorities for the removal of plant and animal exotic species.

**Office of Insular Affairs:** The OIA implements the Secretary of the Interior's responsibilities for U.S. Territories of American Samoa, Guam, the Northern Mariana Islands, and the U.S. Virgin Islands. OIA also administers funding for the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau. OIA is the primary agency within DOI that funds Brown Tree Snake interdiction, control, and research and collaborates closely with USFWS, USGS, USDA, and the local governments of Hawaii, Guam, and the Commonwealth of the Northern Mariana Islands. Within DOI, OIA reports to Congress on implementation of the Regional Biosecurity Plan for Micronesia and Hawaii. OIA also supports invasive species prevention and control efforts through Coral Reef & Natural Resources funding provided annually by Congress.

**Office of Native Hawaiian Relations:** The Office of Native Hawaiian Relations discharges the Secretary's responsibilities for matters related to Native Hawaiians and serves as a conduit for DOI's field activities in Hawaii. The mission of the Office is to serve as a liaison with the Native Hawaiian Community and work with DOI and its bureaus on issues affecting Hawaii.

**U.S. Fish and Wildlife Service:** The mission of the USFWS is to work with others to conserve, protect, and enhance fish, wildlife, and plants and their habitats for the continuing benefit of the American people. The USFWS accomplishes their mission through eight national programs: Ecological Services, Fish and Aquatic Conservation, National Wildlife Refuge System, Habitat Conservation, Office of Law Enforcement, Wildlife and Sport Fish Restoration, Migratory Birds, and Science Applications, all of which address invasive species issues at some level. For example, the Ecological Services Program provides regulatory, coordination and technical assistance roles relative to invasive species including leadership for Brown Tree Snake management regionally and nationally through the statutorily mandated Brown Tree Snake Working Group. The Fish and Aquatic Conservation Program leads designation of invasive wild mammals, wild birds, fishes, reptiles, amphibians, mollusks, and crustaceans as injurious wildlife under the Lacey Act, which prohibits their importation and shipment between the continental United States, the District of Columbia, Hawaii, the Commonwealth of Puerto Rico, and any possession of the United States. The National Wildlife Refuge System addresses invasive species issues on approximately 100 million acres of wildlife habitat spread across its 568 Refuges. The Office of Law Enforcement agents inspect wildlife shipments and collaborate with other jurisdictions to combat illegal movement and trafficking of invasive species.

U.S. Geological Survey: The USGS is the research arm of DOI and its role with invasive species management in the Pacific is broad. USGS conducts a wide range of applied and basic research on invasive species in the Pacific. USGS also provides technical assistance to Federal, State, and Territorial partners on biosecurity invasive species control, quarantine, and eradication. The USGS Brown Tree snake Rapid Response Team provides training and response capabilities to support ongoing efforts to contain brown tree snakes on Guam through funding provided by OIA.

For fiscal year 2023 resources allocated toward these efforts, please refer to each bureau's Congressional Budget Justification.

**Updates:**

NPS: In 2018, the Washington D.C. Support Office conducted a Hawaiian Island-wide prioritization effort that included NPS, USFWS, and State and university staff to assist in a landscape-level prioritization process that addresses the needs and budget gaps associated with work to be done in the Pacific Islands. The briefing memo resulting from that prioritization effort continues to be updated regularly as more information is collected and needs to evolve. Agencies in the Pacific continue to collaborate with each other and with state and county agencies and organizations to continually share current information about invasive species, such as the recent discovery and notification by the Hawaii State Department of Agriculture regarding the discovery of ramie moth larvae destroying native mamaki plants on the island of Maui. NPS has also been working closely with federal, state, and local agencies and organizations to protect Hawaiian forest birds from invasive mosquitoes that spread avian malaria. Further, NPS units continue to manage invasive ungulates, small predatory vertebrates, invasive plants, and invertebrates, as they have in past years. Efforts include staff at Kaloko-Honokōhau National Historical Park in Hawaii trapping Indian mongoose (*Herpestes javanicus*) and free-ranging cats (*Felis catus*) at their park. Hawaii Volcanoes National Park staff have been capturing mouflon (*Ovis aries orientalis*) in their Kahuku Unit and are very close to designating the Kahuku Lower Paddock fenced unit ungulate-free.

USFWS: The USFWS has had great success in its yellow crazy ant (YCA) eradication efforts at Johnston Atoll National Wildlife Refuge (NWR), deploying twenty Invasive Species Strike Teams (ISST) over the past decade to remove the ants. USFWS announced eradication of YCA at Johnston Atoll NWR in June 2021. In March 2021, ISST contractors and staff treated 250 albizia (*Falcataria mollucana*) trees in Oahu Forest NWR using cut stump and point injection methods of control. In the Hawaiian Islands NWR, there were two expeditions to control sandbur (*Cenchrus echinatus*) on Nihoa Island and USFWS funded research on an invasive algae smothering corals at Pearl and Hermes Atoll in 2021. Beginning in 2022, a second, permanent ISST will be established in the Pacific. This team will focus on the marine national monuments including Papahānaumokuākea, Marianas Trench, Pacific Remote Islands, and Rose Atoll. The Midway Seabird Protection Project aims to eradicate introduced house mice (*Mus musculus*) from Sand Island, part of Midway Atoll, in the summer of 2023.

The USFWS coordinated and collaborated with the member agencies of the Brown Tree Snake Technical Working Group (BTS TWG) in completing the 2020-2025 BTS TWG Strategic Plan. The

USFWS BTS coordinator has been participating in weekly interagency meetings in response to the discovery of an incipient population of BTS on Cocos Island (Guam) and has been assisting with coordination and development of a feasibility assessment and eradication plan. Funding in the amount of \$150,000 was provided to the Hawaii Department of Land and Natural Resources to support the control of avian malaria in the Hawaiian Islands.

USGS: USGS conducts training courses on Guam for USAPI-based members of the BTS Rapid Response Team (RRT) and conducts outreach trips to the USAPI to raise awareness of invasive-species issues. In 2020 a population of BTS was discovered on the small island of Cocos off the southern coast of Guam, and the RRT was instrumental in conducting intensive searches and demonstrating that multiple snakes were present. USGS remains an active participant in interagency meetings to plan and conduct eradication of the Cocos Island BTS population. Other USGS activities include designing and implementing early detection and rapid response measures and understanding the role of invasive disease and vectors in the decline of Hawaiian forest birds. USGS has been involved in the response to rapid Ohia death in Hawaii since its detection in 2015 and is part of the Rapid Ohia Death Working Group, which was formed to share information and coordinate research, resource management, and outreach activities. USGS is also involved in the development of biosecurity plans and effectiveness testing for the USFWS remote refuges and uses genetic tools to identify invasions of cryptic species that are difficult to detect using traditional sampling methods. Along with a wide range of partners in the USAPI, U.S. Virgin Islands, and Puerto Rico, USGS remains involved with coordination and facilitation of early detection and range delineation of invasive reptiles including large constrictor snakes.

OIA: In 2021, OIA provided funds for BTS interdiction, control, and research, and collaborated closely with USFWS, USGS, USDA, and the local governments of Hawaii, Guam, and the Commonwealth of the Northern Mariana Islands to prevent the dispersal of the snake to other geographic areas. OIA also funded activities related to preventing, detecting, responding to, and controlling invasive species identified in the RBP as focal species. These projects included: CNMI – Focal species: invasive plants. Supported the Department of Land and Natural Resources to eliminate certain plant species that threaten the natural resources on Mount Sabana’s forest in the island of Rota by removing the ever-growing pandanus forest trees as well as introduce native species that offer benefits to the forests as well as residents. Guam –Focal species: Coconut Rhinoceros Beetle (CRB) University of Guam- to fund a three-year program to establish a pilot detector dog program to identify invasive species residing at the ports of entry and transiting cargo. The dog will be trained to locate CRB and other target invertebrate invasive species scents. CNMI – Focal species: Coconut Rhinoceros Beetle. To support the Department of land and Natural Resources to continue CRB detection, eradication, and preventative measures on Rota. Marshall Islands – Focal species: small mammalian carnivores. Island Conservation- Remove invasive rats from a part of Mili Atoll. Island Conservation will work with local partners to construct and implement a biosecurity plan; design and implement a rodent eradication on a minimum of three islets. agricultural pests have disrupted and eroded these once-pristine eco-systems contributing to biodiversity decline.

In fiscal years 2022 and 2023, OIA expects to continue to provide support for the Brown Tree Snake interdiction, control, and research and collaborate closely with USFWS, USGS, USDA, and the local governments of Hawaii, Guam, and the Commonwealth of the Northern Mariana Islands to prevent the dispersal of the snake to other geographic areas. In fiscal years 2022 and 2023, OIA also expects to continue to fund activities related to preventing, detecting, responding to, and controlling invasive species identified in the RBP as focal species.



## Energizing Insular Communities

**Activity:** Territorial Assistance

**Subactivity:** Energizing Insular Communities \$(000)

	2021 Actual	2022 CR at Annual Rate	2023			Change From 2022 (+/-)
			Fixed Costs (+/-)	Program Changes (+/-)	Budget Request	
Energizing Insular Communities	8,500	8,500	0	+7,000	15,500	+7,000
<i>FTEs</i>	0	0	0	0	0	0

### Justification of 2023 Program Changes

Program Changes	(\$000)	FTE
Develop Renewable Energy and Grid Infrastructure	+7,000	0
<b>TOTAL Program Changes</b>	<b>+7,000</b>	<b>0</b>

The 2023 budget request for Energizing Insular Communities is \$15,500,000 and 0 FTE, a program change of +\$7,000,000 and 0 FTE from 2022. This program change was previously requested in the 2022 budget request. Through this subactivity, the Office of Insular Affairs supports insular communities' efforts to increase the reliability and affordability of their energy supply and infrastructure, while also facilitating renewable energy and grid infrastructure development.

### **Energizing Insular Communities Develop Renewable Energy and Grid Infrastructure (+\$7.0 million / 0 FTE)**

The proposed increase of \$7.0 million will target renewable energy and grid infrastructure development. 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 clean and renewable energy development, grid infrastructure (both traditional and renewable), 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 and environmental justice 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, affordable, and clean/renewable energy strategies.

The Office of Insular Affairs provided direct funding assistance in FY 2019 and 2020 for the update of the territorial energy plans, as requested, and professional services beginning in FY 2020 through an interagency agreement with the U.S. Department of Energy for those updates and implementation.

### **2023 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 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, and private sector organizations. 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. American Samoa's energy action plan was published in August and its strategic energy plan was published 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 and OIA has offered funding for the update of energy plans. In fiscal year 2019, the CNMI and the Virgin Islands Water and Power Authority applied for and received funding to update the territorial energy plan and integrated resource plan, respectively. In fiscal year 2020, American Samoa applied and received funding to update its energy plan and reestablish its American Samoa Renewable Energy Committee (ASREC). In fiscal year 2021, the island of Guam received funding to update the Guam Strategy and Energy Plan.

OIA's EIC grant program plays a crucial role in helping the territories implement the actions identified in the strategic energy plans and action plans and will be key to a clean energy future in the territories. In response to the Administration's prioritization of clean and renewable energy, electric vehicles, and grid infrastructure, the EIC program will adjust accordingly. This shift will further reduce reliance and expenditures on imported fuels, develop and utilize domestic energy sources, and continue to improve the performance of current energy infrastructure and overall energy efficiency in the territories while transitioning to cleaner and renewable energy sources and infrastructure. Each year, OIA publishes the grant application instructions with 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 24-36 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 ASREC 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. In fiscal year 2021, awards were provided to the American Samoa Medical Center for a solar photovoltaic microgrid and energy efficient cooling, and for solar panels at the Shipyard, continuing upgrades to increase energy efficiency and reduce costs. The American Samoa Power Authority also continues its work on EIC-funded energy project in the territory. For Phase II of the Manu'a Renewable Energy Initiative, OIA awarded the American Samoa Power Authority a fiscal year 2017 EIC grant to of \$817,528 to help purchase battery-storage for the Ofu Solar Photovoltaic system, which were received and transported to the Ofu power plant in early 2019. The system has been in full operation and has significantly reduced diesel usage, depending on PV production. The Power Authority continues to make progress in its goal of providing 100% renewable energy on the island of Aunu'u with securing a land lease to install solar photovoltaic systems with battery storage.

The Guam Power Authority (GPA) continues its Bringing Energy Savings To (BEST) Schools partnerships to improve energy efficiency in the education sector. In 2021, GPA received funding to continue lighting surveys, audits, and energy efficient lighting retrofits at Tamuning Elementary School and the University of Guam, where they will also conduct an HVAC control retrofit. Additionally, fiscal year 2021 funding was provided for solar PV systems to be installed at the University and the Guam Community College reduce utility costs.

In the CNMI, the 2021 focus has been on the renewed Energy Task Force, efficient distribution, solar plus storage, and energy savings measures. The Commonwealth Utilities Corporation received funds to implement a distribution automation system to automate energy flow during outages and for the design of a 2.5 megawatt solar PV plus battery storage facility. The island of Tinian received funding for a second phase of installation of solar light systems on public buildings and pathways. The Commonwealth Ports Authority received funding to implement energy savings measures at the Saipan International Airport with a lighting retrofit and cool roof to reduce energy and cooling bills. Lastly, the CNMI Energy Office has received funds to continue its popular energy efficient and energy star appliance rebate program, which has served over 359 households across Saipan, Tinian, and Rota with rebates to incentivize the replacement of outdated and inefficient refrigerators, washers, and air conditioning units.

In 2020, the University of the Virgin Islands received funding to conduct an American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) Level 2 energy audit to further develop short- and long-term energy management strategies. Additionally, the University procured and installed eight solar charging stations for use on its two campuses to provide energy to students and provide a backup power source in the case of outages, as well as a zero-energy laboratory on the St. Croix Campus. The fiscal year 2021 focus for the U.S. Virgin Islands was on the transition to energy efficient fleet vehicles, with funding awarded for the Water and Power Authority to procure hybrid bucket trucks and electric vehicles for its fleets. The Virgin Islands Energy Office also received funds to procure electric vehicles for the government fleet, but also to conduct a siting analysis to install electric vehicle chargers strategically across the territory.

**Compact Impact - Discretionary**

**Activity:** Territorial Assistance  
**Subactivity:** Compact Impact - Discretionary \$(000)

	2021 Actual	2022 CR at Annual Rate	2023			Change from 2022 (+/-)
			Fixed Costs (+/-)	Program Changes (+/-)	Budget Request	
Compact Impact - Discretionary	4,000	4,000	0	+2,000	6,000	+2,000
<i>FTEs</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>

**Program Overview**

Discretionary Compact Impact grants supplement the \$30.0 million permanently appropriated for Compact Impact as authorized by Section 104(e) of Title One of the amended Compacts of Free Association. In previous years, OIA used discretionary Compact Impact funding to offset educational service and infrastructure costs incurred by the affected jurisdictions due to the resident of qualified nonimmigrants from the Republic of the Marshall Islands, the Federated States of Micronesia, or the Republic of Palau. OIA also expanded this funding to include community development priorities such as job training and other social services for FAS citizens.

**Justification of 2023 Program Changes**

Program Changes	Amount	FTE
Compact Impact-Discretionary	+2,000	0
<b>TOTAL Program Changes</b>	<b>+2,000</b>	<b>0</b>

The 2023 budget request for Compact Impact-Discretionary is \$6,000,000 and 0 FTE, a program change of +\$2,000,000 and 0 FTE from 2022.

**Compact Impact- Discretionary (+\$2.0 million / 0 FTE)**

The 2023 budget request for Discretionary Compact Impact grants will provide \$6 million of grant funding to affected jurisdictions due to the residence of qualified non-immigrants from the freely associated states. The additional \$2 million requested for 2023 provides additional funding to offset the costs borne by the affected jurisdictions.

**2023 Program Performance**

Like permanently appropriated Compact Impact, discretionary Compact Impact funding was distributed amongst the affected jurisdictions based on a ratio allocation to each government on the basis of the results of the most recent enumeration from 2018. The 2018 enumeration was completed in 2019 by the U.S. Census Bureau and the results were used to determine the distribution of 2019 and 2020 Compact Impact funding. This allocation is in accordance with the provision in Section 104(e)(5) of Title One of the amended Compacts of Free Association. In late 2019, an error in the 2013 and 2018 enumerations

were discovered by the U.S. Census Bureau. Both the 2013 and 2018 enumerations were corrected, FY 2020 allocations were updated, and allocations for FY 2021 forward were amended.

In fiscal years 2018 through 2021, discretionary Compact Impact funding was used to offset educational service and infrastructure costs incurred by the affected jurisdictions due to the residence of qualified nonimmigrants from the Republic of the Marshall Islands, the Federated States of Micronesia, or the Republic of Palau.

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## COMPACTS OF FREE ASSOCIATION

### Federal Services Assistance

**Activity:** Compact of Free Association (Current Appropriation)

**Subactivity:** Federal Services Assistance \$(000)

	2021 Actual	2022 CR at Annual Rate	2023				Change from 2022 (+/-)
			Fixed Costs (+/-)	Internal Transfer (+/-)	Program Changes (+/-)	Budget Request	
Federal Services	7,813	7,813	0	0	0	7,813	0
<i>FTEs</i>	0	0	0	0	0	0	0

The Federal Services Assistance program provides support for U.S. Postal Service mail and package delivery to the freely associated states, the Republic of Palau's single audit, and \$5.0 million for RMI Tax and Trade.

### Program Overview

The Compacts of Free Association guarantee that the freely associated states (FAS) will continue to receive, through the end of Fiscal Years 2023 (RMI and FSM) and Fiscal Year 2024 (Palau), certain Federal services in accordance with negotiated agreements. 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, RMI, and Palau 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 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 significantly exceeds the subsidy requested by OIA. The additional costs are paid by USPS from its revenues. Federal Services Assistance also continues to support an annual grant to Palau for its annual single audit.

The Compact of Free Association Act of 1985 (P.L. 99-239) provided for the payment of up to \$20 million if the government of the Republic of the Marshall Islands (RMI) could demonstrate adverse impacts on its finances and economy as a result of changes Congress made to the tax and trade provisions in Title Two of the original Compact. The RMI presented its claim to Congress in 1991 as provided for in Section 111(d) of the Compact Act. Congress asked the State Department to convene an inter-agency



group (IAG) to review the claim. The IAG decided the claim was premature but recommended that it be re-evaluated at a later date.

Section 108 (b) of the Amended Act of 2003 (P.L. 108-188) allows for the one-time submission of a claim carried forward from the original Compact Act. The RMI presented its renewed request to Congress in September 2009.

The Department of State reconvened the IAG to evaluate the RMI's claim. The IAG concluded that the RMI reasonably demonstrated net adverse impacts based on the loss of Title II benefits in making their request for \$20 million in further compensation under Section 111(d) of the Compact Act. The finding was forwarded to Congress in 2010.

The RMI has completed the actions requested by U.S. law and the Compact of Free Association, and a Federal government IAG has reviewed and supported the RMI's claim. The Congress provided \$5.0 million in compensation to the RMI in 2020, 2021, and 2022, totaling \$15 million over the three years. The remaining \$5.0 million in compensation is requested in 2023, which would be the last payment to the RMI resulting in a total payment of \$20 million over four years. This money will be deposited into the RMI Compact Trust Fund which will be beneficial to the long-term health of the trust fund and meet U.S. goals under the Compact.

### **2023 Program Performance**

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 single audit, and \$5.0 million will be deposited into the RMI Compact Trust Fund.

**Enewetak****Activity: Compact of Free Association (Current Appropriation)****Subactivity: Enewetak \$(000)**

	2021 Actual	2022 CR at Annual Rate	2023			Change from 2022 (+/-)
			Fixed Costs (+/-)	Program Changes (+/-)	Budget Request	
Enewetak	650	650	0	0	650	0
<i>FTEs</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>

**Program Overview**

The natural vegetation of the Republic of the Marshall Islands' 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 on 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. This plan has not been fully implemented and efforts to replenish the atoll's soil and agricultural potential have largely halted.

**2023 Program Performance**

The Enewetak program currently uses a portion of its funding for operations of the agriculture field station and the agriculture rehabilitation program. Funding is also used to purchase food and commodities for the residents of the atoll, including the ones living on Majuro, the capital city. Remaining funds are used to operate the atoll's vessel and support the office in Majuro. OIA will provide grants to the Government of the Republic of the Marshall Islands for Enewetak/Ujelang Local Atoll Government to continue these activities.

**Federated States of Micronesia and Republic of the Marshall Islands****Account: Compact of Free Association (Permanent and Indefinite)****Activity: Economic Assistance****Subactivity: Federated States of Micronesia and Republic of the Marshall Islands  
\$(000)**

	2021 Actual	2022 CR at Annual Rate	2023			Change from 2022 (+/-)
			Fixed Costs (+/-)	Program Changes (+/-)	Budget Request	
RMI	80,504	80,402	0	+1,270	81,672	+1,270
FSM	116,663	116,515	0	+1,844	118,359	+1,844
Judicial Training	378	377	0	+6	383	+6
<b>Total</b>	<b>197,545</b>	<b>197,294</b>	<b>0</b>	<b>+3,120</b>	<b>200,414</b>	<b>+3,120</b>
<i>FTEs</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>

**Justification of 2023 Program Changes**

Program Changes	Amount	FTE
RMI	+1,270	0
FSM	+1,844	0
Judicial Training	+6	0
<b>TOTAL Program Changes</b>	<b>+3,120</b>	<b>0</b>

The 2023 budget request for Compact of Free Association-Economic Assistance to the Republic of the Marshall Islands and Federated States of Micronesia is \$200,414,000 and 0 FTE, a program change of +\$3,120,000 and 0 FTE from 2022.

**Compact of Free Association-Economic Assistance (+\$3.12 million / 0 FTE)**

The program changes in this account are required inflation adjustments under the amended Compacts 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 on December 17, 2003. These amendments also include a new permanent and indefinite appropriation that ensures continuation of direct financial assistance through 2023 for the FSM and the RMI.

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. Through fiscal year 2022, the FSM has received \$3.6 billion in Compact funding while the RMI has received \$2.3 billion. The following provides historical and estimated Compact funding through the end of the current Compacts:

FSM (\$3.7 billion estimated, 1987 – 2023)

- 1987 – 2003: \$ 1.5 billion
- 2004 – 2023: \$ 2.1 billion (estimated)

RMI (\$2.4 billion estimated, 1987-2023)

- 1987 – 2003: \$1.0 billion
- 2004 – 2023: \$1.4 billion (estimated)

Palau (\$789.1 million estimated, 1995 – 2024)

- 1995 – 2009: \$560.1 million
- 2010 – 2024: \$229.0 million

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 FAS 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 Compacts provide financial assistance in the form of direct grants in seven sectors: education, health care, infrastructure, public sector capacity building, private sector development, environment, and enhanced reporting and accountability (FSM only). Joint economic management committees, comprised of officials from the U.S. and the RMI or FSM, meet bi-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 Compacts also require the United States to make contributions to trust funds for each government. The trust funds are intended to help provide a source of income to the FSM and RMI following the conclusion of direct assistance.

### **2023 Program Performance**

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

- Conduct 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.

OIA will continue to advance negotiations on the expiring provisions of the Compacts of Free Association with FSM, the RMI, and Palau.

Specific information for 2023 is not available at the time of this report due to the nature of the Compact agreement. As agreed to in the Compacts, performance plans and budgets for 2023 are not submitted by the FSM and RMI until 90 days before the start of the fiscal year.

### **Fiscal Year 2022 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 2022 through Section 211 of Public Law 108-88 was \$63,400,000. This amount is adjusted annually by 2/3 of the Gross Domestic Product Implicit Price Deflator. The inflation adjustment for 2022 was \$16,376,220. 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 \$79,776,220. From this total, an amount of \$251,660 was provided to the FSM's Disaster Assistance Emergency Fund.

\$23,857,368 was reserved for the Public Infrastructure Sector. Since September 2017, the FSM has received support from the U.S. Army Corps of Engineers for technical program assistance in administering the Compact Public Sector Infrastructure program.

\$36,239,040 was deposited into the Compact Trust Fund for the People of the Federated States of Micronesia in October of 2021.

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, rather than the step-downs implemented during the initial Compact period, represents a reduction in grant funding. It does not, however, actually represent a reduction in total funding from the U.S., instead it 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. 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, 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 to instigate incremental cuts that did not reflect focused deliberations and thus did not tend to reflect priorities.

The observed behavior of incremental, un-prioritized budget cuts 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 thoughtful approach is needed. The governments are clearly faced with the latter circumstance of a prolonged period of fiscal compression. In that context, 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 adjustments 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 Committee (JEMCO), comprised of three US 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 was developed, 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, 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; and,
- 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; and,
- 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; however, recent budgets have not included LTFF considerations.

### 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 is 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 is 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; adaptation to 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.

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. Priority is 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.

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.

Priority is 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 is 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 essential functions can be carried out and essential positions are filled with qualified personnel.

### **Fiscal Year 2022 Allocations for the RMI**

The base amount of Compact of Free Association financial assistance made available to the Republic of the Marshall Islands (RMI) for 2022 through Section 211 of Public Law 108-88 was \$28,200,000. This amount is adjusted annually by 2/3 of the Gross Domestic Product Implicit Price Deflator. The inflation adjustment for 2020 was \$7,284,060. Combining the base amount and inflation adjustment, the total amount of Section 211 Compact of Free Association financial assistance made available to the RMI was \$35,484,060. From this total, an amount of \$251,660 was provided to the RMI's Disaster Assistance Emergency Fund.

- \$10,645,218 was reserved for the Public Infrastructure Sector.
- \$20,132,800 was contributed to the Compact Trust Fund for the People of the Republic of the Marshall Islands.
- \$22,649,400 was reserved for payments during Fiscal Year 2021 made to Kwajalein Landowners by the Marshall Islands government.

### 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 a percentage of the RMI's education system. Many of these schools are located on remote atolls over 200 miles from the population centers and accessible only by ship and small RMI Government airplanes. 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, the Ministry of Education (MOE) will face even greater challenges to improve education service delivery.

Lack of credentialed teachers and low student achievement continue to be associated with persistent problems. Many 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 steadily provided additional resources from its General Fund to further support its education system. General fund allocations to the education sector increased by 15% from fiscal years 2016-2021.

### Health

The Ministry of Health combined a number of revenue resources in developing its global budget. General funds and Compact financial assistance are the Ministry's two primary resources. The remaining budgetary inputs have statutory 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. Additionally, Taiwan has established a Non-Communicable Disease Clinic within the hospital, and also provides technical assistance and hospital medical supplies and equipment, when requested by the RMI.

### Public Infrastructure

The RMI allocated reserved \$9.4 million for infrastructure improvements and maintenance in 2021. The RMI consistently adheres to 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 Compacts be directed toward infrastructure development. To guide project selection, the RMI continues to update its comprehensive Infrastructure Development and Maintenance Program (IDMP) with complete project descriptions, timelines, financial requirements and measurable project indicators.

### Environment

Assistance is used to support the RMI Environmental Protection Agency (EPA) activities and programs on Ebeye and throughout Kwajalein Atoll. Assistance is also used to support operations of the main EPA office on Majuro Atoll supporting environmental activities within Kwajalein.

## Compact Impact

**Account:** Compact of Free Association (Permanent and Indefinite)

**Activity:** Compact Impact \$(000)

	2021 Actual	2022 CR at Annual Rate	2023			Change from 2022 (+/-)
			Fixed Costs (+/-)	Program Changes (+/-)	Budget Request	
Hawaii	15,799	15,799	0	0	15,799	0
Guam	12,532	12,532	0	0	12,532	0
CNMI	1,653	1,653	0	0	1,653	0
American Samoa	16	16	0	0	16	0
Census	0	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>
<i>FTEs</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>

### 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 2018 enumeration was completed in 2019 by the U.S. Census Bureau and the results were used to determine the distribution of 2019 and 2020 Compact Impact funding. This allocation is in accordance with the provision in Section 104(e)(5) of Title One of the amended Compacts of Free Association. In late 2019, an error in the 2013 and 2018 enumerations were discovered by the U.S. Census Bureau. Both the 2013 and 2018 enumerations were corrected, FY 2020 allocations were updated, and allocations for FY 2021 forward were amended.

### 2023 Program Performance

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 for the use of the funds prior to the awarding of the grant.

The State of Hawaii elected to use its 2021 allocation to supplement State funds to support indigent health care as in past years. Guam continued to use its 2021 Compact Impact funding toward the Department of Education/Department of Public Works School Leaseback and as a Government of Guam general operations offset. The CNMI used its entire 2021 Compact Impact allotment as a general operations offset. American Samoa used its Compact Impact funding as an operational offset for the American Samoa Department of Education.

MISCELLANEOUS SCHEDULES

**U.S. Department of the Interior  
Compact of Free Association (PI 99-239)  
Marshall Islands and Federated States of Micronesia  
Payments 1987 – 2003  
(In thousands of dollars)**

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

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 Budget Authority  
2009-2013**  
*(In thousands of dollars)*

	2009			2010			2011			2012			2013			Subtotal 2009-2013
	Base	Inflation 10.51%	Total	Base	Inflation 10.94%	Total	Base	Inflation 11.97%	Total	Base	Inflation 13.40%	Total	Base	Inflation 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 Budget Authority  
2014-2018**

*(In thousands of dollars)*

	2014			2015			2016			2017			2018			Subtotal 2014-2018
	Base	Inflation 16.54%	Total	Base	Inflation 16.28%	Total	Base	Inflation 17.87%	Total	Base	Inflation 18.91%	Total	Base	Inflation 20.39%	Total	
<b>Federated States of Micronesia</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>Republic of the Marshall Islands</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>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	(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 Budget Authority  
2019-2023**  
*(In thousands of dollars)*

	2019			2020			2021			2022			2023			Subtotal 2019-2023	Total 2004-2023
	Base	Inflation 22.13%	Total	Base	Inflation 24.30%	Total	Base	Inflation 25.99%	Total	Base	Inflation 25.83%	Total	Base	Inflation 27.83%	Total		
<b>Federated States of Micronesia</b>																	
Annual Grant Section 211	65,800	14,562	80,362	65,000	15,795	80,795	64,200	16,686	80,886	63,400	16,376	79,776	62,600	17,422	80,022	401,840	1,605,050
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	5,842	32,242	27,200	6,610	33,810	28,000	7,277	35,277	28,800	7,439	36,239	29,600	8,238	37,838	175,406	515,743
<i>Total FSM Compact</i>	<i>92,700</i>	<i>20,404</i>	<i>113,104</i>	<i>92,700</i>	<i>22,405</i>	<i>115,105</i>	<i>92,700</i>	<i>23,963</i>	<i>116,663</i>	<i>92,700</i>	<i>23,815</i>	<i>116,515</i>	<i>92,700</i>	<i>27,651</i>	<i>118,359</i>	<i>579,746</i>	<i>2,130,794</i>
<b>Republic of the Marshall Islands</b>																	
Annual Grant Section 211	29,700	6,573	36,273	29,200	7,096	36,296	28,700	7,459	36,159	28,200	7,284	35,484	27,700	7,709	35,409	179,620	720,185
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	3,209	17,709	15,000	3,645	18,645	15,500	4,028	19,528	16,000	4,133	20,133	16,500	4,592	21,092	97,107	274,825
Kwajalein Impact Section 212	18,000	3,983	21,983	18,000	4,374	22,374	18,000	4,678	22,678	18,000	4,649	22,649	18,000	5,009	23,009	112,694	378,536
Rongelap Resettlement Section 103 (f)(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,300
Enewetak Section 103 (f)(2)(c)(i)	1,300	288	1,588	1,300	316	1,616	1,300	338	1,638	1,300	336	1,636	1,300	362	1,662	8,139	29,903
<i>Total RMI Compact</i>	<i>64,000</i>	<i>14,053</i>	<i>78,053</i>	<i>64,000</i>	<i>15,431</i>	<i>79,431</i>	<i>64,000</i>	<i>16,504</i>	<i>80,504</i>	<i>64,000</i>	<i>16,402</i>	<i>80,402</i>	<i>64,000</i>	<i>17,672</i>	<i>81,672</i>	<i>400,061</i>	<i>1,418,749</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	30,000	-	30,000	150,000	598,966
Compact Impact Enumeration Section 104 (e)(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,034
Judicial Training	300	66	366	300	73	373	300	78	378	300	77	377	300	83	383	1,878	6,901
<i>Total Compact-Other</i>	<i>30,300</i>	<i>66</i>	<i>30,366</i>	<i>30,300</i>	<i>73</i>	<i>30,373</i>	<i>30,300</i>	<i>78</i>	<i>30,378</i>	<i>30,300</i>	<i>84</i>	<i>30,377</i>	<i>30,300</i>	<i>83</i>	<i>30,383</i>	<i>151,878</i>	<i>606,901</i>
<b>GRAND TOTAL</b>	<b>187,000</b>	<b>34,523</b>	<b>221,523</b>	<b>187,000</b>	<b>37,908</b>	<b>224,908</b>	<b>187,000</b>	<b>40,544</b>	<b>227,545</b>	<b>187,000</b>	<b>43,664</b>	<b>227,294</b>	<b>187,000</b>	<b>46,784</b>	<b>230,414</b>	<b>1,131,685</b>	<b>4,156,443</b>

**U.S. Department of the Interior  
Office of Insular Affairs  
Compact of Free Association  
REPUBLIC OF PALAU  
Budget Authority 1995 - 2009  
(In thousands of dollars)**

	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.

**U.S. Department of the Interior  
Office of Insular Affairs  
Compact of Free Association  
REPUBLIC OF PALAU  
Budget Authority 2010 - 2024  
(In thousands of dollars)**

**Final Enacted Modified Schedule**

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	TOTALS //
<u>Sec. ACTIVITY (Revised Agreement)</u>																
1 Trust Fund Contributions									65,250							65,250
2a Infrastructure Maintenance Fund 2/									2,000	2,000	2,000	2,000	2,000	2,000	2,000	14,000
3 Fiscal Consolidation Fund									0							0
4a <i>Economic Assistance - Compact Extension</i> Economic Assistance	13,147	13,147	13,147	13,147	13,147	13,147	13,147	13,147	24,574							105,176 24,574
5 Infrastructure Projects									20,000							20,000
<i>Direct Assistance to Palau - Compact Extension</i>	13,147	13,147	13,147	13,147	13,147	13,147	13,147	13,147								105,176
<u>Direct Assistance to Palau</u>	0	0	0	0	0	0	0	0	111,824	2,000	2,000	2,000	2,000	2,000	2,000	123,824
<b>Total, Direct Assistance to Palau</b>	<b>13,147</b>	<b>13,147</b>	<b>13,147</b>	<b>13,147</b>	<b>13,147</b>	<b>13,147</b>	<b>13,147</b>	<b>13,147</b>	<b>111,824</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>229,000</b>
<u>PALAU ANNUAL WITHDRAWAL FROM TRUST FUND 3/</u>	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	9,000	15,000	15,000	15,000	15,000	15,000	15,000	<u>139,000</u>

1/Discretionary appropriations provided by the Congress in 2010-2017 Italicized

2/Entry Into Force repayment (Sec. 212) \$3 million paid into Infrastructure Maintenance Fund

3/Palau is limited by Congressional action or by agreement (2017-2024) from withdrawing more than this amount from its US-funded Compact Trust Fund.

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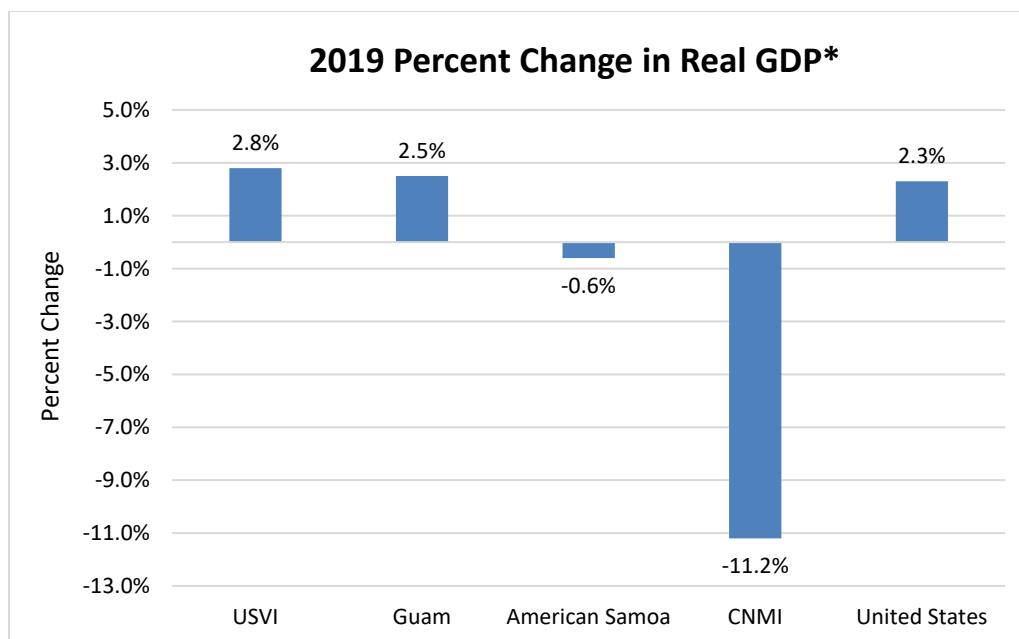
## APPENDIX: INSULAR ECONOMIC UPDATE

The economic picture emerging from the most recent territorial gross domestic product (GDP) demonstrates unique economic trends for each territorial area. The annual percent change in GDP in USVI has been relatively stable. Whereas, in the most recently published years Guam, American Samoa, and CNMI have experienced greater volatility.

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. 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 Bureau of Economic Analysis (BEA) of the Department of Commerce produces official, standardized GDP data for the island territories annually under a special technical assistance program funded by OIA. The graph below shows 2019 percent change in 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 the territories are below the national norm of per capita real GDP. This largely reflects the economic reliance on a few select industries. This lack of economic diversification impacts not only how the private sector contributes to the economy, but the extent to which household spending, government investment (i.e., tax revenue,) and the trade balance between imports and exports impact the macroeconomic position.



\* Data reflects 2019 as a result of not all territorial GDP estimates being available for 2020 at the time of this report.

## **The Freely Associated States (FAS)**

The BEA does not produce economic data for the FAS. OIA has collaborated with the Graduate School USA annually 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. Excerpts from Graduate School USA reports follow.

### **Federated States of Micronesia (FSM)**

*Economic growth in the FSM has displayed significant volatility during the period of the amended Compact. After experiencing strong growth in FY2015 of 4.6 percent, economic growth weakened in FY2016 recording 0.9 percent, improved in FY2017 to 2.7 percent, and has slipped during the last period to just 0.4 percent. The component of FSM GDP resulting from domestic purse seine fishing operations adds considerably to the volatility of year-to-year growth rates. Excluding those domestic purse seine fishing operations, and despite continuing issues with the use of the Compact infrastructure grant, the FSM's domestic economy grew by a respectable 2.3 percent in FY2015, 2.7 percent in FY2016 and 3.5 percent in FY2017, but weakened in FY2018 with modest growth of 0.8 percent.<sup>1</sup>*

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

*The RMI economy performed well in FY2018 with 3.5 percent growth in GDP, nearly sustaining the 4.1 percent attained in FY2017 after the three previous years of weak performance. During FY2018 the largest contributor to economic growth was the manufacturing sector which added 1.2 percent to GDP. This reflects increases in copra processing following the large increase in subsidies and producer prices paid to growers. The sector also includes the Pan Pacific fish loining plant where value added also rose significantly. Other major contributors have included the fisheries sector and an increase in construction activity following a resumption in disbursements of the Compact infrastructure grant after the moratorium placed on the use of the grant in FY2014 and FY2015. Performance at Air Marshall Islands, the national airline, has also improved significantly although the entity operates below cost and remains financially insolvent.<sup>2</sup>*

### **Republic of Palau**

*In FY2014 and FY2015 the tourism economy boomed, and GDP recorded a growth of 4.4 and 10.1 percent, respectively. In FY2016 the economy continued to grow by 0.8 percent despite a large drop-off in tourism as the forward momentum in the economy supported for growth from strong household demand in an election year. In FY2017 the economy contracted by a large 3.5 percent reflecting a drop in visitors from 146,629 to 122,050, a 17 percent reduction. In FY2018 the economy grew by 1.7 percent despite the continuing fall in visitors to 115,964. The outlook for the current year, FY2019, looks set to be a further large contraction as visitor numbers decline to fewer than 90,000. In the tourism boom years, when the economy was clearly on the upswing, tourism was clearly the main driver of growth;*

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<sup>1</sup> Excerpt from August 2019 Economic Brief FSM FY 2018, Graduate School USA

<sup>2</sup> Excerpt from August 2019 Economic Brief RMI FY 2018, Graduate School USA

*However, capital investment was also a positive force. On the downside, not only did tourism demand negatively impact GDP but capital investment also failed to support growth of the economy. In FY2016 both household and public expenditures were positive forces in an election year that turned around what otherwise would have been a negative result. In the last two years all elements of demand declined except for public expenditures which supported the economy in FY2018.<sup>3</sup>*

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<sup>3</sup> Excerpt from August 2019 Economic Brief Palau FY 2018, Graduate School USA



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