BUDGET JUSTIFICATIONS

The United States
Department of the Interior

and Performance Information
Fiscal Year 2015

OFFICE OF INSULAR AFFAIRS

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

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General Statement

I. Bureau-Level Presentation

General Statement

1. Introduction

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

The 2015 budget request is framed by the long-term security interests of the United States in the western Pacific and Caribbean and the serious economic and fiscal challenges the insular area economies face. Using General Technical Assistance funds, the Office of Insular Affairs engaged the Bureau of Economic Analysis (BEA) to produce a formal methodology to measure the gross domestic product (GDP) of the U.S. territories for the first time in 2010. Initial estimates covered the period of 2002-2007. Subsequent releases included data for the years 2008-2010, culminating in the most recent release of data for 2011 and 2012 in 2013.[1] As in earlier releases, the most recent numbers shed light on the serious economic challenges the territories face because their economies are small, isolated and generally dependent on one or two major income sources. In three of the four territories, one major income sources is tourism which is influenced by regional and global economic and financial factors beyond the reach of the territories.

The economic picture emerging from the most recent GDP figures is reinforced by the U.S. Census Bureau's 2010 census data for the territories. Except for Guam, the other three territories have lost population over the previous decade. The CNMI led the territories with a population decrease of 22.2 percent. The Census numbers provide evidence that many islanders are leaving their homes to seek better opportunity elsewhere. Population declines in the territories will likely exacerbate economic difficulties as Federal formula grants which are based on population will decrease fund allotments to the territories. Financial assistance provided through the Office of Insular Affairs aims to help the insular areas confront their challenges in order to improve quality of life, create economic opportunity and promote efficient and effective governance. Following below is a brief description of each of the four territorial economies and their particular issues and challenges.

<u>CNMI</u>
During the decade of 2002-2012 for which official GDP data are now available, the CNMI's economy experienced the largest decline in real (adjusted for inflation) GDP of all the territories. In 2012, the CNMI's real GDP was 50.1 percent lower than what it was in 2002. This significant loss in economic activity and income is due to the loss of the Commonwealth's garment industry and weaknesses in its tourism industry which relies on travelers from East Asia, including China.

[1] With the simultaneous release of GDP data for 2011 and 2012 in 2013, the territories are now on the same release schedule as the 50 state and the District of Columbia. From here on, the BEA will release territorial GDP data one year after the close of the calendar year.

The long and economically and financially painful recession ended in 2010 when real GDP increased a modest 1.0 percent. The turnaround in the economy in 2010 largely reflected increases in territorial government spending, consumer spending and exports of goods and services. Economic growth was tempered by an increase in imports. Exports increased for the first time after five consecutive years of decline. Tourism services, which make up most of service exports, increased due to an increase in the number of visitors to the islands, offsetting continued declines in exports of goods. Still, the turnaround lasted only one year. The CNMI's economy was back in recession in 2011 when real GDP decreased a significant 6.8 percent, mainly because of weakness in tourism. Some of the loss of tourist traffic to the CNMI in 2011 was connected to the earthquake and tsunami in Japan which occurred in March 2011.

The roller-coaster pattern of economic growth in the CNMI continued in 2012 when real GDP was up once again, a relatively strong 5.2 percent, mainly because of the rebound in tourism and services associated with it. Now that the CNMI has only one major income source, tourism, more fluctuations in the economy can be expected.

USVI

Another U.S. territory in severe economic distress, especially during the last two years (2011 and 2012) of the 2002-2012 decade for which official GDP data are available, was the USVI. According to the BEA, the estimates of GDP for the USVI showed that real GDP decreased 13.2 percent in 2012 after decreasing 6.6 percent in 2011.

The decline in the USVI economy reflected decreases in exports of goods and territorial government spending. The decrease in exports of goods, particularly the sharp drop in 2012, reflected the decline of the petroleum refining industry that for many years had played a dominant role in the economy. The Hovensa oil refinery, one of the world's largest oil refineries, located on St. Croix, shut down in early 2012.[2]

Still, there was a brighter spot in the economic picture with the growth in exports of rum increasing GDP by 2.6 percent in 2012[3]. Territorial government spending contributed to the economic decline in 2011 and in 2012. Government construction activity decreased in both years, with activity in 2012 dropping more steeply than in 2011. Compensation of government employees also fell in both years, reflecting declines in government employment and compensation.

Losing the refinery, its largest private sector employer, was a major shock to the USVI economy and it fiscal health. There appears to be nothing on the horizon to replace the economic value of the refinery in the immediate future, but the USVI remains a relatively more diversified economy because of rum production, which is expected to increase in the years ahead. Along with a strong and vibrant tourism industry, supported mainly by visitors from mainland U.S., increased rum production and trade and services will be the USVI's major income sources in the years ahead.

[2] http://www.bea.gov/newsreleases/general/terr/2013/vigdp_080213.pdf

[3] excluding the imports, exports, and inventory investment of the refining industry

American Samoa

Another U.S. territory experiencing economic distress in 2012 was American Samoa, the smallest of the four territories in terms of both GDP and population. BEA estimates showed that the value of American Samoa's real GDP was 7.5 percent lower than in 2002.

In 2011, the increase in real GDP reflected growth in government spending largely related to continued reconstruction efforts following the 2009 earthquake and tsunami. Since 2011, consumer spending has fallen as residents faced increases in prices, decreases in compensation, and a downturn in territorial government spending.

Despite the various challenges the American Samoa small and less diversified economy faces there is a potential brighter spot on the horizon. Tri Marine International, a global fish supply firm, has begun investing in American Samoa with a plan to open a cannery in late 2014 and relocate its fishing fleet to the territory as well. If everything goes according to plan, American Samoa will once again have two canneries in late 2014 when Tri Marine International opens its own cannery. With two canneries at full capacity as it was from the 1950s to 2009 when one of the canneries closed, American Samoa will once again be a major supplier of canned tuna to the nation, especially to food programs such as the school lunch program that are supported by the Federal Government.

Guam

Guam is one territory that had a growing economy over the last decade with real GDP being a healthy 11.5 percent higher in 2012 than in 2002. Exports of services, which consist primarily of spending by tourists, contributes significantly to economic growth in Guam in addition to another key income source for Guam that has the potential for growth- national defense.

As a critical base that serves the Western Pacific theater, Guam is home to thousands of Americans in uniform. People in uniform and their families constitute a significant segment of Guam's community. If the relocation of U.S. Marines based on Okinawa to Guam occurs, thousands more Americans in uniform will be stationed on the island. The dependents of people in uniform will constitute an even greater segment of Guam's population. Although the economic and fiscal benefits of base expansion on Guam will outweigh its costs, the adverse impacts of a sudden and large increase in an island's population cannot be ignored. Topping the list for future concerns would be the adequacy of Guam's civilian infrastructure, including roads, water and wastewater disposal.

The Freely Associated States

The BEA's current mandate to produce GDP data is limited to the United States and, under a special technical assistance agreement with the Office of Insular Affairs, to the four U.S. territories described above. Inability to engage the BEA does not eliminate the need to have current information on the FASs as the Office monitors progress in implementing the Compacts of Free Association (Compact). The Office of Insular Affairs has engaged Graduate School USA (formerly USDA Graduate School) to produce GDP data for the FSM, the RMI and Palau. In working with the FASs on the Compact, the Office also works with their governments on ways to strengthen capacity building, especially technical skills to produce and interpret economic and financial data. Following below is a brief description of each of the FAS economies, based on Graduate School reports.

FSM

Since the start of the amended Compact in 2004, the FSM has experienced two distinct periods of economic growth. In the first phase (2004-2008), real GDP declined in four of the five years, by an annual average of 1.2 percent. The reduction in resources from the original Compact, capacity constraints in fulfilling the new fiscal procedures, especially with respect to infrastructure grant implementation and the need to transition from the use of the capacity-building sector grant for general government operations produced a difficult economic climate. In the second phase, between 2008 and 2012, the economy overcame the difficulties of the first period and expanded by an annual average 1.5 percent. This improved economic performance was the result of large investments in infrastructure emanating from increased use of the infrastructure sector grant and FAA funded airport renovations.

Weak economic performance during the time of the amended Compact (2004-2012) in the FSM was accompanied by a 1,215 job reduction in employment. As incomes have stagnated, the economy has not provided many productive opportunities and emigration has continued. The reduction in Compact funding and the consequent difficulties in adjustment resulted in significant fiscal deficits during the first five years of the amended Compact. However, since the implementation of the adjustment measures, the fiscal position has improved. The FSM has maintained a favorable external debt position which has helped the fiscal position.

Overall, economic outlook does not appear to be favorable mainly because the structure of the FSM's economy has changed very little over the years. The public sector, funded mainly by Compact funds, drives the economy. The private sector is small and dominated by services. Initiatives to strengthen the private sector such as tax and investment reforms have been slow to develop. As a result, both the economy and employment have remained stagnant for most of the period under the amended Compact and expected to remain so in the near future.

RMI

After a weak start in the first year of the amended Compact in 2004, when economic growth was stagnant, the next three years (2005-2007) saw positive growth averaging 2.6 percent as the RMI adjusted to the Compact. In 2008 and 2009, growth turned negative, as it did in many countries during this period because of the onset of the global recession. However, 2010 turned out to be a particularly favorable year for the RMI, with strong economic growth of 5.6 percent, resulting from low inflation and expansion in the fisheries sector. Economic performance in 2011 was lackluster, while 2012 recorded a growth rate of 3.2 percent, reflecting increases in copra, fisheries and education.[4]

Employment data shows that the economy generated a number of additional jobs, amounting to 0.6 percent per annum during the amended Compact (2004-2012). Both the private and public sectors have grown, despite declines at the Kwajalein military base. However, the creation of additional jobs has been insufficient to provide gainful employment opportunities for those seeking work, and emigration remains a way out for some of the population.

Going forward, debt service obligations, a tendency to continue to fund the state-owned enterprises (SOE) and declines in real Compact flows will contribute to a less accommodating fiscal environment.

[4] http://www.pitiviti.org/news/wp-content/uploads/downloads/2013/10/RMI_EconReview_FY12.pdf

Aware of the economic and financial challenges the RMI faces, the RMI leadership has initiated a series of reforms. The Comprehensive Adjustment Program (CAP) Advisory Group, and the Tax and Revenue Reform and Modernization Commission (TRAM) were created, and the reports of both of these groups were endorsed by the Cabinet. A report on the SOE sector was also initiated. The Asian Development Bank has supported these reforms and the World Bank has also been encouraging reform in information and communication technologies and a further set of legislation is under consideration.

Overall, economic growth during the amended Compact has been positive, averaging 1.5 percent a year. Looking ahead, the RMI economy faces the same challenges as its neighbor, the FSM, because of a limited market and isolation. A critical difference between the two economies is the Kwajalein army base which provides a steady source of income, although its civilian payroll has declined in recent years.

Palau

Palau has its own Compact with the United States which took effect in 1994 and its first 15-year financial package ended in 2009. The second 15-year financial package of the Compact with Palau starting in 2010 is pending Congressional approval. Meanwhile, the terms of the Compact with Palau apply and monitoring its economic and financial progress is a part of the ongoing work of the Office of Insular Affairs.

Palau has generally maintained a prudent fiscal policy. However, with the onset of the global economic recession in 2008 and 2009, the fiscal balance turned negative. With the recovery in 2011, the government recorded a surplus and a small deficit in 2012. While the fiscal position has generally returned to be favorable, the government accumulated a sizeable short term debt during the economic downturn. While much of this has been paid, a significant proportion remains.

A major feature of the original Compact with Palau was the creation of a Compact Trust Fund (CTF) for the people of Palau. It was intended to provide cash infusion to the Palauan treasury while the Compact remains in force. Some funds provided in the second financial package of the Compact with Palau are to supplement the cash flow from the CTF. If the financial package pending before the Congress is approved, current projections suggest a strong likelihood that the CTF will achieve its original objectives.

Given the diversity of challenges the insular areas face, the Office of Insular Affairs contributes as much value to their economies as our Office's resources allow. The Office strives to empower insular communities so they can overcome these challenges and seize upon opportunities as they arise. The Office will pursue strategies that foster economic development, lead to the adoption of sustainable energy solutions, promote sound financial management in the insular governments, and improve the quality of life for islanders while respecting and preserving their native cultures.

2. Budget Highlights

The proposed 2015 OIA budget is $678.1 million, an increase of $37.4 million and no increase in FTE from the 2014 enacted level.

Total 2015 Budget Request
(Dollars in Thousands)

Budget Authority	2013Actual	2014 Enacted	2015 President's Budget	2015 Change from 2014
Current Discretionary	59,942	61,574	64,525	+2,951
Current Mandatory	40,867	40,867	27,720	-13,147
Total Current	**100,809**	**102,441**	**92,245**	**-10,196**
Permanent	546,966	538,242	585,882	+47,640
Total OIA	**647,775**	**640,683**	**678,127**	**+37,444**
*FTEs**	*37*	*40*	*40*	*0*

Note: The 2015 FTE estimate reflected in this table for the Assistance to Territories account is updated from the earlier estimate included in the *Appendix, Budget of the United States Government, Fiscal Year 2015*.

OIA's budget is divided into two major categories of funding – current and permanent appropriations. Most of OIA's budget reflects mandatory commitments to U.S.-affiliated insular areas and is permanently appropriated. In 2015, these commitments include an estimated $328.4 million for fiscal payments to Guam and the U.S. Virgin Islands and $257.5 million for payments under the Compacts of Free Association. Current appropriations of $92.2 million are requested in 2015, a decrease of $10.2 million from the 2014 level. Most of this decrease is due to the temporary Palau Compact extension of $13.1million not being proposed for 2015. The current appropriations request includes $64.5 million in discretionary funding and $27.7 million in mandatory funding.

Palau Compact of Free Association

On February 14, 2011, S. 343 was introduced in the Senate (S. 1268 in the 113th Congress) seeking to continue the U.S. Compact financial relationship with the Republic of Palau. Reaffirming the close partnership between the United States and the Republic of Palau, the bill represents a 15-year agreement that includes a $250 million package of assistance through 2024. Bill S. 1268 has not been enacted by the U.S. Congress to date; and, OIA is not requesting current appropriations for Palau Compact assistance in 2015. However, the 2015 budget assumes enactment of the Bill and thus includes permanent appropriations of $41.5 million for the Palau Compact.

The President's Management Agenda

The Department of the Interior supports the President's Management Agenda to cut waste and implement a government that is more responsive and open. The Office of Insular Affairs budget supports the Department's plan to build upon the Accountable Government Initiative through a set of integrated enterprise reforms designed to support collaborative, evidence-based resource management decisions;

efficient Information Technology (IT) Transformation; optimized programs, business processes, and facilities; and a network of innovative cost controlling measures that leverage strategic workforce alignment to realize an effective 21st Century Interior organization.

The FY 2015 President's Budget Request includes $97,200 for Office of Insular Affairs participation in the Department's IT Transformation efforts through the Department's Working Capital Fund. These funds will support IT Transformation project-level planning and coordination and the implementation of enterprise IT services.

The 2015 budget includes an increase of $78,000 to fund the review of indirect cost rate proposals for Office of Insular Affairs by the Office of Indirect Cost Services. The Office of Indirect Cost Services negotiates indirect cost rates with non-Federal entities including tribal governments, State and local governments, Insular governments, and nonprofit organizations that receive funding from the Department. In 2015, this activity will be funded from customer payments for services based on the number of proposals reviewed and will be direct billed through the DOI Working Capital Fund. This activity was previously funded in the Departmental Operations Appropriation.

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Budget at a Glance

B. Bureau-Level Tables

1.

FY 2015 Budget at a Glance Office of Insular Affairs *(Dollars in Thousands)*	2013 Actual	2014 Enacted	Fixed Costs & Related Changes	Program Changes	2015 Request
Assistance to Territories					
American Samoa Operations	22,706	22,752	0	0	22,752
Covenant Grants	27,720	27,720	0	0	27,720
Territorial Assistance					
Office of Insular Affairs	8,768	9,448	+18	+313	9,779
General Technical Assistance	12,475	14,504	0	+3,000	17,504
Maintenance Assistance	740	1,081	0	+1,776	2,857
Brown Treesnake Control	2,994	3,500	0	-500	3,000
Coral Reef Initiative	998	1,000	0	0	1,000
Empowering Insular Communities	2,965	2,971	0	0	2,971
Compact Impact Disc.	4,990	3,000	0	-1,656	1,344
Total, Assistance to Territories	**84,356**	**85,976**	**+18**	**+2,933**	**88,927**
Compact of Free Association - Current					
Federal Services	2,808	2,818	0	0	2,818
Enewetak	498	500	0	0	500
Palau Compact Extension	13,147	13,147	0	-13,147	0
Total, Compact of Free Association - Current	**16,453**	**16,465**	**0**	**-13,147**	**3,318**
Total Current Discretionary/Mandatory	**100,809**	**102,441**	**+18**	**-10,214**	**92,245**
Compact of Free Association					
Marshall Islands Compact	68,090	71,525	0	+4,247	75,772
Federated States of Micronesia Compact	106,663	107,950	0	+1,843	109,793
Palau Compact (Legislative Proposal)	0	0	0	+41,545	41,545
Federal Services Permanent					*[1,500]*
Compact Impact	30,000	30,000	0	0	30,000
Judicial Training	347	350	0	+5	355
Total Compact (Permanent)	**205,100**	**209,825**	**0**	**+47,640**	**257,465**
Fiscal Payments					
Guam Section 30 Income Taxes	78,736	65,287	0	0	65,287
VI Rum Excise Taxes	263,130	263,130	0	0	263,130
Total, Fiscal Payments (Permanent)	**341,866**	**328,417**	**0**	**0**	**328,417**
Grand Total - Office of Insular Affairs	**647,775**	**640,683**	**+18**	**+37,426**	**678,127**

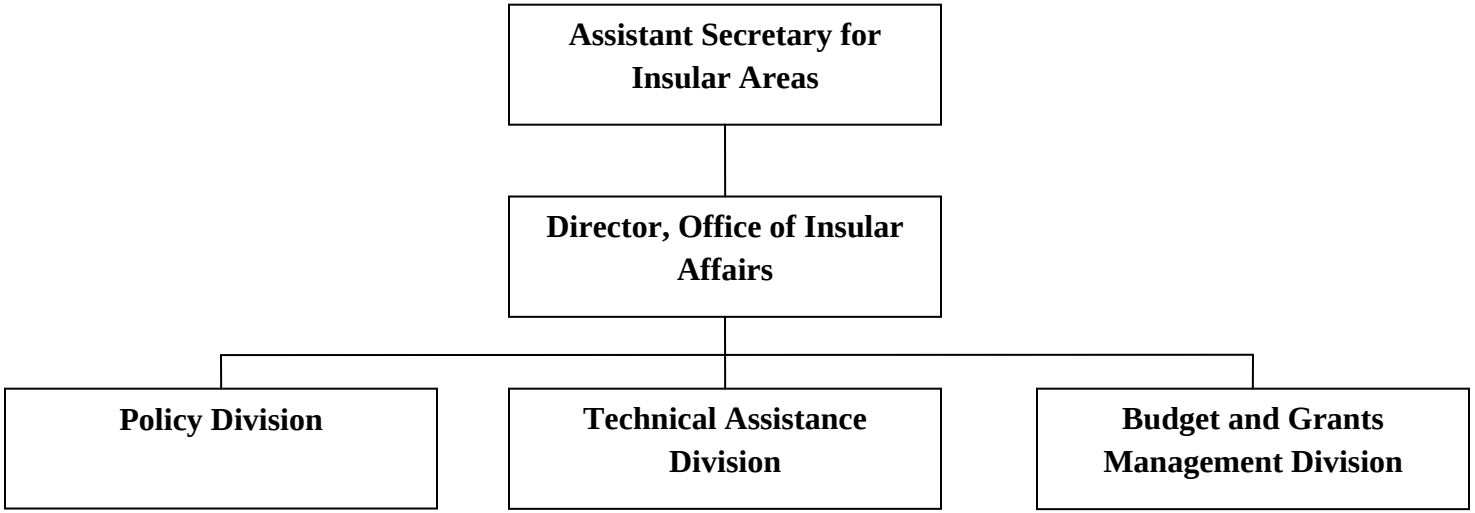
2.

Office of Insular Affairs
2013 Funding (Budget Authority) by Activity and Insular Area
$(000)

Activity	Am Samoa	CNMI	Guam	USVI	FSM	RMI	Palau	Hawaii	DC	Other	Total
Assistance to Territories											
American Samoa Operations	22,706										**22,706**
Covenant Grants	9,964	8,732	6,128	2,896							**27,720**
Office of Insular Affairs	195	2		130	51	101		645	7,278	366	**8,768**
General Technical Assistance	267	1,140	529	1,301		1,688	44	621	1,854	5,031	**12,475**
Maintenance Assistance		13	200		261	179				87	**740**
Brown Treesnake Control		404	200					1,243		1,147	**2,994**
Coral Reef Initative		41		150	250			156	19	382	**998**
Empowering Insular Communities	1,543	1,422									**2,965**
Compact Impact Discretionary	2	321	2,800					1,867			**4,990**
Total, Assistance to Territories	*34,677*	*12,075*	*9,857*	*4,477*	*562*	*1,968*	*44*	*4,532*	*9,151*	*7,013*	***84,356***
Compact of Free Association - Current											
Federal Services							308			2,500	**2,808**
Palau Program Grant Assistance							2,000				**2,000**
Enewetak						498					**498**
Palau Compact Extension							11,147				**11,147**
Total, Compact of Free Association - Current	*0*	*0*	*0*	*0*	*0*	*498*	*13,455*	*0*	*0*	*2,500*	***16,453***
Total Current Discretionary/Mandatory	**34,677**	**12,075**	**9,857**	**4,477**	**562**	**2,466**	**13,499**	**4,532**	**9,151**	**9,513**	**100,809**
Compact of Free Association											
Marshall Islands Compact						68,090					**68,090**
Federated States of Micronesia Compact					106,663						**106,663**
Palau Compact											**0**
Compact Impact	14	1,930	16,827					11,229			**30,000**
Judicial Training										347	**347**
Total, Compact (Permanent)	*14*	*1,930*	*16,827*	*0*	*106,663*	*68,090*	*0*	*11,229*	*0*	*347*	***205,100***
Fiscal Payments											
Guam Section 30 Income Taxes			78,736								**78,736**
VI Rum Excise Taxes				263,130							**263,130**
Total, Fiscal Payments (Permanent)	*0*	*0*	*78,736*	*263,130*	*0*	*0*	*0*	*0*	*0*	*0*	***341,866***
Total Permanent Mandatory	**14**	**1,930**	**95,563**	**263,130**	**106,663**	**68,090**	**0**	**11,229**	**0**	**347**	**546,966**
Grand Total - Office of Insular Affairs	**34,691**	**14,005**	**105,420**	**267,607**	**107,225**	**70,556**	**13,499**	**15,761**	**9,151**	**9,860**	**647,775**

3.

Organization Chart
Office of Insular Affairs



4. Goal Performance Table

Mission Area 2: Strengthening Tribal Nations and Insular Communities
Goal #2: Empower Insular Communities

Strategic Plan Performance Measures		2010 Actual	2011 Actual	2012 Actual	2013 Target	2013 Actual	2014 Target	2015 Target
Strategy #1: Improve Quality of Life								
Percent of Community Water Systems (CWS) that receive health-based violation notices from the U.S. Environmental Protection Agency		**11.4%**	**14.8%**	**13.5%**	**9.9%**	**18.9%**	**9.9%**	**9.9%**
	CWS In Violation	17	23	20	16	28	17	17
	Total CWS	149	155	148	161	148	148	148
Residential cost per kilowatt hour for power in the US territories compared to the national average		**N/A**	**N/A**	**3.1X**	**N/A**	**3.1X**	**2.0X**	**2.0X**
	Territories Avg Cost kWh	N/A	N/A	$ 0.34	N/A	$ 0.37	$ 0.24	$ 0.37
	National Avg Cost kWh	N/A	N/A	$ 0.11	N/A	$ 0.12	$ 0.12	$ 0.12
Percent of schools in acceptable condition based on specified safety and functionality standards.		**N/A**	**N/A**	**N/A**	**N/A**	**38%**	**60%**	**60%**
	Buildings In Acceptable Condition	N/A	N/A	N/A	N/A	701	1,120	1,120
	Total Buildings	N/A	N/A	N/A	N/A	1,866	1,866	1,866
Strategy #2: Create Economic Opportunity								
Mean GDP per capita in the 4 US Territories compared to the real GDP per capita for the U.S.		**52.3%**	**53.0%**	**50.5%**	**N/A**	**47.4%**	**60.0%**	**60.0%**
	Avg. Per Capita GDP Territories	$ 21,707	$ 22,430	$ 21,627	N/A	$ 20,483	$ 25,942	$ 25,942
	Avg. Per Capita GDP US	$ 41,497	$ 42,310	$ 42,831	N/A	$ 43,236	$ 43,236	$ 43,236
Strategy #3: Promote Efficient and Effective Governance								
Number of insular governments with on-time and unqualified single audits.		**2**	**2**	**3**	**4**	**3**	**4**	**4**

Summary of Requirements

II. Account-Level Presentation

A. Summary of Requirements

1.

OFFICE OF INSULAR AFFAIRS
ASSISTANCE TO TERRITORIES

2015 Summary of Requirements
(Dollars in Thousands)

Activity/Subactivity	2013 Actual		2014 Enacted		Fixed Costs & Related Changes		Program Changes		2015 Request		Change from 2014 (+/-)	
	FTE	Amount	*FTE*	Amount	*FTE*	Amount	*FTE*	Amount	*FTE*	Amount	*FTE*	Amount
ASSISTANCE TO TERRITORIES												
1. American Samoa Operations	2	22,706	2	22,752	-	-	-	-	2	22,752	-	-
2. Covenant Grants - Mandatory												
Northern Mariana Islands Construction	-	8,732	-	8,815	-	-	-	750	-	9,565	-	750
American Samoa Construction	-	9,964	-	10,047	-	-	-	(750)	-	9,297	-	(750)
Guam Construction	-	6,128	-	5,878	-	-	-	(83)	-	5,795	-	(83)
Virgin Islands Construction	-	2,896	-	2,980	-	-	-	83	-	3,063	-	83
Total, Covenant Grants	-	27,720	-	27,720	-	-	-	-	-	27,720	-	-
3. Territorial Assistance												
Office of Insular Affairs	34	8,768	38	9,448	-	18	-	313	38	9,779	-	331
General Technical Assistance	1	12,475	-	14,504	-	-	-	3,000	-	17,504	-	3,000
Maintenance Assistance Fund	-	740	-	1,081	-	-	-	1,776	-	2,857	-	1,776
Brown Tree Snake Control	-	2,994	-	3,500	-	-	-	(500)	-	3,000	-	(500)
Coral Reef Initiative	-	998	-	1,000	-	-	-	-	-	1,000	-	-
Empowering Insular Communities	-	2,965	-	2,971	-	-	-	-	-	2,971	-	-
Compact Impact - Discretionary	-	4,990	-	3,000	-	-	-	(1,656)	-	1,344	-	(1,656)
Total, Territorial Assistance	35	33,930	38	35,504	-	18	-	2,933	38	38,455	-	2,951
TOTAL, ASSISTANCE TO TERRITORIES	**37**	**84,356**	**40**	**85,976**	**-**	**18**	**-**	**2,933**	**40**	**88,927**	**-**	**2,951**

Note: The 2015 FTE estimate reflected in this table for the Assistance to Territories account is updated from the earlier estimate included in the *Appendix, Budget of the United States Government, Fiscal Year 2015*.

2.

OFFICE OF INSULAR AFFAIRS
COMPACT OF FREE ASSOCIATION - CURRENT APPROPRIATION

2015 Summary of Requirements
(Dollars in Thousands)

	2013 Actual		2014 Enacted		Fixed Costs & Related Changes		Program Changes		2015 Request		Change from 2014 (+/-)	
	FTE	Amount	*FTE*	Amount	*FTE*	Amount	*FTE*	Amount	*FTE*	Amount	*FTE*	Amount
COMPACT OF FREE ASSOCIATION - CURRENT												
1. Federal Services	-	2,808	-	2,818	-	-	-	-	-	2,818	-	-
2. Enewetak	-	498	-	500	-	-	-	-	-	500	-	-
3. Palau Compact Extension	-	13,147	-	13,147	-	-	-	(13,147)	-	-	-	(13,147)
TOTAL, COMPACT - CURRENT	**-**	**16,453**	**-**	**16,465**	**-**	**-**	**-**	**(13,147)**	**-**	**3,318**	**-**	**(13,147)**

3.

COMPACT OF FREE ASSOCIATION - PERMANENT APPROPRIATION

2015 Summary of Requirements

(Dollars in Thousands)

Activity/Subactivity	2013 Actual FTE	2013 Actual Amount	2014 Enacted FTE	2014 Enacted Amount	Fixed Costs and Related Changes FTE	Fixed Costs and Related Changes Amount	Program Changes FTE	Program Changes Amount	2015 Request FTE	2015 Request Amount	Change from 2014 (+/-) FTE	Change from 2014 (+/-) Amount
COMPACT OF FREE ASSOCIATION - PERMANENT												
Assistance to the Marshall Islands:												
Sector Grants		35,523		37,525		0		52		37,577		52
Audit		500		500		0		0		500		0
Trust Fund		13,307		13,985		0		832		14,817		832
Rongelap Resettlement		0		0		0		0		0		0
Kwajalein Lease Payment		17,256		18,000		0		3,337		21,337		3,337
Enewetak		1,504		1,515		0		26		1,541		26
Subtotal, Marshall Islands Assistance	-	68,090	-	71,525	-	0	-	4,247	-	75,772	-	4,247
Assistance to the Federated States of Micronesia (FSM)												
Sector Grants		81,169		81,345		0		447		81,792		447
Trust Fund		24,994		26,105		0		1,396		27,501		1,396
Audit		500		500		0		0		500		0
Subtotal, FSM Assistance	-	106,663	-	107,950	-	0	-	1,843	-	109,793	-	1,843
Compact Impact		30,000		30,000		0		0		30,000		0
Judicial Training		347		350		0		5		355		5
Total, FSM/Marshalls Compact (Permanent)	-	205,100	-	209,825	-	0	-	6,095	-	215,920	-	6,095
Assistance to the Republic of Palau												
Section 211 (Government Operations)		0		0		0		0		0		0
Section 215 (Inflation Adjustment)		0		0		0		0		0		0
Palau Legislative Proposal*		0		0		0		41,545		41,545		41,545
Subtotal, Assistance to the Republic of Palau	-	0	-	0	-	0	-	41,545	-	41,545	-	41,545
TOTAL, COMPACT, Permanent	**-**	**205,100**	**-**	**209,825**	**-**	**0**	**-**	**47,640**	**-**	**257,465**	**-**	**47,640**

*Assumes enactment of the amended Palau Compact in 2015.

B. Fixed Costs and Related Changes

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

Fixed Cost Changes and Projections	2014 Total or Change	2014 to 2015 Change
Change in Number of Paid Days	+0	+0
This column reflects changes in pay associated with the change in the number of paid days between the CY and BY. In years where there is no change in paid days, the salary impact will be zero.		
Pay Raise	+40	+58
The change reflects the salary impact of a programmed one percent pay raise increase as proposed in the Circular A-11.		
Employer Share of Federal Health Benefit Plans	+3	+4
The change reflects expected increases in employer's share of Federal Health Benefit Plans.		
Departmental Working Capital Fund	+72	-49
The change reflects expected changes in the charges for centrally billed Department services and other services through the Working Capital Fund. These charges are displayed in the Budget Justification for Department Management.		
Worker's Compensation Payments	+0	+0
The adjustment is for changes in the costs of compensating injured employees and dependents of employees who suffer accidental deaths while on duty. Costs for the BY 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.		
Unemployment Compensation Payments	+0	+0
The adjustment is for 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.		
Rental Payments	+214	+5
The adjustment is for changes in the costs payable to General Services Administration (GSA) and others resulting from changes in rates for office and non-office space as estimated by GSA, as well as the rental costs of other currently occupied space. These costs include building security; in the case of GSA space, these are paid to 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.		
Total, Fixed Costs OIA	+329	+18

Language Citations

C. Language Citations

1. Appropriation Changes

ASSISTANCE TO TERRITORIES

For expenses necessary for assistance to territories under the jurisdiction of the Department of the Interior and other jurisdictions identified in section 104(e) of Public Law 108-188, [$85,976,000]$88,927,000, of which: (1)[$76,528,000]$79,148,000 shall remain available until expended for territorial assistance, including general technical assistance, maintenance assistance, disaster assistance, coral reef initiative activities, and brown tree snake control and research; grants to the judiciary in American Samoa for compensation and expenses, as authorized by law (48 U.S.C. 1661(c)); grants to the Government of American Samoa, in addition to current local revenues, for construction and support of governmental functions; grants to the Government of the Virgin Islands as authorized by law; grants to the Government of Guam, as authorized by law; and grants to the Government of the Northern Mariana Islands as authorized by law (Public Law 94-241; 90 Stat. 272); and (2)[$9,448,000]$9,779,000 shall be available until September 30, 2016, 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).

COMPACT OF FREE ASSOCIATION

For grants and necessary expenses, $3,318,000, to remain available until expended, as provided for in section 221(a)(2) 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.

ADMINISTRATIVE PROVISIONS (Including transfer of funds)

At the request of the Governor of Guam, the Secretary may transfer discretionary funds or mandatory funds provided under section 104(e) of Public Law 108-188 and Public Law 104-134, that are allocated for Guam, to the Secretary of Agriculture for the subsidy cost of direct or guaranteed loans, plus not to

exceed three percent of the amount of the subsidy transferred for the cost of loan administration, for the purposes authorized by the Rural Electrification Act of 1936 and section 306(a)(1) of the Consolidated Farm and Rural Development Act for construction and repair projects in Guam, and such funds shall remain available until expended: Provided, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: Provided further, That such loans or loan guarantees may be made without regard to the population of the area, credit elsewhere requirements, and restrictions on the types of eligible entities under the Rural Electrification Act of 1936 and section 306(a)(1) of the Consolidated Farm and Rural Development Act: Provided further, That any funds transferred to the Secretary of Agriculture shall be in addition to funds otherwise made available to make or guarantee loans under such authorities.

2. Authorizations

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

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

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

(4) Northern Mariana Islands. On March 24, 1976, the President signed a joint resolution of Congress approving the "Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political

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

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

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

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

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

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American Samoa Operations

III. Activity/Subactivity-Level Presentation

A. American Samoa Operations

Activity: American Samoa Subactivity: American Samoa Operations $(000)						
			2015			
	2013 Actual	2014 Enacted	Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	Change from 2014 (+/-)
General Operations	21,852	21,897	0	0	21,897	0
High Court	854	855	0	0	855	0
Total Requirements	**22,706**	**22,752**	**0**	**0**	**22,752**	**0**
FTE	2	2	0	0	2	0

PROGRAM OVERVIEW

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

A secondary objective of this program activity is to promote self-sufficiency. In this regard, the Department's policy is to maintain the operations grant at a constant level, thus requiring American Samoa to absorb the costs of inflation or costs associated with the growing population. Over the years, American Samoa has assumed an increasing percentage of the total costs of government operations. The American Samoa Operations funding provided currently represents approximately 15 percent of ASG's General Fund revenue and 12 percent of the LBJ Hospital's revenue.

FY 2000 Tobacco Loan and Fiscal Reform Plan: In response to a proposal from the American Samoa Government, Congress enacted legislation authorizing American Samoa to receive a direct Federal loan

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

2015 PROGRAM PERFORMANCE

American Samoa plans to accomplish the following in 2015:

- Provide financial reports for quarter ending September 30, 2014.
- Provide financial reports for quarter ending December 31, 2014.
- Provide financial reports for quarter ending March 31, 2015.
- Provide financial reports for quarter ending June 30, 2015.

The following chart reflects the ASG's operations funding priorities for 2013, 2014 and 2015:

Funding Category	**2013**	**2014**	**2015**
	Award	Proposed Award	Proposed Award
Basic (DOE) Operations	$12,594,000	$12,639,000	$12,639,000
LBJ Hospital Operations	$7,900,000	$7,900,000	$7,900,000
ASCC Operations	$1,358,000	$1,358,000	$1,358,000
High Court	$854,000	$855,000	$855,000
Total	**$22,706,000**	**$22,752,000**	**$22,752,000**

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

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

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Covenant CIP Grants

B. Covenant CIP Grants Summary

Activity: CNMI/Covenant Grants $(000)						
SUMMARY TABLE						
			2015			
	2013 Actual	**2014 Enacted**	**Fixed Costs & Related Changes (+/-)**	**Program Changes (+/-)**	**Budget Request**	**Change from 2014 (+/-)**
CNMI Construction	8,732	8,815	0	+750	9,565	+750
American Samoa Construction	9,964	10,047	0	-750	9,297	-750
Guam Construction	6,128	5,878	0	-83	5,795	-83
Virgin Islands Construction	2,896	2,980	0	+83	3,063	+83
Totals	**27,720**	**27,720**	**0**	**0**	**27,720**	**0**
FTEs	0	0	0	0	0	0

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

Beginning with 2005, OIA implemented a new competitive allocation system for the $27.72 million in mandatory Covenant CIP grants. It is based on a premise that all funds will be used for capital needs in the U.S. territories. This new process offers the U.S. insular area governments an opportunity to compete each year for a portion of the guaranteed funding in addition to other assistance or local funding that might be available. The territories are asked to submit capital improvement requests within a range of $2 million both above and below base (target) level funding.

Base level funding was established on the basis of historic trends in 2005 when the competitive allocation system was implemented. It was adjusted for 2012 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 2012 Baseline Covenant Funding
($000)

CNMI	10,648
American Samoa	10,047
Guam	4,545
U.S. Virgin Islands	2,480
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 Covenant CIP Funding

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

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

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

While the total available for funding stays constant ($27.72 million), allocations will vary from year to year depending upon the performance of each insular government with respect to the above competitive criteria. A change in an annual allotment does not necessarily indicate deterioration in performance. It instead recognizes those governments whose performance has increased during a fiscal year. For example, the 2015 request for Guam increased $1,250,000 over the baseline funding in the competitive process because it scored above the average of the insular areas on the ten criteria.

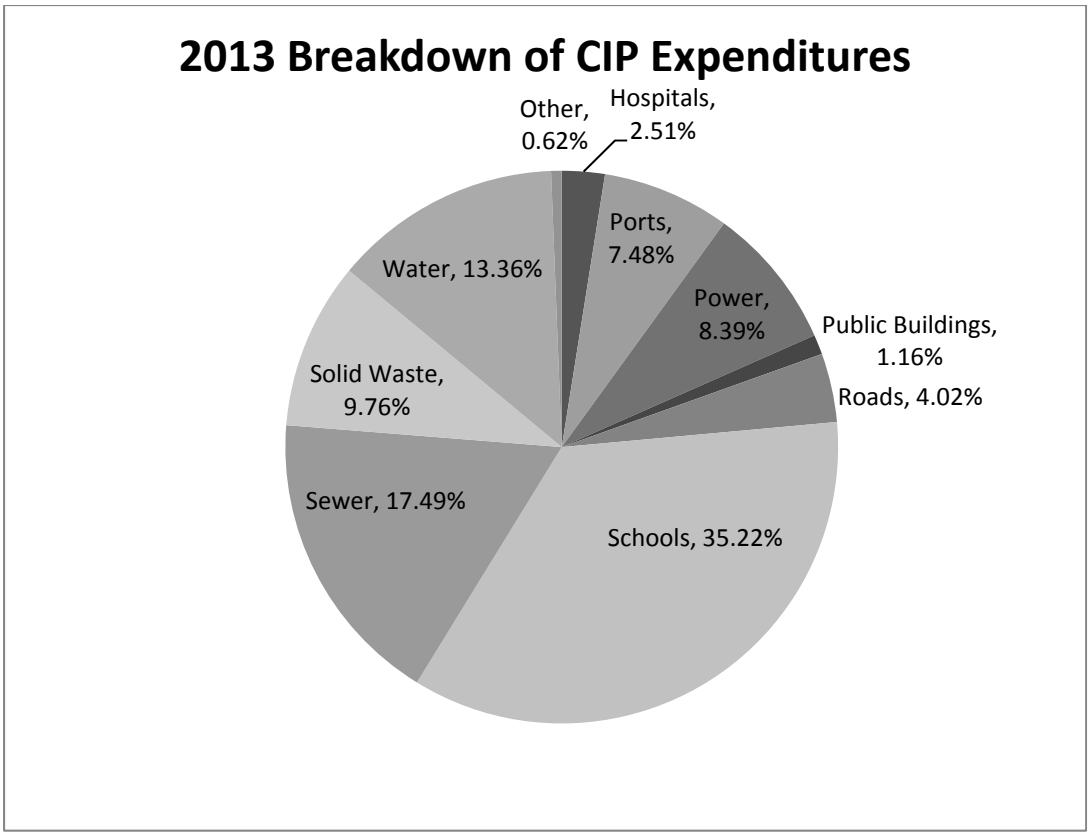
The competitive allocation system is applied to the $27.72 million in CIP funds using a point method. The territories are given a score on each of the above criteria. The criteria themselves are ranked so that those considered more significant would receive a higher weight than those considered less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

The following chart reflects the baseline distribution along with adjustments made to 2014 and 2015 requests based on each insular government's score on the competitive criteria.

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

Territory	Baseline Funding	FY 2014 +/- Baseline	FY 2015 +/- Baseline	Total FY 2014	Total FY 2015	Diff +/- 2014
CNMI	10,648	-1,833	-1,083	8,815	9,565	+750
American Samoa	10,047	0	-750	10,047	9,297	-750
Guam	4,545	+1,333	+1,250	5,878	5,795	-83
Virgin Islands	2,480	+500	+583	2,980	3,063	+83
Total	27,720	0	0	27,720	27,720	0

Covenant Capital Improvement Project funds address a variety of infrastructure needs in the U.S. territories including critical infrastructure such as hospitals, schools, wastewater and solid waste systems. The pie chart below displays 2013 spending of CIP by category. The expenditures in the chart also include Compact Impact funding spent on infrastructure projects.


2013 Breakdown of CIP Expenditures
Other, 0.62%
Hospitals, 2.51%
Ports, 7.48%
Power, 8.39%
Public Buildings, 1.16%
Roads, 4.02%
Schools, 35.22%
Sewer, 17.49%
Solid Waste, 9.76%
Water, 13.36%

1.

Activity:	**CNMI/Covenant Grants**					
Subactivity:	**CNMI Construction** $(000)					
			2015			
	2013 Actual	**2014 Enacted**	**Fixed Costs & Related Changes (+/-)**	**Program Changes (+/-)**	**Budget Request**	**Change from 2014 (+/-)**
	8,732	8,815	0	+750	9,565	+750
FTEs	0	0	0	0	0	0

SUMMARY OF 2015 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
CNMI Construction	+750	0

JUSTIFICATION OF 2015 PROGRAM CHANGES

The 2015 budget request for CNMI Construction is $9.565 million, a program increase of $750,000 with no change in FTE from the 2014 enacted level. The budget request was calculated utilizing the CIP selection criteria and methods below. The process is further described in the beginning of this section (see Activity: CNMI/Covenant Grants summary section).

Beginning with 2005, OIA implemented a new competitive allocation system for the $27.72 million in mandatory Covenant CIP grants. It is based on a premise that all funds will be used for capital improvement needs in the U.S. territories. This new process offers the U.S. insular area governments an opportunity to compete each year for a portion of the guaranteed funding in addition to other assistance or local funding that might be available. The territories are asked to submit capital improvement requests within a range of $2 million both above and below base (target) level funding.

Base level funding was established on the basis of historic trends in 2005 when the competitive allocation system was implemented. It was adjusted for 2012 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.

CNMI Baseline Funding……	$10,648,000
Results from Competitive Process…….	- $1,083,000
Programmed funding for 2015……...……	$ 9,565,000

PROGRAM OVERVIEW

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

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

2015 PROGRAM PERFORMANCE

This past year saw substantial progress on several CIP funded infrastructure projects in the CNMI. The Water Task Force (WTF), thru the ongoing Leak Detection and Repair project, continued to increase the percentage of Saipan residents with 24 hour water (96 percent). The Northern Mariana College Facilities Improvement project was nearly completed along with several maintenance projects of CNMI government facilities. The Commonwealth Utilities Corporation (CUC) completed several additional power projects intended to comply with Stipulated Order II, as required by the U.S. EPA and the U.S. Justice Department.

The requested $9.565 million for 2015 will be used to continue meeting critical infrastructure needs in the CNMI similar to previous years. Funds will be used for improvements to economic development, solid waste, maintenance, and education infrastructure. The proposed projects to be funded in 2015 are briefly explained below.

The CNMI has put an emphasis on developing solid waste infrastructure in recent years. In 2015, $6.1 million would be allocated towards the Puerto Rico Dump closure project mandated by EPA. In addition,

$1 million each would be allocated to the Tinian and Rota Solid Waste projects which are intended to provide environmentally compliant disposal facilities for the islands' residents.

For the first time $1 million would be used for maintenance of CNMI Public Schools as a follow up to OIA's Insular Assessment of Buildings and Classrooms (ABCs) initiative.

Finally, $500,000 would be used to address the continuing routine maintenance needs of CNMI's infrastructure.

The following chart reflects the CNMI's funding priorities for 2013, 2014 and 2015:

Funding Category	**2013**	**2014**	**2015**
	Award	Proposed Award	Proposed Award
Economic Development	$6,183,000	$2,000,000	$6,065,000
Solid Waste		$4,300,000	$2,000,000
Maintenance	$374,000	$515,000	$500,000
Water	$2,175,000		
Education		$2,000,000	$1,000,000
Total	**$8,732,000**	**$8,815,000**	**$9,565,000**

2.

Activity:	**CNMI/Covenant Grants**					
Subactivity:	**American Samoa Construction** $(000)					
			2015			
	2013 Actual	**2014 Enacted**	**Fixed Costs & Related Changes (+/-)**	**Program Changes (+/-)**	**Budget Request**	**Change from 2014 (+/-)**
	9,964	10,047	0	-750	9,297	-750
FTEs	0	0	0	0	0	0

SUMMARY OF 2015 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
American Samoa Construction	-750	0

JUSTIFICATION OF 2015 PROGRAM CHANGES

The 2015 budget request for American Samoa Construction is $9.3 million, a program decrease of $750,000 with no change in FTE from the 2014 enacted level.

Beginning with 2005, OIA implemented a new competitive allocation system for the $27.72 million in mandatory Covenant CIP grants. It is based on a premise that all funds will be used for capital improvement needs in the U.S. territories. This new process offers the U.S. insular area governments an opportunity to compete each year for a portion of the guaranteed funding in addition to other assistance or local funding that might be available. The territories are asked to submit capital improvement requests within a range of $2 million both above and below base (target) level funding.

Base level funding was established on the basis of historic trends in 2005 when the competitive allocation system was implemented. It was adjusted for 2012 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.

American Samoa Baseline Funding……..	$ 10,047,000
Results from competitive process…….	-$ 750,000
Proposed funding for 2015……..……..	$ 9,297,000

The 2015 allocation for American Samoa was calculated utilizing the CIP selection criteria and methods discussed further in the beginning of this section (see Activity: CNMI/Covenant Grants Summary Table section).

PROGRAM OVERVIEW

Until 1996, American Samoa received annual discretionary grants for capital improvement needs. These grants averaged approximately $5.0 million annually. During this time American Samoa fell further and further behind in keeping up with the infrastructure needs of a rapidly growing population. As a consequence, the people of the territory have been faced with increasing hardship and risk with regard to such basic needs as drinking water, medical services and education. In recognition of these severe problems, Congress enacted legislation in 1996 which directs a portion of the mandatory Covenant funds to be used to pay for critical infrastructure in American Samoa. The legislation required the development of a multi-year capital improvement plan. The plan was prepared by a committee appointed by the Governor of American Samoa. The Army Corps of Engineers served as technical advisors to the committee under an interagency agreement funded through the Office of Insular Affairs. This plan was transmitted to Congress on August 8, 1996. The Capital Improvement Master Plan is updated on an annual basis. All projects have been categorized into three general priority areas. First order priorities include health, safety, education, and utilities. Second order priorities include ports and roads. Third order priorities include industry, shoreline protection, parks and recreation and other government facilities. The objective of this program is to assist American Samoa in providing infrastructure to promote economic development and improve health, education and public safety.

2015 PROGRAM PERFORMANCE

Over the past year, several important Covenant CIP projects in American Samoa were completed including two classroom buildings for the Leone High School and the Petesa Happy Valley Village Road project. The LBJ Tropical Medical Center made steady progress on the renovation and expansion of the dialysis unit and upgrading the electrical system while the American Samoa Power Authority continued connecting homes to the main sewer system in Tualauta.

In addition, the American Samoa Power Authority made steady progress on replacing the deteriorated Tramway Water Tank which holds one million gallons while the American Samoa Community College started construction on its new Multipurpose Building that will be finished by January 2015.

The requested $9.3 million for 2015 will be used to continue meeting critical infrastructure needs in American Samoa similar to previous years. A total of $2 million of the 2015 request will be utilized to

design and renovate the Labor Delivery, Nursery, and Operating Suites at the LBJ Tropical Medical Center. The new facility will improve patient services and help the Medical Center meet life safety code requirements and requirements of the Centers for Medicare and Medicaid Services. The governor has requested that an additional $2 million be set aside for necessary upgrades to the MV Sili, a critical vessel that transports goods, services, and passengers to and from the Manu'a Islands. The upgrades are needed to ensure proper use, safety, and compliance with Coast Guard requirements.

The 2015 request includes a total of $500,000 for the purchase of heavy equipment for the Department of Public Works. The department is in need of a new backhoe, excavator, and street sweeper to provide proper maintenance to territorial roads.

Approximately $350,000 of the 2015 request will help the airport provide a 5 percent local match to grant funding awarded by the Federal Aviation Administration (FAA). The FAA annually awards approximately $9 to $11 million to American Samoa approximately for continued improvements to its airport. FAA grants are used for a wide variety of purposes, but mainly to construct and enlarge runways, provide necessary equipment, and build airport facilities.

The 2015 request includes setting aside 1 percent of the CIP grant to help fund a new CIP Administration Office within the American Samoa Government. The CIP Office will be responsible for overseeing and managing the CIP Program by ensuring that all projects comply with federal grant requirements.

The following chart reflects the ASG's funding priorities for 2013, 2014 and 2015:

Funding Category	**2013**	**2014**	**2015**
	Award	Award	Proposed Award
Health	$2,500,000	$2,500,000	$2,000,000
Education	-	$4,500,000	-
Econ. Development	$5,166,160	$1,019,180	$5,000,000
Water	-	$1,125,000	$594,180
Wastewater	-	-	-
Port	$400,000	$300,000	$350,000
Public Safety	$1,300,000	-	-
Roads	-	-	$500,000
Public Buildings	-	-	$295,000
Administration	$99,640	$100,470	$92,970
O&M Set-Aside	$498,200	$502,350	$464,850
Total	**$9,964,000**	**$10,047,000**	**$9,297,000**

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

3.

Activity:	**CNMI/Covenant Grants**					
Subactivity:	**Guam Construction** $(000)					
			2015			
	2013 Actual	**2014 Enacted**	**Fixed Costs & Related Changes (+/-)**	**Program Changes (+/-)**	**Budget Request**	**Change from 2014 (+/-)**
	6,128	5,878	0	-83	5,795	-83
FTEs	0	0	0	0	0	0

SUMMARY OF 2015 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Guam Construction	-83	0

JUSTIFICATION OF 2015 PROGRAM CHANGES

The 2015 budget request for Guam Construction is $5.8 million, a program decrease of $83,000 with no change in FTE from the 2014 enacted level. The request amount was calculated utilizing the CIP selection criteria and methods below. The process is further described in the beginning of this section (see Activity: CNMI/Covenant Grants summary section).

Beginning with 2005, OIA implemented a new competitive allocation system for the $27.72 million in mandatory Covenant CIP grants. It is based on a premise that all funds will be used for capital improvement needs in the U.S. territories. This new process offers the U.S. insular area governments an opportunity to compete each year for a portion of the guaranteed funding in addition to other assistance or local funding that might be available. The territories are asked to submit capital improvement requests within a range of $2 million both above and below base (target) level funding.

Base level funding was established on the basis of historic trends in FY 2005 when the competitive allocation system was implemented. It was adjusted for FY 2012 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.

Guam Baseline Funding……	$4,545,000
Results from competitive process…….	+ $1,250,000
Proposed funding for 2015……..…….	$5,795,000

PROGRAM OVERVIEW

Legislation enacted in 1996 established a minimum six-year Covenant Capital Infrastructure Project (CIP) program for Guam as impact aid resulting from Micronesian immigration authorized in the Compacts of Free Association. Beginning in 2004 however, funding for impact aid for Guam is authorized and appropriated under the Compact of Free Association Amendments Act of 2003 (P.L. 108-188). Therefore, funds provided in 2005 and future years under this subactivity will be utilized for priority capital improvement projects in Guam and are in addition to Guam's allocated share of impact aid.

2015 PROGRAM PERFORMANCE

CIP funded infrastructure projects on Guam made substantial progress this past year. The Northern Region Community Pool Complex and Fitness Trail has been completed. Construction of the Central Guam Water Reservoir project is nearing completion as is the School Bus Procurement project. In addition, work continues on the Gregorio D. Perez Marina Renovation while the Wind Turbine project is in the procurement phase.

In 2015, Guam proposes to use its allocation of $5.8 million in CIP funding to address infrastructure needs in education, public health, parks, and procurement of public safety vehicles. The projects to be funded are briefly explained below.

The Department of Education will allocate $3 million for a central high school construction and collateral equipment project. The Guam Memorial Hospital Authority will allocate $1.5 million for a facilities repair and maintenance project. Parks and Recreation will allocate $1 million for a facilities repair and maintenance project and the Guam Police Department will allocate $500,000 for the procurement of police vehicles and motorcycles.

The chart below reflects Guam's funding priorities for 2013, 2014 and 2015:

Funding Category	**2013**	**2014**	**2015**
	Award	Proposed Award	Proposed Award
Education	$2,063,000	$2,278,000	$2,795,000
Public Health			$1,500,000
Public Buildings	$520,000		
Public Safety		$2,300,000	$500,000
Water			
Roads	$2,000,000		
Parks	$1,000,000	$1,300,000	$1,000,000
Maintenance	$545,000		
Total	**$6,128,000**	**$5,878,000**	**$5,795,000**

4.

Activity:	**CNMI/Covenant Grants**					
Subactivity:	**Virgin Islands Construction** $(000)					
			2015			
	2013 Actual	**2014 Enacted**	**Fixed Costs & Related Changes (+/-)**	**Program Changes (+/-)**	**Budget Request**	**Change from 2014 (+/-)**
	2,896	2,980	0	+83	3,063	+83
FTEs	0	0	0	0	0	0

SUMMARY OF 2015 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Virgin Islands Construction	+83	0

JUSTIFICATION OF 2015 PROGRAM CHANGES

The 2015 budget request for Virgin Islands Construction is $3.1 million, a program increase of $83,000 with no change in FTE from the 2014 enacted level.

Beginning with 2005, OIA implemented a new competitive allocation system for the $27.72 million in mandatory Covenant CIP grants. It is based on a premise that all funds will be used for capital improvement needs in the U.S. territories. This new process offers the U.S. insular area governments an opportunity to compete each year for a portion of the guaranteed funding in addition to other assistance or local funding that might be available. The territories are asked to submit capital improvement requests within a range of $2 million both above and below base (target) level funding.

Base level funding was established on the basis of historic trends in 2005 when the competitive allocation system was implemented. It was adjusted for 2012 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.

U.S. Virgin Islands Baseline Funding……..	$2,480,000
Results from competitive process…….	+$ 583,000
Proposed funding for 2015……..…….	$3,063,000

The 2015 allocation for the U.S. Virgin Islands was calculated utilizing the CIP selection criteria and methods which are discussed further in the beginning of this section (see Activity: CNMI/Covenant Grants Summary Table section).

PROGRAM OVERVIEW

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

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

2015 PROGRAM PERFORMANCE

CIP-funded infrastructure project in the U.S. Virgin Islands made substantial progress this past year. The Virgin Islands Waste Management Authority completed the repair of the Anguilla Collection System of 40 manholes and approximately 3,530 linear feet of sewer lines. The rehabilitation effort cleaned and reinforced the antiquated manholes and sewer lines adding 30 years to the collection system's useful life. The Waste Management Authority also made substantial progress in replacing the LBJ Force Main Wastewater Line on St. Croix. The force main is severely deteriorated and they are replacing approximately 2,000 linear feet of piping thereby preventing breaks and subsequent leaks into nearby rivers and the ocean.

Over the past year the U.S. Virgin Islands Public Works Department has made substantial progress on the Christiansted Boardwalk Project on St. Croix. The boardwalk is deteriorated and many of the structural lumbers have been splintered and are rotten. The Department of Public Works is replacing 20,430 square feet of wood decking and replacing the broken wooden rails to restore the boardwalk to its original condition and make a safe passageway for pedestrians visiting the nearby restaurants and businesses.

In 2015, the U.S. Virgin Islands proposes to use over $2 million to address Health and Safety Deferred Maintenance items identified in OIA's Insular Assessment of Buildings and Classroom (Insular ABCs) initiative. Specifically, they plan to use funding to address the condition of the electrical and fire alarm

systems within the public schools territory-wide. Fiscal year 2015 funding will also be used to make repairs to the mechanical and plumbing infrastructure within several public schools throughout the territory.

The U.S. Virgin Islands proposes to use approximately $900,000 in 2015 CIP funding for structural renovations of two public libraries on St. Croix and one on St. John. The Florence Williams, Athalie McFarlane Petersen, and Elaine Ione Sprauve public libraries are in need of structural renovations as well as technology upgrades and installation of library databases.

The following chart summarizes the U.S. Virgin Islands' funding priorities for 2013, 2014 and 2015:

Funding Category	**2013**	**2014**	**2015**
	Award	Award	Proposed Award
Economic Development	$2,016,000	-	-
Power	$480,000	$500,000	-
Public Safety	$400,000	$465,000	-
Health	-	$1,562,750	-
Transportation	-	$52,250	-
Education	-	$400,000	$2,479,999
Public Buildings	-	-	$583,001
Total	**$2,896,000**	**$2,980,000**	**$3,063,000**

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Territorial Assistance

C. Territorial Assistance

Activity: Territorial Assistance $(000)						
SUMMARY TABLE						
			2015			
	2013 Actual	**2014 Enacted**	**Fixed Costs & Related Changes (+/-)**	**Program Changes (+/-)**	**Budget Request**	**Change From 2014 (+/-)**
Office of Insular Affairs	8,768	9,448	+18	+313	9,779	+331
General Technical Assistance	12,475	14,504	0	+3,000	17,504	+3,000
Maintenance Assistance	740	1,081	0	+1,776	2,857	+1,776
Brown Tree Snake Control	2,994	3,500	0	-500	3,000	-500
Coral Reef Initiative	998	1,000	0	0	1,000	0
Empowering Insular Communities	2,965	2,971	0	0	2,971	0
Compact Impact Disc.	4,990	3,000	0	-1,656	1,344	-1,656
Total	33,930	35,504	+18	+2,933	38,455	+2,951
FTEs	35	38	0	0	38	0

The Territorial Assistance activity involves funding for two major functions. The first is salaries and expenses of the Office of Insular Affairs. The Office has oversight responsibility for more than $600 million in annual financial assistance. Its policy and assistance activities involve dealing with virtually every major Federal agency, as well as seven insular governments. The Office has been able to attain clean audit opinions for all annual financial statements prepared under requirements defined in the Chief Financial Officers Act. Good financial management and effective internal controls are stressed within the Office; however, in its report entitled "Opportunities Exist to Improve Interior's Grant Oversight and Reduce the Potential for Mismanagement" (GAO-10-347), GAO noted that OIA would be more effective with additional oversight resources.

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

1.

Activity:	**Territorial Assistance**					
Subactivity:	**Office of Insular Affairs (OIA)** $(000)					
			2015			
	2013 Actual	**2014 Enacted**	**Fixed Costs & Related Changes (+/-)**	**Program Changes (+/-)**	**Budget Request**	**Change from 2014 (+/-)**
	8,768	9,448	+18	+313	9,779	+331
FTEs	35	38	0	0	38	0

Note: The 2015 FTE estimate reflected in this table for the Assistance to Territories account is updated from the earlier estimate included in the *Appendix, Budget of the United States Government, Fiscal Year 2015*.

SUMMARY OF 2015 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Office of Insular Affairs	+313	0

JUSTIFICATION OF 2015 PROGRAM CHANGES

The 2015 budget request for the Office of Insular Affairs (OIA) is $9.8 million and 38 FTE, a net increase of $331,000 and no increase in FTE from the 2014 enacted level. The 2015 budget request for the Office of Insular Affairs includes $18,000 for fixed costs and related changes as well as a general program increase of $313,000. OIA is currently in the process of filling vacancies given increased budgetary certainty in 2014. Both OIG and GAO reports have stressed that the Office of Insular Affairs needs additional resources to provide adequate oversight for the Office's financial assistance resources.

The 2015 estimate includes an increase of $78,000 to fund the review of indirect cost rate proposals for the Office of Insular Affairs by the Office of Indirect Cost Services. The Office of Indirect Cost Services negotiates indirect cost rates with non-Federal entities including tribal governments, State and local governments, insular governments, and nonprofit organizations that receive funding from the Department. In 2015, this activity will be wholly funded within the DOI Working Capital Fund and direct billed to the bureaus and offices based on the number of proposals reviewed. The increase represents a base transfer

of $38,000 from the Departmental Operations Appropriation and an additional increase of $39,100 based on increased workload and backlog resolution.

PROGRAM OVERVIEW

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

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

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

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

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

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

2015 PROGRAM PERFORMANCE

In 2015, OIA will continue to pursue the Department's mission of empowering insular communities by executing activities which improve quality of life, create economic opportunity, and promote efficient and effective governance. Improvements to quality of life and economic opportunity are achieved in a variety of ways, including funding critical infrastructure such as schools, hospitals, roads, and environmental facilities. OIA also provides assistance to help the islands identify reforms to improve their business climates. Technical assistance is provided to help the insular areas become better stewards of Federal funds, and a number of grants are now awarded according to criteria that reward good fiscal management.

With financial assistance programs exceeding $600 million per year, OIA requires sufficient personnel resources to provide oversight of grants, including Compact and mandatory Covenant CIP funding. At the 2015 level of funding OIA will:

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

SECTION 404 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 as follows:

	2015
External Administrative Costs	
WCF Centralized Billings	$814,300
WCF Direct Billings/Fee for Service	$497,000

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

(Total Employment)*

	2013 Actual	2014 Estimate	2015 Estimate
SES	1	1	1
SL-0	1	1	1
GS-15	5	5	5
GS-14	7	6	6
GS-13	14	14	14
GS-12	5	3	5
GS-11	2	2	0
GS-10	0	0	0
GS-9	0	0	6
GS-8	0	0	1
GS-7	0	7	0
GS-6	1	0	0
GS-5	0	0	0
GS-4	1	1	1
GS-3	0	0	0
GS-2	0	0	0
Total Employment (actual/projected) at the end of the Fiscal Year	**37**	**40**	**40**

*Includes two American Samoa judges (SL-1 & GS-15)and one CNMI Ombudsman (GS-14) which are funded through the American Samoa Operations and General Technical Assistance programs not OIA's operations account.

Note: The 2015 FTE estimate reflected in this table for the Assistance to Territories account is updated from the earlier estimate included in the *Appendix, Budget of the United States Government, Fiscal Year 2015*.

2.

Activity:	**Territorial Assistance**					
Subactivity:	**General Technical Assistance** $(000)					
			2015			
	2013 Actual	**2014 Enacted**	**Fixed Costs & Related Changes (+/-)**	**Program Changes (+/-)**	**Budget Request**	**Change from 2014 (+/-)**
General Technical Assistance	12,475	14,504	0	+3,000	17,504	+3,000
FTEs	1	0	0	-1	0	0

SUMMARY OF 2015 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
General Technical Assistance	+3,000	-1

JUSTIFICATION OF 2015 PROGRAM CHANGES

The 2015 budget provides $17.5 million for General Technical Assistance. General Technical Assistance increases $3.0 million from the 2014 enacted level of $14.5 million. This increase provides $3.0 million in additional funding for much needed direct grants in the seven insular areas. A decrease of 1 FTE results from the closure of the CNMI Labor Ombudsman's Office in Saipan, CNMI.

PROGRAM OVERVIEW

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

The Secretary of the Interior is authorized to extend to the governments of American Samoa, Guam, the Northern Mariana Islands, the Virgin Islands, and the Trust Territory of the Pacific Islands, and their agencies and instrumentalities, with or without reimbursement, technical assistance on subjects within

the responsibility of the respective territorial governments. Such assistance may be provided by the Secretary of the Interior through members of his staff, reimbursements to other departments or agencies of the Federal Government under sections 1535 and 1536 of Title 31, grants to or cooperative agreements with such governments, agreements with Federal agencies or agencies of State or local governments, or the employment of private individuals, partnerships, or corporations. Technical assistance may include research, planning assistance, studies, and demonstration projects.

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

A major change that has occurred since the initial authorization of the technical assistance program is that the Administration has recognized that 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. For example, Close-Up Foundation grants, Junior Statesman grants, Pacific Basin Development Center grants, RMI 4 Atoll Healthcare Program, Prior Service Benefits program and Judicial Training are all funded through technical assistance each year.

The General 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. The program allows each government to identify pressing issues and priorities, and develop action plans to mitigate these problems. Direct grants and reimbursable agreements with technical assistance providers, both within and outside the Federal government, are key to implementation. Funded projects are focused to meet immediate needs in the short term and assist the governments in developing longer term solutions.

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.

2015 PROGRAM PERFORMANCE

In 2015, it is anticipated that approximately $9.9 million of the TAP funds will be utilized for grants provided directly to each insular area. In fiscal year 2013, OIA considered technical assistance requests totaling approximately $64 million. OIA technical assistance funds were not sufficient to meet these requests; approximately $12.5 million was awarded based upon 2013 appropriations. Please see the table on the following page.

Technical Assistance
Grant Awards 2013/Estimate for 2014 & 2015
(Dollars in Thousands)

Recipient	2013 Awards	2014 Estimate	2015 Estimate
Direct Grants to Insular Areas			
American Samoa	802	TBD	TBD
Northern Mariana Islands (CNMI)	1,029	TBD	TBD
Guam	632	TBD	TBD
U.S. Virgin Islands	1,139	TBD	TBD
Federated States of Micronesia (FSM)	137	TBD	TBD
Republic of the Marshall Islands (RMI)*	815	TBD	TBD
Republic of Palau	44	TBD	TBD
Total, Direct Grants to Insular Areas	**$4,598**	**$6,314**	**$10,014**
Other TAP (Provides Benefits to Multiple Insular Areas)	**2013 Awards**	**2014 Estimate**	**2015 Estimate**
Grad. School PITI VITI www.pitiviti.org -Includes FAS Compact area support projects	$2,500	$2,500	$2,500
U.S. Bureau of Commerce, BEA (for GDP data)	$750	$0	$750
Close Up Foundation	$1,100	$1,100	$1,100
NEPA review and Compliance for OIA grants ($248k funded from closure of prior year grants)	$37 *[$248]*	$250	$250
Junior Statesman	$494	$494	$494
Pacific Basin Development Council	$198	$198	$198
4 Atoll Health Care Program (RMI)	$1,028	$1,028	$1,028
Prior Service Benefits Program	$1,000	$800	$800
Judicial Training	$320	$320	$320
CDC	$50	$50	$50
CNMI Ombudsman's Office	$250	$0	$0
CNMI Immigration, Labor and Law Enforce. & Forum Economic Labor Dev. (FELD)	$150	$150	TBD
ABC Schools Initiative		$1,300	**
Total, Multiple Jurisdiction Programs	**$7,877**	**$8,190**	**$7,490**
Total, Technical Assistance Appropriations	**$12,475**	**$14,504**	**$17,504**

*Includes funds awarded for Runit Dome.

**ABCs Schools Initiative will be funded through the Maintenance Assistance Program in 2015.

OIA receives Technical Assistance requests through www.grants.gov under CFDA number 15.875.

Review meetings are held with senior staff and the Technical Assistance Division to review and discuss submissions made by each insular area. Input is solicited from OIA field staff and others as well. Projects are selected for funding based on the results of these meetings and information provided by the insular area governments.

General Technical Assistance funding priorities include, but are not limited to projects which foster the development of the insular areas in the following categories: accountability; financial management; tax systems and procedures; insular management controls; economic development; training/education; energy; public safety, cultural preservation, health, immigration, labor, and law enforcement.

Direct Grants to Insular Areas

In 2013, $4.6 million in Technical Assistance funds were provided to directly benefit the seven insular areas. Examples of awarded financial assistance includes:

- Coordinated and provided $888,000 to Health and Human Services in order to provide a team of specialists to assist the CNMI Commonwealth Health Center in addressing critical deficiencies;
- Provided $277,000 to Guam Community College for design of plans for buildings to better withstand typhoons, high winds, other storms;
- Provided $350,000 to American Samoa for development of Boardwalk plans for economic development;
- Provided $550,000 to USVI St. Thomas East End Medical Facility for necessary financial management improvements;
- Provided $200,000 to RMI for development of a feed mill for the Fish Farm Pilot Program; and
- Provided $136,000 to the FSM for audit/financial management/accountability training.

Examples of TAP crosscutting grants:

- U.S. Department of Commerce (BEA) $750,000 annually for GDP data for the U.S. Territories;
- Close Up Foundation $1.1 million annually for Civic Education of students in the 7 insular areas;
- Junior Statesman Foundation $494,000 annually for Civic Education of students in the 7 insular areas;
- 4 Atoll Healthcare Program $1.0 million annually to provide primary healthcare physicians and nurses and healthcare programs to nuclear affected residents in Enewetak, Bikini, Rongelap and Utrik in the Republic of the Marshall Islands (approximately 3,000 residents);
- Judicial Training Program $320,000 annually to provide training to Judges and Court Officials in the insular areas who are oftentimes not required to have law degrees in the insular areas;
- Graduate School USA approximately $2.5 million a year is provided for financial management and management training in the 7 insular areas, specific needed financial management assistance projects (such as compliance with the Single Audit Act), and Compact oversight financial management projects for the FAS; and

- Ongoing open grants fund NREL support of projects to lessen dependence on petroleum fuels and improve energy efficiencies in the 7 insular areas.

Statistical Improvement Program ***(GDP Project with U.S. Department of Commerce, Bureau of Economic Analysis (BEA))***

One of OIA's goals is to improve the quality and quantity of economic data in the territories. The first place to look for economic data is GDP data and there was no official GDP data for the U.S. 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. In 2013, OIA paid $750,000 to BEA to continue this project.

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

The first set of GDP estimates for the four territories was released on May 5, 2010, which covered the period of 2002-2007. Estimates for 2008 and 2009 were released in the spring and summer of 2011 and estimates for 2010 were released in the fall of 2012. GDP data for calendar year 2011 and 2012 was released in the fall of 2013; USVI data was released in August 2013; American Samoa in September 2013; and Guam and CNMI was released in December 2013. For the first time since the beginning of GDP releases for the territories, the GDP data for the 4 territories is current and consistent with the 50 States data. Data includes detailed consumer spending, GDP by industry and employee compensation by industry. These details provide useful information to both government and business. Additional details are available at the BEA web site which can be reached through the link below:

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. General 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 2013, the Technical Assistance program funded $1.0 million for medical professionals and needed medical supplies for the population of the 4 Republic of the Marshall Islands Atolls of Kili/Bikini, Enewetak/Ujelang, Rongelap/Mejatto Utrik, and Ejit.

- The funds provided a full time primary care physician to each of the four atolls to work in collaboration with a full time island based health assistant.
- Improve Access to Quality and Specialty Care Services; Reduce Inter-Island Referrals for Secondary Care; Improve Overall Health of the Communities Served; Utilize the full potential of our doctors for better delivery of service; Conduct drinking water quality test for presence of Pathogens.
- Through these goals they were able to replace one primary care physician; begin visual impairment screening by primary care physicians; Increase access to specialty clinics for diabetes, hypertension, well baby, and reproductive health; Improve maternal and child care programs.

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

Prior Service Benefits Program

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

OIA made available $1.0 million in 2013 to support the Prior Service Trust Fund Administration (PSTFA).

Commonwealth of the Northern Mariana Islands Immigration, Labor and Law Enforcement Program

The CNMI Initiative on Labor, Immigration and Law Enforcement was established by Congress 1995 to address immigration, labor, and related law enforcement problems in the Commonwealth of the Northern Mariana Islands. It was subsequently funded through the Covenant through 2004. Beginning in 2005, activities in support of the CNMI Initiative have been funded under General Technical Assistance due to the fact that the 2005 House of Representatives Report #108-542 requests that OIA continue the CNMI immigration initiative and the labor ombudsman office out of technical assistance funds. The CNMI

Initiative addresses immigration, labor and related law enforcement problems through a variety of means including reimbursable agreements with other Federal Agencies and grants funding labor, immigration, and law enforcement personnel within the Commonwealth's Office of the Attorney General and the Department of Labor. In 2013, the Department closed OIA's Ombudsman's Office in Saipan, CNMI.

In 2013, $150,000 in total was requested and provided to continue support for an Assistant U.S. Attorney (AUSA) positions in the Saipan Field Office. These AUSA positions are devoted entirely to enforcement of federal laws addressing the labor, immigration and law enforcement initiative.

Close Up Program

The Close Up Foundation has conducted the Close Up Insular Areas Program under a grant from the General Technical Assistance program since 1988. Close Up was provided $1.1 million in funds in 2013 and conducted civic education work with students, teachers and administrators from American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, the Federated States of Micronesia, the Republic of the Marshall Islands, the Republic of Palau, and the U.S. Virgin Islands.

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

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

The principal components of the Close Up Insular Areas Program were: High School Student participation in a week-long Close Up Washington High School civic education program; Participation by high school students and teachers from the Pacific Islands on additional study visits to Williamsburg, Virginia; Philadelphia, PA and New York, NY; Middle School Student participation in a Close Up Washington Middle School civic education program which may have included a Philadelphia study visit component; Teacher participation in a parallel Close Up Washington Program for Educators; High School Student participation in three-day Close Up Youth Summit civic education programs held in American Samoa, Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands; Financial and technical support of locally organized "Close Up" civic education programs; Professional evaluation of the program to ensure that academic goals and objectives are met.

Close Up conducted Close Up Insular Areas Washington Programs in Spring 2013. In all, 229 students and 33 teachers from the Insular Areas travelled to Washington D.C. to participate in Close Up programs. High school groups from the Pacific Islands participated in a May 30-June 12 Washington program with additional visits to Williamsburg, Philadelphia and New York. High school and middle school groups from the U.S. Virgin Islands participated on Close Up Washington Programs in May and June 2013. Additionally, a middle school group from Guam participated on a Close Up Washington Middle School program in May 2013. The students visit the historical and cultural attractions of the Nation's capital, participate in workshop and simulations with other students, attend sessions with prominent Washington leaders, and visit with their Congressional and Embassy representatives.

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

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

Close Up conducted its locally-based three-day Youth Summit civic education programs in American Samoa, Commonwealth of the Northern Mariana Islands and the U.S. Virgin Islands in July, November and December 2013. The Youth Summit programs allow students to identify and research public policy issues and community concerns, develop a consensus based "Agenda for Policy Action" with their peers, and present their ideas to local government officials.

Junior Statesman Foundation

OIA awarded a technical assistance grant in the amount of $494,000 in 2013 for Junior Statesmen Foundation (JSF) scholarships for twenty-eight high school students from the insular areas to attend the 2013 Junior Statesmen Summer Schools. That was the 23rd year that the Junior Statesmen Foundation has worked in partnership with the Office of Insular Affairs to identify, educate and train outstanding insular-area high school students for active, effective and ethical participation in public affairs.

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

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

American Samoa, the Northern Mariana Islands, the Federated States of Micronesia, Guam, Palau, the U.S. Virgin Islands and the Marshall Islands.

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

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.

Pacific Basin Development Council (PBDC)

The Governors of American Samoa, Guam, the Northern Mariana Islands and Hawaii collectively established PBDC in February 1980 to articulate and address economic and social development issues of the Pacific Islands. Its purpose is to enhance the region's economic competitiveness through its capability to identify, understand, and strategically plan. Funds are provided to the PBDC to further improve homeland security, capacity building, and organizational development.

- The Governors' and Islands' staffs play an integral role in PBDC. Formal policy and project decisions are determined by the PBDC Board of Directors. The Pacific Way generally requires decisions by Board consensus, rather than majority rule.
- Each Governor appoints key aides to PBDC's Technical Advisory Committee (TAC). TAC offers alternatives (for action by the Governors); provides local coordination and follow-ups; and gives the staff guidance on day-to-day activities.
- In 2013, PBDC was granted $198,000 from OIA for continued support of the targeted areas.

Judicial Training

Training programs are also conducted to help the Pacific Islands face burgeoning populations and judicial systems that are not fully developed. The Pacific Islands Committee of the Ninth Circuit Judicial Council oversees, designs, arranges and ensures the delivery of these training programs and actively participates in the programs to guarantee training is provided that is responsive to educational needs. This training program was a result of an assessment that was conducted of the court systems in the American territories and the freely associated states which identified specific training needs for the non-lawyer judges, legally trained judges, and court staff in these islands. $320,000 was provided for this program in 2013 (a detailed report is available upon request).

Technical Assistance Energy Assessment (funds provided in 2012)

Energy security is critical to the insular areas' future economic development and sustainability. Development of a long-term Strategic Energy Plan is needed to achieve energy security. OIA entered into an Inter-Agency Agreement (IAA) and provided funds to the U.S. Department of Energy, National

Renewable Energy Laboratory (NREL) in 2012 to continue to assist the Governments of American Samoa, Commonwealth of the Northern Marianas Islands (CNMI), and Guam with developing a clean energy future for these Pacific Territories. Additional funding was provided in FY 2012 for energy project technical assistance for the Federated States of Micronesia, the Republic of the Marshall Islands and the Republic of Palau.

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

The mission of the U.S. Department of the Interior's Office of Insular Affairs (OIA) is to assist the U.S.-affiliated islands in "developing more efficient and effective government by providing financial and technical assistance, and help manage Federal islands relations by promoting appropriate Federal policies". As part of OIA's Technical Assistance program, the International Institute of the Graduate School USA (GS/USA) provides training and related services through the Island Training Program (ITP) to assist the insular governments to improve the financial management and program performance of the Pacific and Virgin Islands insular governments.

The Virgin Islands Training Initiative (VITI) and the Pacific Islands Training Initiative (PITI) programs were established in 1991 with the GS/USA to assist OIA in fulfilling their mission by providing training and consultative services to the U.S. Virgin Islands, American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau to assist the insular governments in improving their financial management and program performance. The programs are designed and delivered in a manner that complements and supports insular efforts to implement and maintain sound financial management and program performance practices.

Strategic Planning and Implementation

As part of its yearly planning process the Program Managers responsible for managing PITI-VITI review accomplishments, develop training plans for the next year, and budget for the planned activities. Periodically PITI-VITI management also revises its strategic plans to focus its efforts and resources on the most critical issues facing the insular governments and OIA.

In November 2011, PITI-VITI Program Managers, key OIA Technical Assistance managers and several key PITI-VITI instructors and consultants conducted a thorough review of the PITI-VITI program, its vision and mission statement, and its strategic goals. To guide them, the review team utilized the Department of Interior's *"Strategic Plan for Fiscal years 2011-2016"* and OIA's *"Budget Justification and Performance Information for Fiscal Year 2012."* Using these documents as the drivers for PITI-VITI activities, the team then reviewed and revised the PITI-VITI's program's vision statement, mission statement, and strategic goals to better align them with OIA's goals and measures.

PITI-VITI's vision is to "provide the services that enable insular governments to use resources efficiently and effectively to promote economic growth, achieve fiscal stability, and fulfill citizens' needs."

PITI-VITI's mission is to "provide customized, results-oriented professional and organizational development services that enable insular governments to strengthen financial and program performance and accountability, achieve fiscal stability, and promote economic growth. PITI-VITI works to build trust in insular governments by fostering responsible leadership and financial stewardship of the highest standard."

Based on these vision and mission statements, PITI-VITI works to achieve the following five strategic goals:

1. Improve leadership and management capacity to effectively perform;
2. Improve financial management systems and practices;
3. Increase effectiveness and program results;
4. Institutionalize regional professional organizations and communities of practice;
5. Improve the capacity and capabilities of the public sector work force in critical positions and functions.

For each of these strategic goals PITI-VITI has developed sets of activities and performance measures. These activities, when completed, will lead to the accomplishment of the strategic goals. The performance measures are the means by which PITI-VITI can assess progress towards the goals and through which PITI-VITI can be held accountable by its stakeholders.

MAJOR REGIONAL PROGRAM INITIATIVES

A. Audit Improvement Project

- Strategic Goal 1: Improve Leadership and Management Capacity to Perform Effectively
- Strategic Goal 2: Improve Financial Management Systems and Practices

Audit improvement is a cornerstone of the financial management improvement efforts launched more than a decade ago by DOI-OIA and PITI-VITI. PITI-VITI continues to provide technical support to improve the timeliness and quality of the insular areas' single audits, building on prior successes. Between FY2003 and FY2012, the number of financial statement audit qualifications within the insular areas decreased 77 percent. In FY2003 10 of the 11 governments had qualified reports. Financial statement quality has improved so significantly that as of FY2012, 6 of the governments have clean, unqualified reports, including the Republic of Palau, Pohnpei State, Kosrae State, FSM National Government, Guam, and the Republic of the Marshall Islands. Timeliness has improved as well. The number of audit reports which were significantly delayed has declined from all 11 insular governments in FY2002 to only two of the insular governments, the US Virgin Islands and the Commonwealth of the Northern Mariana Islands, in FY2012.

By design financial audits do not measure the efficiency or effectiveness of financial operations. The insular governments have a group initiative to improve and report on the accounting cycle areas of reconciliation, cash management and fixed assets. These areas are being tracked with interim

performance measures which indicate improvement, or lack of improvement, well before the audit is issued. The finance offices prepare a performance measurement status report for presentation to their colleagues during their biannual meetings, allowing the group the opportunity to share successes and best practices.

B. Executive Leadership Development Program

- Strategic Goal 1: To improve leadership and management capacity to effectively perform.
- Strategic Goal 5: Improve the capacity and capabilities of the public sector work force in critical positions and functions.

All of the insular governments have a difficult time attracting and retaining qualified individuals to work in core functions of island governments. Many young, educated and promising employees are trained by local governments and are then offered higher paying jobs by component units or within the private sector. The Executive Leadership Development Program (ELDP) was designed to assist the insular governments with developing and retaining qualified and skilled staff that will become the future leaders of their respective governments. Program participants meet four times over the course of a year to develop skills in leadership, management, government finance, and project management. Twenty-One (21) participants from throughout the insular areas completed the ELDP program in September 2009. An additional twenty-four (24) participants completed the program in May 2011.

Twenty-four (24) participants from the Pacific region and the US Virgin Islands completed the ELDP program in 2013 bringing the total number of ELDP alumni to sixty-nine (69) participants. It is expected that a new group of participants will start the ELDP program in the summer of 2014.

The Graduate School USA hired an independent contractor which conducted an evaluation of the ELDP program for both the Pacific and US Virgin Islands at eight (8) locations: American Samoa, Guam, Saipan, Pohnpei, Majuro, Kosrae, Palau, and St. Thomas (USVI). The Pacific program evaluation was followed by a debriefing of the evaluation results for Graduate School USA management and a presentation was conducted for participants at the December 2013 Island Government Finance Officers' Association (IGFOA) meeting in Honolulu, Hawaii. The evaluation focused on lessons learned during the first three program years of the ELDP as well as ways to improve the program for future classes.

C. Island Government Finance Officers Association (IGFOA)

- Strategic Goal 3: Increase effectiveness and program results
- Strategic Goal 4: Institutionalize regional professional organizations and communities of practice.

Since 2000, PITI-VITI has supported the efforts of the Island Government Finance Officers' Association (IGFOA), a professional organization comprised of the Chief Financial Officers of each insular government and key financial managers within each government. In addition to arranging for IGFOA members to participate in the annual Government Finance Officers Association (GFOA) Conference, PITI-VITI works with IGFOA to highlight best practices in the insular governments and to serve as a

conduit for resource sharing. IGFOA gatherings enable the insular government finance community to discuss common challenges they face and identify successful best practices and strategies to address problems. PITI-VITI also takes advantage of IGFOA meetings to deliver professional development seminars on leadership skills and team building in the finance environment.

Two IGFOA conferences were held during 2013. The first 2013 IGFOA conference was held during the week of June 1 - 6 in San Francisco, California in conjunction with the 2013 Government Finance Officers' Association (GFOA) annual conference. The theme for both conferences was "Bridges to Financial Sustainability." One component of building "Bridges to Financial Sustainability" was IGFOA's efforts to coordinate federal grants management and administrative strategies with San Francisco based Region IX federal government representatives. Another component of "Bridges to Financial Sustainability" was to discuss the implementation of GASB-54 (Fund Balance and Governmental Fund Type Reporting) and its application in government finance. This June 2013 IGFOA meeting focused on implementing GASB-54, improving the status of each government's single audit, enhancing finance office performance measures and process improvement, and developing cash management plans.

The second IGFOA conference was held December 3 - 5, 2013 in Honolulu, Hawaii. The Honolulu IGFOA Conference concentrated on best practices in federal program coordination, reviewing new GASB accounting principles and standards, and leadership and succession planning initiatives. Participants also provided updates on their government's performance measurement action plans for finance office operations, single audit improvement, and cash management strategies

D. Association of Pacific Islands Public Auditors (APIPA)

- Strategic Goal 3: Increase effectiveness and program results
- Strategic Goal 4: Institutionalize regional professional organizations and communities of practice.

The Association of Pacific Islands Public Auditors (APIPA) is an association made up of public auditors from each of the insular areas. APIPA holds annual conferences to discuss issues related to the field of auditing and to provide practitioners an opportunity to attain continuing professional education training opportunities required by the field. Since its inception in 1991, PITI has provided auditors with the opportunity to attain up to 40 hours of continuing professional education (CPE) credits annually. By providing training during the annual APIPA conference and providing targeted audit training at each insular jurisdiction, PITI-VITI plays a critical role in working with APIPA to strengthen institutional support to the various public audit offices in the region.

PITI provided six (6) Graduate School USA auditing and financial management specialists/instructors who combined to deliver fourteen (14) courses for the 277 participants that attended the 24th annual APIPA conference held on Saipan, Commonwealth of the Northern Mariana Islands (CNMI) during the week of September 16 – 20, 2013. A total of 1,275 course certificates were awarded to conference participants for a total of 10,388 hours of CPE training credit. In addition, PITI-VITI also provided forty

(40) hours of customized CPE training to each of the public audit offices in the U.S.-affiliated Pacific region and the U.S. Virgin Islands during 2013.

E. Development of Insular Government Performeters and AFTER Analysis

- Strategic Goal 1: To improve leadership and management capacity to effectively perform.
- Strategic Goal 3: Increase effectiveness and program results

The Performeter provides an independent assessment of each insular government's financial health and success, based on their audited financial statements. Using various financial ratios, most governments now have ten years of Performeter data with which to measure financial trends—both positive and negative. New Performeters were developed for nine (9) insular government entities in 2013 based on information in each of their respective government's 2012 audited financial statements (the USVI and the CNMI are one year behind in their single audit requirements so their most recent Performeter were for FY 2011). Many of the insular governments use the Perfometer results to explain their financial status to their Legislatures and Governors, ultimately leading to better-informed fiscal decisions. The accompanying AFTER analysis included at the end of each Performeter details the government's efforts to develop timely and accurate financial statements.

F. Training and Technical Assistance Support

- Strategic Goal 1: Improve Leadership and Management Capacity to Perform Effectively
- Strategic Goal 2: Improve Financial Management Systems and Practices
- Strategic Goal 3: Increase effectiveness and program results
- Strategic Goal 5: Improve the capacity and capabilities of the public sector work force in critical positions and functions.

Forty-one (41) classroom training courses were delivered in 2013 for 2,001 course participants. These totals include twenty-seven (27) classroom courses that were delivered on site for 726 participants and fourteen courses that were delivered during the 2013 APIPA conference on Saipan for 1,275 course participants. Classroom training courses were delivered in Human Resource Management, Grants Management, Leadership and Management, Governmental Accounting, Indirect Costs, Performance Based Management, Auditing, Fraud, Indirect Costs, and Internal Controls. In addition, thirty-five (35) consult-training activities were provided that 724 insular government employees took part in support of various government and site-specific initiatives. Examples of projects that benefited from training and technical assistance support include the following:

- In support of an IGFOA initiative to improve the management and administration of US federal grants in the region, delivered seven (7) grants management training courses at five locations (US Virgin Islands, Palau, the CNMI, the RMI, and American Samoa) for 232 grants managers and administrators. Provided consult-training in the CNMI and Palau to support the development of offices of Grants Management at both locations. Delivered two of the three required courses for the "Certificate of Grants Management" program in the CNMI and Palau for thirty-seven (37) and thirty-two (32) grant managers and administrators respectively.

- Provided leadership training to 146 ELDP alumni, colleagues, and supervisors as a compliment to the ELDP program evaluation at seven locations in the Pacific and the US Virgin Islands.
- Provided training and technical assistance to support Palau's efforts to implement a Performance Based Management and Budgeting System. Delivered training to sixty-eight (68) program managers from all eight Ministries in the Republic of Palau that have been legislatively mandated to prepare performance reports. The training resulted in all eight Ministries completing performance management report templates which identified and aligned Ministry vision and mission statements with Palau's Management Action and National Development Plans.
- In anticipation of soon-to-be enacted accounting changes related to unfunded pension liabilities, provided training to 216 financial managers and pension fund administrators on the effects these accounting changes will have on their government's financial status. Provided all the insular governments with strategies to alleviate the negative effect on each government's financial status as a result of these new accounting standards.
- In addition to training provided to auditors during the 2013 APIPA Conference, provided three audit training classes to fifty-six public auditors in the USVI and Guam. Provided technical assistance to Guam's Office of the Public Accountability and Palau's Office of the Public Auditor to enable both offices to develop a long term strategic plan. Provided additional technical training and support to the RMI's Office of the Inspector General.
- Worked with the governments of Kosrae, Pohnpei, Chuuk and Yap to convene high-level leadership meetings and to develop and endorse Long-Term Fiscal Frameworks (LTFFs.) The LTFFs are now being implemented as guiding budget documents for each state, as adjustments are made to declining revenues over the remaining ten years of the Compact.
- In conjunction with the leadership of the FSM National Government, Chuuk State and the Department of the Interior, PITI designed and implemented a reform program for Chuuk education, which includes the facilitation of quarterly meetings of the Chuuk Advisory Group on Education Reform, tasked with monitoring reform progress.
- Delivered a presentation outlining the economies of the FSM, RMI and Palau to interested participants in Washington, DC, including representatives from the three embassies, GAO, IMF, World Bank, Congressional staff and employees of the Department of the Interior, State, and Health & Human Services, among others. The presentation was entitled "A Decade of Economic Performance in the Freely Associated States: Comparing and Contrasting Outcomes for the Federated States of Micronesia, Republic of the Marshall Islands and the Republic of Palau from FY03 to FY13."
- Working with staff of the American Samoa Power Authority (ASPA), conducted process improvement and workflow training which resulted in over 100 staff days per year in increased productivity for ASPA.

G. FSM and RMI Compact Support

- Strategic Goal 1: Improve leadership and management capacity to effectively perform
- Strategic Goal 3: Increase effectiveness and program results

PITI-VITI provides technical support to both the FSM and RMI on issues relating to Compact implementation. PITI-VITI assists both countries with preparation for technical meetings, preparation for annual bilateral U.S.-FSM Joint Economic Management Committee (JEMCO) & US-RMI Joint Economic Management and Fiscal Accountability Committee (JEMFAC) meetings, and budgetary, fiscal, and sector support. Compact-specific activities have included:

- Development of Long-Term Fiscal Frameworks to plan for the remaining ten years of Compact assistance in all four FSM states;
- Policy outreach in the FSM and RMI, including presentations to key members of executive and legislative branches regarding fiscal sustainability, Compact implementation, Compact Trust Fund sustainability levels, economic policy, and medium and long-term fiscal planning.
- Education reform in Chuuk, including facilitation of high-level leadership meetings and continued quarterly support to the Chuuk Advisory Group on Education Reform;
- Development and maintenance of a Compact Tracking Tool, which accounts for Compact expenditures by distribution formula across FSM states;
- Detailed analysis of the Compact Trust Funds, including likely funding distributions post-2023;
- Support to the Chuuk Financial Control Commission (CFCC) through visiting technical expertise and continued discussion on appropriate functions of the office;
- Continued Fiscal Reform support in Chuuk & Kosrae;
- Support to the project-based proposal processes for the FSM environment, private sector and capacity building grant sectors, including template development and on-site, state-specific support in advance of US budget consultations.

H. Statistical and Economic Reporting for the three Freely Associated States of the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau

- Strategic Goal 1: Improve leadership and management capacity to effectively perform
- Strategic Goal 3: Increase effectiveness and program results

The Graduate School has created the Economic Monitoring and Analysis Program (EconMAP) to address the need for continued professional expertise to augment existing statistical development and economic analysis in the three Freely Associated States (FAS) of the Republic of the Marshall Islands (RMI), the Federated States of Micronesia (FSM) and the Republic of Palau (ROP). Since the economic reporting and statistical development and maintenance programs required across all three Freely Associated States are relatively similar, the Graduate School provides direct external inputs to develop and/or maintain existing economic reporting and statistical development programs, and to provide extra support to Palau, given the relatively weakened status of its economic reporting and statistics systems.

Through its EconMAP program, the Graduate School has assisted the FSM, RMI, and ROP with the maintenance of annual government finance statistics, the development and analysis of key economic indicators (growth, income, employment, outmigration, external debt), and an analysis of fiscal policy, and an annual and recurrent basis. These updates are captured in annual reports that help fulfill Compact

mandates and, in the cases of the FSM and RMI, help JEMCO and JEMFAC with Compact implementation. High-level briefings have been consistently delivered for US, FSM and RMI JEMCO and JEMFAC members to provide background analysis prior to annual meetings. This activity was expanded to include Palau as of 2012, including fielding a long-term regional advisor in Palau to provide regular support to the three governments for eight months of the calendar year. Outputs include:

- Annual FSM Economic Review and Statistical Appendix;
- Annual RMI Economic Review and Statistical Appendix;
- Annual ROP Economic Review and Statistical Appendix;
- Executive, Cabinet and Legislative Presentations in the FSM, RMI and ROP;
- Pre-JEMCO and Pre-JEMFAC briefings to Committee Principals;
- Public Presentations to interested parties with the US, FSM, RMI and ROP.

I. Financial Management Improvement Program (FMIP)

- Strategic Goal 1: Improve leadership and management capacity to effectively perform
- Strategic Goal 2: Improve financial management systems and practices.

Since 1998, PITI-VITI has worked with the insular governments to develop Financial Management Improvement Plans (FMIPs). The planning process has used the same basic formats, and a methodology that focuses on: 1) improving business processes, practices, and procedures; 2) improving innovation and utilization of information technology; and 3) developing and enhancing human resource development. In developing the FMIP plans, interdisciplinary teams are established. These teams include both a core team of government technical experts and PITI-VITI consultants who are responsible for the intensive field work required of the plan for improving innovation and utilization of information technology and a strategic planning team of senior government officials who provides leadership and direction to the core team. PITI-VITI did not conduct a FMIP during 2013.

J. Finance and Audit Office Assessments

- Strategic Goal 1: Improve leadership and management capacity to effectively perform
- Strategic Goal 2: Improve financial management systems and practices.
- Strategic Goal 3: Increase effectiveness and program results

PITI-VITI has developed diagnostic tools to measure each insular government's audit and finance offices against a standard, broad set of criteria. PITI-VITI did not conduct any Finance or Audit Office Assessments during 2013.

III. PARTICIPANT NUMBERS

OVERVIEW OF FISCAL YEAR 2013 ACTIVITIES
VIRGIN ISLANDS TRAINING INITIATIVE
(JANUARY 24, 2013 TO JANUARY 23, 2014)

Quarter One (January 24, 2013 – March 31, 2013)

COURSE		DATES	PARTICIPANTS
No Training Courses Delivered This Quarter			
CONSULT-TRAINING		DATES	PARTICIPANTS
No Consult-Training Delivered This Quarter			
REGIONAL ACTIVITIES	SITE	DATES	PARTICIPANTS
Executive Leadership Development Program (ELDP - Phase III: Cambridge, Maryland)		March 10-15	4

Quarter Two (April 1 – June 30, 2013)

COURSE		DATES	PARTICIPANTS
No Training Courses Delivered This Quarter			
CONSULT-TRAINING		DATES	PARTICIPANTS
Organizational Development and Teambuilding (Finance)		May 2-10	50
REGIONAL ACTIVITIES	SITE	DATES	PARTICIPANTS
Executive Leadership Development Program (ELDP - Phase IV: Towson, Maryland)		June 9-14	4

Quarter Three (July 1 – September 30, 2013)

COURSE	DATES	PARTICIPANTS
Developing Competencies for Human Resource Success (St. Thomas)	July 29-30 & Aug. 8-9	30
Developing Competencies for Human Resource Success (St. Croix)	August 1-6	25
GASB Update: Government Financial Landscape Continues to Chang	August 21	51
CONSULT-TRAINING	DATES	PARTICIPANTS
Accounting Consult/Performeter Overview	August 19-23	20
Department of Finance and OMB Process Improvement	August 19-23	40
Executive Leadership Improvement Program Update	August 22	7

Quarter Four (October 1, 2013 – January 23, 2014)

COURSE	DATES	PARTICIPANTS
The Human Side of Auditing	October 21-22	21
Written Communication for Auditors	October 23-25	18
CONSULT-TRAINING	DATES	PARTICIPANTS
ELDP Evaluation/Update Leadership Training	January 9-10	8
Organizational Development and Teambuilding (Education)	January 13-17	25

OVERVIEW OF FISCAL YEAR 2013 ACTIVITIES
PACIFIC ISLANDS TRAINING INITIATIVE
(JANUARY 24, 2013 TO JANUARY 23, 2014)

Quarter One (January 24 – March 31, 2013)

COURSE	SITE	DATES	PARTICIPANTS
Accounting for Governmental Entities	Guam	February 4-7	25
Developing and Negotiating Central Service Cost Allocation Plans and Indirect Cost Rate Proposals	CNMI	March 5-8	13
CONSULT-TRAINING	**SITE**	**DATES**	**PARTICIPANTS**
Accounting Consult/Performeter Overview	Guam	January 24-25	25
Indirect Cost Consultation	CNMI	March 4 and 11-15	12
Governmental Accounting Consultation	Palau	March 4 – 15	18
REGIONAL ACTIVITIES	**SITE**	**DATES**	**PARTICIPANTS**
Executive Leadership Development Program (ELDP - Phase III)	Pohnpei	February 11-15	21

Quarter Two (April 1 - June 30, 2013)

COURSE	SITE	DATES	PARTICIPANTS
No Training Courses Delivered This Quarter			
CONSULT-TRAINING	**SITE**	**DATES**	**PARTICIPANTS**
Accounting Consult-Training (ASPA)	AS	May 14-27	41
Audit Support Consultation	RMI	June 24 – July 5	25
REGIONAL ACTIVITIES	**SITE**	**DATES**	**PARTICIPANTS**
Island Government Finance Officers' Association (IGFOA) Conference	San Francisco	June 1-6	35
Executive Leadership Development Program (ELDP – Phase IV)	Honolulu	June 10-14	20

Quarter Three (July 1 – September 30, 2013)

COURSE	SITE	DATES	PARTICIPANTS
GASB Update: Government Financial Landscape Continues to Chang	AS	September 5	68
GASB Update: Government Financial Landscape Continues to Chang	Guam	September 10	35
GASB Update: Government Financial Landscape Continues to Chang	Palau	September 11	23
Intermediate Governmental Accounting and Reporting (with CAFR Consult)	Palau	September 23-27	20
Essentials of Governmental Auditing	Guam	September 23-25	17

Introduction to Grants Management	RMI	September 24-27	19
CONSULT-TRAINING	SITE	DATES	PARTICIPANTS
Accounting Consult/Performeter Overview	AS	September 3-6	50
Accounting Consult/Performeter Overview	Guam	September 9	27
Accounting Consult/Performeter Overview	Palau	September 12	13
GASB Update/ Accounting Consultation	CNMI	September 13	7
Grants Management Consultation	CNMI	September 19	3
Grants Management Consultation	RMI	September 23	8
Grants Management Consultation	CNMI	September 30	5
Accounting and Systems Consultation (CUC)	CNMI	September 30-Oct. 3	10
REGIONAL	SITE	DATES	PARTICIPANTS
2013 APIPA Conference			
Opening Plenary: Emerging Government Auditing and Financial Management Issues	CNMI	September 16	233
Auditors Responsibilities to Deter and Detect Fraud	CNMI	September 16-17	52
Skills for Leading and Managing Projects	CNMI	September 16-17	44
How to Clean Up Your Audit: Enhancing Internal Controls	CNMI	September 16-17	138
Governmental Pension and Retiree Health Plans	CNMI	September 16-17	32
Presentation Skills for Auditors	CNMI	September 18	34
Internal Controls for Auditors: Does Anyone Really Get It?	CNMI	September 18	59
An Organization's Responsibility in Establishing Performance Measures	CNMI	September 18	121
Streamlining the Grants Process: Proposed OMB Uniform Guidelines	CNMI	September 18	58
Interviewing Techniques for Auditors	CNMI	September 19-20	35
High Impact Audit Planning: Mapping Programs and Developing Audit Objectives	CNMI	September 19-20	41
Assessing Risk in Your Organization	CNMI	September 19-20	104
Process Improvement in Finance Operations: What is the Process?	CNMI	September 19-20	79
Closing Plenary: The Hunt for Fraud – The Devil's in the Data	CNMI	September 20	245

Quarter Four (October 1, 2013 – January 23, 2014)

COURSE	SITE	DATES	PARTICIPANTS
Introduction to Grants Management	CNMI	October 1-4	37
Introduction to Grants Management	Palau	October 7-11	32
Leadership in the 21st Century	AS	November 7-8	19

The Influence of Temperament on Leaders and Managers	Guam	November 13	24
The Influence of Temperament on Leaders and Managers	CNMI	November 15	20
The Influence of Temperament on Leaders and Managers	Pohnpei	November 19	19
The Influence of Temperament on Leaders and Managers	RMI	November 22	20
The Influence of Temperament on Leaders and Managers	Kosrae	November 26	12
The Influence of Temperament on Leaders and Managers	Palau	November 27	9
Leadership in the 21st Century	Palau	November 29	15
Grants Performance Mgmt and Monitoring	CNMI	January 13-16	36
Introduction to Grants Management	AS	January 13-17	19
Performance Based Management System Training	Palau	January 13-17	68
Grants Performance Mgmt and Monitoring	Palau	January 20-24	31
CONSULT-TRAINING	SITE	DATES	PARTICIPANTS
Audit Office Strategic Planning	Guam	October 21-23	14
Audit Office Strategic Planning	Palau	October 24-30	10
Budget and Accounting Consultation	FSM	November 4-15	25
ELDP Evaluation/Update	AS	November 5	5
Statistical/Economic Preparation	RMI	November 4-15	35
ELDP Evaluation/Update	Guam	November 12	5
ELDP Evaluation/Update	CNMI	November 14	6
ELDP Evaluation/Update	Pohnpei	November 18	8
ELDP Evaluation/Update	RMI	November 21	4
ELDP Evaluation/Update	Kosrae	November 25	6
ELDP Evaluation/Update	Palau	November 28	4
Classification/Organization Development Consultation (Ministry of State)	Palau	December 9-17	30
Performance Based Management Consult	Palau	January 8-22	113
Grants Management Consultation	CNMI	January 17, 2014	15
Budget and Accounting Consultation	CNMI	January 13-16	25
Budget and Accounting Consultation	Chuuk	January 20-23	25
REGIONAL	SITE	DATES	PARTICIPANTS
Island Government Finance Officers' Association (IGFOA) Conference	Honolulu	December 3-5	39
Compact Review Meeting	Washington DC	January 14-16	60

3.

Activity:	**Territorial Assistance**					
Subactivity:	**Maintenance Assistance** $(000)					
			2015			
	2013 Actual	**2014 Enacted**	**Fixed Costs & Related Changes (+/-)**	**Program Changes (+/-)**	**Budget Request**	**Change from 2014 (+/-)**
	740	1,081	0	+1,776	2,857	+1,776
FTEs	0	0	0	0	0	0

SUMMARY OF 2015 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Maintenance Assistance	+1,776	0

JUSTIFICATION OF 2015 PROGRAM CHANGES

The 2015 budget request for Maintenance Assistance is $2.9 million, a general program increase of $1.8 million from the 2014 level. The requested program increase will bolster OIA's partnership with the US Army Corps of Engineers and insular school systems to improve school facility conditions. Thus far, the Insular ABCs initiative has assessed the conditions of every school building in the territories. The assessments identified $177.4 million in deferred maintenance, of which, $16.7 million are considered health and safety items that must be rectified to provide a safe learning environment. Additional funds under this activity will be used to begin addressing deferred maintenance items with priority give to health and safety maintenance. This effort feeds directly into OIA's strategic plan goal to improve quality of life by improving school facility conditions.

PROGRAM OVERVIEW

The Department of the Interior will continue to provide limited assistance for investments in public infrastructure in the insular areas. 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.

Historically, the seven 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 can be used to purchase specialized maintenance equipment or information technology related to maintenance. The program also funds the cost of inventories of maintenance needs and the development of maintenance plans.

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

Maintenance assistance generally uses grants as the primary means to provide insular assistance. However, 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.

2015 PROGRAM PERFORMANCE

In 2013, the Maintenance Assistance program awarded a number of grants for programs to enhance maintenance efforts within each insular area.

Direct grants to the insular areas in 2013 included: $200,000 awarded to Guam for a fleet management (maintenance) system, $179,426 for road maintenance equipment in the Marshall Islands to improve cleanout of the storm sewer to stop road flooding, and $170,000 to improve the management and operations at Chuuk Public Utility System.

Maintenance Assistance grants support regional maintenance initiatives. One example of such an initiative is the Pacific Lineman Training Program (PLT) which makes power maintenance training easily accessible to Pacific island power employees in all of the insular areas. OIA awarded $109,088 for the PLT program in 2013 to provide 16 weeks of professional linemen training. Training includes the Basic Lineman Training Course as well as advanced training courses in Hot Line Work, and U.S. Department of Labor Certification Training. The PLT program plans to train additional linemen in 2014 and 2015.

The following table identifies the allocation of Maintenance Assistance funding for 2013:

Maintenance Assistance

Grant Awards 2013
(Dollars in Thousands)

Recipient	2013 Awards
Insular Area	
American Samoa	0
Northern Mariana Islands (CNMI)	0
Guam	200,000
U.S. Virgin Islands	0
Federated States of Micronesia (FSM)	279,088
Republic of the Marshall Islands (RMI)	179,426
Republic of Palau	0
Other Grants* (Regional Programs)	173,384
Appropriated Amount	**740,000**
Funds available due to closeout of projects	**91,898**
TOTAL	**$831,898**

* Includes Regional Programs which benefit multiple islands such as Lineman Training.

4.

Activity:	**Territorial Assistance**					
Subactivity:	**Brown Treesnake Control** $(000)					
			2015			
	2013 Actual	**2014 Enacted**	**Fixed Costs & Related Changes (+/-)**	**Program Changes (+/-)**	**Budget Request**	**Change from 2014 (+/-)**
	2,994	3,500	0	-500	3,000	-500
FTEs	0	0	0	0	0	0

SUMMARY OF 2015 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Brown Treesnake Control	-500	0

JUSTIFICATION OF 2015 PROGRAM CHANGES

The 2015 budget request for Brown Treesnake Control is $3 million, a program decrease of $500,000 from the 2014 enacted level. The reduction of $500,000 is for a one time increase requested in 2014 for the manufacturing of an automated bait delivery system for the Toxicant Bait Drop Project on Guam.

PROGRAM OVERVIEW

The invasive Brown Treesnake (BTS) is believed to have been unintentionally introduced to the island of Guam following World War II. Due to an abundant prey base and an absence of natural predators, the BTS' population on Guam grew, quickly reaching unprecedented numbers. It was not until the 1980s when researchers began to study the sudden and sharp decline in Guam's bird populations that the environmental and socioeconomic damage caused by the BTS began to be understood.

The BTS is directly responsible for the extinction or local extirpation of 9 of 13 native forest birds and 3 of 12 native lizards on Guam. In addition, the BTS has had significant, negative impacts on Guam's

economy. The risk of accidental transport and establishment of the BTS in other locations has impacted regional shipping and transportation through increased bio-security needs.

The BTS caused more than 1,600 power outages in the 19-year period between 1978 and 1997. Between March 2003 and March 2004 the Guam Power Authority recorded over 195 snake-caused power outages (1 outage per 1.8 days). A single island-wide outage was estimated to cost over $3 million in lost productivity, not including repair costs, damage to electrical equipment and lost revenues. Estimates place annual costs of snake-caused outages on Guam at around $4.5 million, not including personal equipment failures, shorter equipment life span, or increased costs due to purchasing personal power generators.

An average of 170 patients per year reported snakebites to medical facilities on Guam between 1998 and 2004. A 24-month study, between 1989 and 1991, reported that 60 percent of snakebite victims treated at medical facilities on Guam were less than 6 years old.

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

Brown Treesnake Control is a combination research and operational program designed to prevent the dispersal of BTS from Guam to other vulnerable geographic areas and to ultimately eradicate existing or newly established BTS populations in U.S. areas. Research is conducted to improve existing BTS control tools, such as barriers, traps and baits as well as to develop better control techniques such as toxins, repellents and attractants. Research is also intended to improve our understanding of the basic biology of the BTS and to develop methods enabling large-scale suppression of BTS. It is largely accepted that severe population suppression must be achieved before eradication can be pursued. The operational program utilizes the control tools and techniques developed via the research effort to reduce the risk of BTS dispersal to other Pacific islands, the U.S. mainland, and other vulnerable locations.

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

2015 PROGRAM PERFORMANCE

Although OIA has not yet received 2015 BTS funding proposals or awarded all of its 2014 BTS funding, it is anticipated that the funds will be used in a manner similar to previous years, as detailed below:

- The U.S. Department of Agriculture's Animal and Plant Health Inspection Service, Wildlife Services (WS), will continue its Guam-based operational BTS control program on and around commercial facilities operated by the Government of Guam and private entities. Current operations will be maintained at A.B. Won Pat International Airport, Commercial Port of Guam and commercial transportation and cargo facilities, aimed at reducing the risk of BTS dispersal to other Pacific islands, the U.S. mainland, and other locations at risk. WS will incorporate an integrated wildlife damage management approach to BTS containment using the following types of activities: detector dogs, traps, nighttime fence searches, oral toxicants, barriers, prey reduction, and public outreach activities. WS staff will ensure inspection of at least 90 percent of commercial cargo and aircraft departing Guam.
- The CNMI Department of Lands and Natural Resources, Division of Fish and Wildlife (DFW), will continue to operate a BTS interdiction program on the islands of Saipan, Tinian and Rota and ensure that, at the minimum, a 90 percent canine inspection rate of Guam-based cargo arrivals is reached and subsequently maintained. DFW will also maintain BTS traps at CNMI ports of entry and conduct public outreach.
- The Hawaii Department of Agriculture, Plant Quarantine Branch, will continue its BTS interdiction program (currently consisting of visual searches of flights and cargo by trained inspection staff) while working to reinstate its BTS Detector Dog Program which was eliminated in June 2009 due to the State's economic downturn. The Plant Quarantine Branch also plans to increase its rapid response capacity, readiness and capabilities for snake sightings in Hawaii.
- The Guam Department of Agriculture, Division of Aquatic and Wildlife Resources (DAWR), will continue its native species restoration efforts, including the Cocos Island restoration project, which has resulted in the release and establishment of Guam Rails (a BTS extirpated native bird species) on Cocos Island, a 33.6 hectare, BTS-free, atoll off the southern coast of Guam. DAWR will also continue its BTS public outreach and awareness campaigns intended to garner support and cooperation for the Cocos Island bio-security measures intended to protect the newly established Guam Rail population.
- The U.S. Department of Agriculture's Animal and Plant Health Inspection Service, Wildlife Services, National Wildlife Research Center (NWRC) will continue conducting research designed to improve existing BTS control techniques as well as develop new ones. NWRC will continue the development of an aerial bait suppression system intended to reduce BTS populations on a landscape scale.
- USGS researchers will continue the development and testing of tools intended to improve BTS interdiction, control, and management. Research will focus on developing better methods for the control and capture of juvenile snakes, as well as landscape-level snake control. The USGS Rapid Response Team will continue to respond to snake sightings and will conduct site response training to snake searchers in the Pacific region.

- USFWS will continue to provide overall BTS program coordination on a regional and national level to ensure continued forward progress. USFWS will also continue to provide technical assistance to program partners and develop a strategic planning document for the program.

5.

Activity:	**Territorial Assistance**					
Subactivity:	**Coral Reef Initiative (CRI)** $(000)					
			2015			
	2013 Actual	**2014 Enacted**	**Fixed Costs & Related Changes (+/-)**	**Program Changes (+/-)**	**Budget Request**	**Change from 2014 (+/-)**
	998	1,000	0	0	1,000	0
FTEs	0	0	0	0	0	0

PROGRAM OVERVIEW

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

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

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

assessments of the atolls of the Marshall Islands, and protection of critical marine resources in the Republic of Palau.

OIA will continue to work with the insular areas to identify, prioritize and fund local initiatives aimed at improving coral reef management, protection, and restoration in the insular areas. Priority projects are outlined in the "All Islands Coral Reef Initiative Strategy", the insular areas' "Local Action Strategies (LAS)", biodiversity and management plans developed by the FAS and the Task Force's "National Action Plan to Conserve Coral Reefs", a comprehensive program of research, mapping, monitoring, conservation and management. LAS are updated regularly by each of the insular areas and form the basis for a significant portion of the annual grant awards. Members of the Coral Reef Task Force meet semi-annually to evaluate progress and work out specific plans and priorities for the next half-year. OIA is also actively engaged in advancing efforts to establish a new research and education in St. Croix, USVI that will provide not only world-class science and educational opportunities for the Virgin Islands and across the region, but serve as a model for green building design and operations to island communities.

2015 PROGRAM PERFORMANCE

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

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

Through financial and technical assistance, OIA has supported the development of several new initiatives. Among these is the Micronesia Challenge, launched at the Task Force meeting in Palau in 2005 by the region's heads of governments. The Micronesia Challenge is a bold initiative to conserve 30 percent of near-shore marine resources and 20 percent of forest resources by 2020. The challenge far exceeds current goals of international conventions and emphasizes the need for Micronesian leaders to work together to confront environmental and sustainable development issues.

Funds provided by OIA, have helped Guam and the CNMI develop significant plans to restore three watersheds, two on Guam and one on Saipan that will alleviate the effects of run-off and other threats to the adjacent coral reefs. OIA has also supported development and management of marine protected areas in the insular areas, education and internship opportunities for students in the insular areas, conservation

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

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

Specific ongoing outputs for the Coral Reef program include:

- Partnering with the National Park Service (NPS) and a consortium of universities known as the Joint Institute for Caribbean Marine Studies (JICMS) to establish a new marine research and education center in St. Croix, USVI. The Salt River Bay Marine Research and Education Center (MREC) will be a nexus for marine research and education in the Caribbean, supporting science-based decision making for managers throughout the region, providing education and outreach to students and the public, and restoring a world-class facility to the island. The MREC will incorporate some of the most advanced concepts for sustainable building design, making it a model for island communities. OIA is meeting regularly with the partners to complete the design phase and build institutional capacity to address the NPS's requirements for a project of this scope and complexity.
- Support for the first JICMS-led scientific study at the MREC site. The multi-disciplinary team is investigating the rare phenomenon of bioluminescence in Mangrove Lagoon and developing recommendations on ways to sustain it.
- Support for Conservation Action Planning (CAP) to guide site conservation actions in Micronesia. The CAP process helps local jurisdictions identify long-term measurable conservation results at the local level; establish partnerships to support and implement conservation actions; and quantitatively and qualitatively measure conservation effects over time. CAP is being used by some jurisdictions to update their Local Action Strategies.
- Support for community-based marine conservation planning and management in communities of the Marshall Islands, including Majuro, Arno, Ailinginae, Rongelap, Namdrik, Mili and Ailuk Atolls. These efforts will further the goal of assisting communities with resource management planning in all of the 21 inhabited atolls..
- Support for development of watershed management plans for Guam, Saipan and American Samoa that will mitigate impacts to adjacent reefs from erosion, sedimentation and storm water run-off.
- Support for community-based monitoring and management of the marine resources of Ulithi Atoll,

Yap, FSM.

- Support for environmental education including eco-camps and e-learning programs in the Northern Mariana Islands and Guam.
- Support for peer-to-peer learning networks to build capacity for resource management in Micronesia.
- Support for development of community-based marine protected areas in American Samoa, Guam and CNMI, including marine resource assessments, community outreach and education and marine enforcement.
- Support for watershed management and restoration in American Samoa, a priority of the U.S. Coral Reef Task Force.
- Support capacity building in the USVI, including development of sustainable management for the St. Croix East End Marine Park (STXEEMP) and coordination of the St. Croix East End Watersheds Management Plan, a priority of the U.S. Coral Reef Task Force.
- Support to advance the goals of the Micronesia Challenge including training for community-led enforcement and compliance activities and development of regional ecological indicators.
- Support for the Caribbean Challenge Initiative to work cooperatively in the region to protect and sustainably manage marine and coastal resources.
- Support for the development of the Coastal Studies Outpost (CSO) at Salt Bay National Historic Park and Ecological Preserve. The CSO will facilitate marine education and research and promote the protection of St. Croix's fisheries, shorelines and reefs.
- Support for the Governor Tauese Sunia Memorial Summer Internships that sponsor university students from the insular areas to work on the U.S. Coral Reef Task Force's Watershed Partnership Initiative projects in Hawaii, Puerto Rico and American Samoa. Actions will help reduce land-based pollution and improve coral reef health in adjacent waters.

6.

Activity:	**Territorial Assistance**					
Subactivity:	**Empowering Insular Communities** $(000)					
			2015			
	2013 Actual	**2014 Enacted**	**Fixed Costs & Related Changes (+/-)**	**Program Changes (+/-)**	**Budget Request**	**Change From 2014 (+/-)**
Empowering Insular Communities	2,965	2,971	0	0	2,971	0
FTEs	0	0	0	0	0	0

PROGRAM OVERVIEW

Insular communities face unique economic development 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 attempting to strengthen the foundations for economic development by addressing energy needs through building sustainable energy strategies that are not reliant on oil.

2015 PROGRAM PERFORMANCE

Energy security is critical to the insular areas' future economic development and sustainability. In terms of residential cost per kilowatt hour, the territories on average pay about three times the national average for electricity. 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. In 2011, NREL provided the results of initial energy efficiency and renewable energy assessments and draft strategic energy plans for each of the three areas.

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

Intended to be fluid foundational documents, the strategic energy plans lay out a variety of strategies that should be revisited and updated as appropriate. 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 plan is the tool that will bring the strategic energy plan to life and keep it moving forward.

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

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

This past year saw substantial progress on several EIC-funding energy projects in the territories. The University of Guam selected a contractor and began construction on its $900,000 grant project to install rooftop solar arrays on its campus buildings to reduce the university's reliance on fossil fuels by 2 percent. The university plans to install three different types of photovoltaic systems and monitor the performance of the different systems in Guam's climate. NREL provided technical support for the project by helping develop a scope of work and request for proposals. The project is expected to be finished by the end of February 2015.

The Guam Department of Administration's General Services Agency substantially completed its energy upgrade renovation project funded with fiscal year 2012 EIC funding for $250,000. The project included the installation of rooftop photovoltaic solar panels, energy-efficient air-conditioners, windows, doors, lights, and a "cool rooftop." The photovoltaic system will be tied to the grid system thereby allowing all excess power generated to be fed back into the power grid.

The Guam Power Authority is making progress on its wind turbine (275kW) pilot project in the Cotal area of Guam. In June 2013 the Guam Power Authority obtained access to the Cotal property by signing a Memorandum of Agreement with the Guam Department of Agriculture and Department of Parks and Recreation. OIA initiated the formal consultation process with the U.S. Fish & Wildlife Service in accordance with Section 7 of the Endangered Species Act of 1973, as amended. OIA anticipates the consultation process will be completed by the end of March 2014. The Guam Power Authority received construction bids and plans to open and evaluate the bid packages in February 2014.

The Commonwealth Utilities Corporation (CUC) recently released a new request for proposals for geothermal gradient drilling and bids are due in late February 2014. Available information suggests that the geothermal gradient beneath Saipan may be sufficiently steep to develop geothermal energy to

generate electricity. CUC plans to procure a contractor to conduct exploratory drilling to investigate further the potential for geothermal power. This effort is funded by a 2009 CIP grant for $1.26 million and supplemented with an EIC grant for $500,000 to perform a geophysical survey in parallel with the drilling of geothermal gradient holes. If significant heat is found at the appropriate depth, they will conduct geophysical testing on the surface to further determine if it can be developed into geothermal energy.

Using a fiscal year 2011 EIC $206,000 grant, the American Samoa Power Authority (ASPA) recently procured a contractor to conduct a grid integration study for the territory. The nature of island electric power systems presents some challenges related to integrating renewable energy resources such as solar and wind. A grid integration study is a critical step in determining how much variable renewable energy generation the grid system can handle. In order to ensure the stability of American Samoa's grid system, ASPA hopes to complete the grid integration study before starting new solar and wind projects.

In 2013, OIA awarded a $640,000 EIC grant to the American Samoa Power Authority to hire a professional firm to investigate the potential for geothermal energy using a combination of geological, geophysical, and geochemical surveys. ASPA procured a contractor in the summer of 2013 and the project is expected to be completed by the end of 2014 culminating with a comprehensive Geothermal Power Development Feasibility Report.

The American Samoa Power Authority also received a 2013 EIC grant for $225,000 to conduct a wind analysis study. Over the past 18 months ASPA has collected wind resource data from 12 existing wind anemometer sites located in various locations on the main island of Tutuila. ASPA recently procured a contractor to compile the wind resource data and conduct the wind analysis study to identify the best potential sites for the installation of wind turbines.

In 2013, OIA awarded $500,000 to the Commonwealth Utilities Corporation in the Northern Marianas Islands to hire a consultant to develop an Integrated Resource Plan to identify the optimal mix of demand, supply, and transmission resources to ensure system adequacy and reliability at reasonable cost over a multi-year planning horizon. The Integrated Resource Plan will describe the CNMI's projected need for electricity and the resources necessary to meet that need while balancing reliability, environmental responsibility, efficiency and cost. CUC released a request for proposals in December 2013 to hire a consultant and bids will be due in February 2014.

The Commonwealth Utilities Corporation also received a 2013 EIC grant for $622,000 to purchase and install 1,500 pre-pay meters in residential homes and government offices. Energy consumption typically drops 15-20 percent shortly after pre-pay meters are installed since customers are required to make advance payments before electricity can be used. CUC estimates the energy cost savings to the customers will be $1,506,000 in the first year.

7.

Activity:	**Territorial Assistance**					
Subactivity:	**Compact Impact - Discretionary** $(000)					
			2015			
	2013 Actual	**2014 Enacted**	**Fixed Costs & Related Changes (+/-)**	**Program Changes (+/-)**	**Budget Request**	**Change from 2014 (+/-)**
	4,990	3,000	0	-1,656	1,344	-1,656
FTEs	0	0	0	0	0	0

SUMMARY OF 2015 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Compact Impact - Discretionary	-1,656	0

JUSTIFICATION OF 2015 PROGRAM CHANGES

The 2015 budget request for discretionary Compact Impact funding is $1.3 million, a program decrease of $1.7 million, and 0 FTE, from the 2014 enacted amount. Compact Impact grants funds will be awarded in conjunction with other currently authorized mandatory grants to help offset educational costs incurred by jurisdictions that are affected by Compact migration, as authorized by section 104(e) of Public Law 108-188.

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. However, discretionary Compact Impact funding can only be 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.

Description of Compact Impact - Permanent

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 sector services, or infrastructure related to such services, due to the residence of qualified nonimmigrants from the Republic of the Marshall Islands, the Federated States of Micronesia, or the Republic of Palau.

The $30.0 million distribution is based on a ratio allocation to the government of each affected jurisdiction on the basis of the results of the most recent enumeration. At a minimum, enumerations will be conducted every five years. The most recent enumeration was completed in 2009 by the U.S. Census Bureau and the results were used to determine the distribution of the $30.0 million beginning in 2010. This allocation is in accordance with the provision in Section 104(e)(5) of Title One of the amended Compacts of Free Association.

2015 PROGRAM PERFORMANCE

Like permanently appropriated Compact Impact, discretionary Compact Impact funding will be distributed amongst the affected jurisdictions based on a ratio allocation to the government of each affected jurisdiction on the basis of the results of the most recent enumeration, that of 2013. Compact Impact funding can only be 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.

The State of Hawaii Department of Education used its 2013 allocation of $1,867,000 to provide educational and educational-related services for Compact of Free Association migrants. The State of Hawaii will likely elect to use its 2014 allocation of $1,123,000 in a similar manner.

American Samoa received $2,000 in discretionary Compact Impact funding in 2013 for the operational needs of the Nursing Program at the American Samoa Community College. The funding will be used for training materials and equipment to assist in the education of nursing students at the college. American Samoa has proposed to use its 2014 Compact Impact grant of $13,764 for the Adopt a School Initiative. Under the Adopt a School Initiative, government agencies and its partners have been successful with the cleanup and maintenance of school buildings. The next phase of the Adopt a School Initiative is the implementation of an after school on-the-job training program for high school students.

The CNMI received an additional $321,000 in 2013 for discretionary Compact Impact funding and applied it to educational services at the Public School System and the Northern Marianas College. In 2014, the CNMI will receive $193,000.

In 2013, Guam received an additional $2,800,000 in discretionary Compact Impact funding for the Guam Department of Education operations. In 2014, Guam will receive $1,683,000.

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Compacts of Free Association

D. Compacts of Free Association

1.

Activity:	**Compact of Free Association (Current Appropriation)**					
Subactivity:	**Federal Services Assistance** $(000)					
			2015			
	2013 Actual	**2014 Enacted**	**Fixed Costs & Related Changes (+/-)**	**Program Changes (+/-)**	**Budget Request**	**Change from 2014 (+/-)**
	2,808	2,818	0	0	2,818	0
FTEs	0	0	0	0	0	0

PROGRAM OVERVIEW

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

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

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

2015 PROGRAM PERFORMANCE

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

2.

Activity:	**Compact of Free Association (Current Appropriation)**					
Subactivity:	**Enewetak** $(000)					
			2015			
	2013 Actual	**2014 Enacted**	**Fixed Costs & Related Changes (+/-)**	**Program Changes (+/-)**	**Budget Request**	**Change from 2014 (+/-)**
	498	500	0	0	0	500
FTEs	0	0	0	0	0	0

PROGRAM OVERVIEW

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

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

2015 PROGRAM PERFORMANCE

The Enewetak program currently uses approximately 40 percent of its funding for operations of the agriculture field station and the agriculture rehabilitation program. Approximately 31 percent of the funding is used to purchases food and commodities for the residents of the atoll. The remaining funds are used to operate the atoll's new vessel and support office in Majuro. OIA will provide grants for Enewetak in 2015 to continue these activities.

3.

Activity:	**Compact of Free Association (Current Appropriation)**					
Subactivity:	**Palau Compact Extension** $(000)					
			2015			
	2013 Actual	**2014 Enacted**	**Fixed Costs & Related Changes (+/-)**	**Program Changes (+/-)**	**Budget Request**	**Change from 2014 (+/-)**
	13,147	13,147	0	-13,147	0	-13,147
FTEs	0	0	0	0	0	0

SUMMARY OF 2015 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Palau Compact Extension	-13,147	0

JUSTIFICATION OF 2015 PROGRAM CHANGES

The 2015 budget request does not fund another Palau Compact Extension, a decrease of $13.1 million and no change in FTE from the 2014 enacted level.

Economic assistance provisions under Palau's Compact of Free Association (P.L. 99-658) expired at the end of 2009. The Department of the Interior, Environment, and Related Agencies Appropriations Act, 2010 (P.L. 111-88 Sec. 122) and subsequent discretionary appropriations have continued to extend economic assistance to Palau.

On February 14, 2011, S. 343 was introduced in the Senate (S. 1268 in the 113th Congress) seeking to continue the U.S. Compact financial relationship with the Republic of Palau. The proposed bill would provide $250 million in financial assistance to the Republic of Palau through 2024. The bill has not been enacted by the U.S. Congress to date. The goals of the continued funding are to maintain the viability of Palau's trust fund and to keep government spending stable while Palau enacts policy reforms to strengthen its economy.

As a result of the Senate introducing S. 1268, OIA is not seeking current funds for the Palau Compact Extension in 2015.

PROGRAM OVERVIEW

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

2015 PROGRAM PERFORMANCE

2014 Palau Compact Extension funding will be administered as it was under the Compact according to the Fiscal Procedures Agreement for the Republic of Palau.

4.

Account:	**Compact of Free Association (Permanent and Indefinite)**					
Activity:	**Economic Assistance**					
Subactivity:	**Federated States of Micronesia and Republic of the Marshall Islands** $(000)					
			2015			
	2013 Actual	**2014 Enacted**	**Fixed Costs & Related Changes (+/-)**	**Program Changes (+/-)**	**Budget Request**	**Change from 2014 (+/-)**
RMI	68,090	71,525	0	+4,247	75,772	+4,247
FSM	106,663	107,950	0	+1,843	109,793	+1,843
Judicial Training	347	350	0	+5	355	+5
Total	**175,100**	**179,825**	**0**	**+6,095**	**185,920**	**+6,095**
FTEs	0	0	0	0	0	0

SUMMARY OF 2015 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
RMI	+4,247	0
FSM	+1,843	0
Judicial Training	+5	0

JUSTIFICATION OF 2015 PROGRAM CHANGES

The 2015 budget request for Compact of Free Association - Economic Assistance to the Marshall Islands and Federated States of Micronesia is $185.9 million, an increase of $6.1 million with no additional FTEs from the 2014 enacted level. The program changes in this account are required inflation adjustments under the amended Compact of Free Association. The increases are based on changes in the United States Gross Domestic Product Implicit Price Deflator but may not exceed 5 percent annually.

PROGRAM OVERVIEW

Article I of Title Two of the Compacts of Free Association describes the financial assistance commitment by the United States to the Federated States of Micronesia (FSM) and the Republic of the Marshall Islands (RMI). The first period of financial assistance expired on September 30, 2003. Following four years of negotiations led by the Department of State with support from OIA, Congress enacted amendments to the Compact as Public Law 108-188. These amendments also include a new permanent and indefinite appropriation that ensures continuation of direct financial assistance through 2023.

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

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

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

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

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

2015 PROGRAM PERFORMANCE

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

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

Specific information for 2015 is not available at the time of this report due to the nature of the Compact agreement. As agreed to in the Compact, performance plans and budgets for 2015 are not submitted by the FSM and RMI until 90 days before the start of the fiscal year. However, a brief summary of 2014 program performance information for the FSM and RMI sector grants is provided on the next few pages.

i. Fiscal Year 2014 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 Fiscal Year 2014 through Section 211 of Public Law 108-88 was $69,800,000. This amount is adjusted annually by 2/3 of the Gross Domestic Product Implicit Price Deflator. The inflation adjustment for Fiscal Year 2014 was $11,544,920. 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 $81,111,840. From this total, an amount of $233,080 was also provided for the FSM's Disaster Assistance Emergency Fund and the Single Audit.

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

The following is a breakdown of Fiscal Year 2014 grant allocations for the FSM made by the Joint Economic Management Committee (JEMCO) by sector.

	Education	Health	Capacity Building	Private Sector	Environment	Enhanced Reporting & Accountability	Infrastructure	Section 211 Sector Grant Allocations
Total	**$24,840,341**	**$19,459,713**	**$3,358,437**	**$1,937,328**	**$1,542,747**	**$1,209,715**	**$24,333,552**	**$76,681,833**

Approximately $4.1 million remained unallocated by JEMCO for Fiscal Year 2014 pending the completion, submission, and acceptance of the FSM's "Long Term Fiscal Framework" (LTFF). This framework was required by the JEMCO in order to assist guide fiscal budgeting and planning within the FSM over the remaining 10 years of direct financial grant assistance under the Amended Compacts Act.

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 US GDP implicit price deflator; thus, the real value of assistance declines in proportion to a broad measure of US inflation from FY 2005 to FY 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 FY 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 FY 2007 to FY 2023 the nominal value of the grants available for award to the FSM is reduced by $800,000 per year. During the initial Compact period, reductions were done at year 6 and year 11 (the so-called "first stepdown" and "second stepdown"). The design shift to an annual decrement was meant to present a less

difficult (more gradual) adjustment. The decrement, contrary to the step-downs implemented during the initial Compact period, does not actually represent a reduction in total funding from the US, but rather, represents a redirection of the same $800,000 as an annual increment in the level of annual US contributions to the Compact Trust Fund.

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

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

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

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

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

As a result of this observed common pattern of behavior throughout the FSM, the Joint Economic Management Planning Committee (JEMCO), comprised of three 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 robust requirement for "decrement management planning," that has now come to be known as the Long-Term Fiscal Framework (LTFF). The LTFF is being developed, in the first instance, on a state-by-state basis before its full development with the FSM National Government, to allow it to become an FSM-wide fiscal planning commitment.

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

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

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

- Population trends and the impact of outmigration;
- Demographic and service delivery requirement trends;
- Remittance levels and trends, to the extent such data is available;

- The current and reliable future levels of assistance from other donors;

Finally, the LTFF and the embedded commitments herein for the FSM were to be reflected in the budgets and policy/planning priorities from FY 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.

Education

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

1. Improve the quality of instructional services to early childhood, elementary and secondary education.
2. Improve the quality of education services and programs.
3. Meet the manpower needs of the nation.
4. Allow FSM students to compete in postsecondary education to assist in the economic and social development of the FSM.

The Compact, Supplemental Education Grants, and Special Education funds from the US Department of Education continue to provide over 90 percent of the budget for Education in the FSM. The FSM has 193 schools – 133 elementary, 21 secondary, 25 Early Childhood Education Centers (ECE), and 14 schools with primary through secondary grades. About a third of these schools are located on remote outer islands more than 200 miles from the population centers of the four states and accessible primarily through a handful of largely unreliable ships. The ECE-12 system serves approximately 29,000 students which is about 78 percent of the total school-aged population.

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 of Free Association assistance continues to decline in real value, state governments, which are responsible for operating schools, will face even greater challenges to maintain and improve education service delivery.

At least half of the FSM's student population tested in the nation's National Minimum Competency Test (NMCT) is performing below the competency level expected for their grades. Most students enrolling in the College of Micronesia spend about one year in remedial courses. The Joint Economic Management Committee (JEMCO) has recommended that the FSM prioritize improving student performance in the primary and secondary level. More specifically, JEMCO recommended that more Compact funds be allocated for the improvement of results in the NMCT, full implementation of the FSM School Accreditation System, and Teacher/Principal Professional Development and Certification.

In its FY 2014 budget, the FSM allocated more resources to the three identified initiatives and some improvements are being realized. Nationwide, a remaining 20 percent of teachers are without college

degrees (10 percent reduction from 2011 and 45 percent from 2008) and the country is on track to decrease that percentage further. The FSM has also developed a more rigorous testing and accreditation program so that all schools receiving Compact funding are tested on the NMCT and evaluated as part of the FSM School Accreditation System.

Health

In 2014, the FSM received a Compact health sector grant of $19.46 million. As has been the case historically, health sector grant funding primarily supported regular recurring operations of the four state in-patient facilities.

The allotments were:

Chuuk State	$ 8,665,188
Kosrae State	$ 2,064,161
Pohnpei State	$ 5,408,076
Yap State	$ 3,322,288
	$ 19,459,713

All four states complied with JEMCO's resolution requiring funding support for three health initiatives: decreasing recurring diabetes-related hospitalizations, eliminating leprosy, and preventing and controlling Multiple Drug Resistant Tuberculosis.

The annual reduction (decrement) in available financial assistance for the Compact's six sectors has had a profound effect on health care delivery. Although health continues to be second only to education as a priority for Compact support, allocations for all four FSM state health departments have flat-lined or declined. The resulting trend of budget decline, congestion, and ad hoc cuts will continue unabated until the states find workable alternatives to offset the loss of Compact dollars and the health departments earnestly implement programs that trim inefficient and ineffective activities and raise fees for service.

The FY 2014 FSM Request to JEMCO

The proposed amount for Fiscal Year 2014 was based upon each state government undergoing a planning that can best be characterized as continuing maintenance of effort. It leaves little maneuverability for innovation and growth. Even the phrase "maintenance of effort" is a misnomer. The exclusion of an inflation index and the recurring lack of money for regular medical equipment replacements and upgrades and maintenance from FY 2004 and on, implies that health has lost considerable ground.

The share of health dollars going to the FSM's four state governments reflects internal state priorities and competing demands for shrinking support.

JEMCO Mandated Health Initiatives: All four FSM state health departments complied with ***JEMCO 2012-MT-5***, requiring adequate funding in FY 2014 for MDR TB/TB prevention and control, leprosy

elimination, and the reduction of recurring diabetes-related hospitalizations. The resolution ensures that Pohnpei and Chuuk continue the important activities begun in the current fiscal year and enjoins Kosrae and Yap to improve their prevention and management efforts as well.

Compact Funding of Medical Referral Operations in Honolulu: The budgets of the four health departments complied with *JEMCO 2012-MT-6*, a resolution that excludes operating costs for Honolulu-based medical referral coordination and patient housing from Compact funding support.

Health Budgets in Jeopardy

The annual reduction in available financial assistance for the Compact's six sectors has a profound effect on health care delivery. Although health continues to be second only to education as a priority for Compact support, allocations for all four FSM state health departments have flat-lined or declined. The smaller budgets have created an unintended result; that is, the need to cover personnel expenses and rapidly rising utility costs have "crowded out" other important recurring needs such as housekeeping and facilities maintenance, POL, interisland travel by mobile teams, and medical equipment. Staff development and continuing education, both critical elements in maintaining a competent health workforce, have virtually disappeared from state budgets.

This trend of budget decline, congestion, and ad hoc cuts will continue unabated until the states find workable alternatives to offset the loss of Compact dollars and the health departments earnestly implement programs that trim inefficient and ineffective activities and raise fees for service.

The Compact still finances nearly 100 percent of the operating budgets of the four FSM states. Ironically, Pohnpei is the only state that appropriates general funds to its health department, yet its health budget has been the most volatile and lacking in all the FSM. This dependence on shrinking Compact dollars is paralyzing. It jeopardizes improvements already made in the delivery of health services, not just in Pohnpei but in the other states as well. It affects, too, their ability to mobilize health services in the face of public health emergencies, as Yap can attest as it grappled with dengue last year and again this year and as Chuuk can as it continues to cope with MDR-TB.

Sustaining improvements and the status quo is difficult enough but the biggest challenge that the states will face in FY 2014 and onward is the deterioration in the quality, not the quantity of basic health programs and services.

Public Infrastructure

Approximately $250 million of Compact Public Sector Infrastructure assistance has been made available to the FSM from October 2003 to present. To-date, $142 million has been obligated for project construction and construction administration and management. Approximately $108 million remains unobligated under the Infrastructure sector.

The FSM National Government's Infrastructure Program Management Unit (PMU) currently has approximately 8 projects in various stages of design. Six new elementary school buildings have been completed in Pohnpei. A $35 million water, sewer, road and drainage project in Weno, Chuuk is approximately 90 percent complete but has been halted by the FSM due to a contractual dispute between the FSM and its contractor. It is current unclear when this project will be completed. Construction of early childhood education and post-secondary facilities continued in Yap State. Two elementary school buildings have been completed in Kosrae State.

The main obstacle to steady implementation of the infrastructure sector is that the FSM has been unable to ensure professional management and effectiveness of the $24 million per year program on an ongoing basis.

Public Sector Capacity Building

In 2014, the FSM received $3.3 million for the capacity building sector. Fiscal Year 2014 continued the successful articulation regarding the uses of funding started in Fiscal Year 2013. Clear deliverables and activities are specified in program-oriented proposals. The FSM has not yet developed a medium-term plan to guide how the sector grant may be optimally utilized in order to achieve measurable public sector capacity building gains.

Environment

In 2014, the FSM received an allocation of approximately $1.54 million for its environment sector. Each State received funding for an Environmental Protection Agency or similar agency with a like mission. Financial assistance also supported marine and forestry conservation efforts. Public education programs were a part of all programs funded under this sector. The lack of national goals for the environment sector continued to hamper the evaluation of performance progress.

Private Sector Development

In 2014, the FSM received an allocation of $1.94 million for its private sector development sector grant. This amount funded the basic operations of a number of different agencies to increase tourism, promote agriculture, and support small businesses. The lack of national goals for the private sector development sector grant continued to hamper the evaluation of performance progress.

Enhanced Reporting and Accountability

In 2014, the FSM received a grant of $1.2 million for the newly created sector entitled "Enhanced Reporting and Accountability." This sector is intended to address the additional complexities and costs of compliance inherent in the Compact, as amended, specifically those related to budgeting, financial accountability, and expanded financial and performance reporting requirements.

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

ii. Fiscal Year 2014 Allocations for the RMI

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

Sector	Funds Allocated
Education	$11,010,951
Health	$6,251,691
Infrastructure	$11,257,764
Environment	$325,000
Ebeye Special Needs	$5,943,540
Kwajalein Environmental Impact	$233,080
RMI Trust Fund (Section 216)	$ 13,984,800
Kwajalein Landowner Payments (Sec 216)	$18,000,000
Disaster Assistance Emergency Fund	$233,080
RMI Single Audit (Section 212)	$ 500,000
Kwajalein Impact Fund	$2,214,260
Total	$69,954,166

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.

Compact, Ebeye Special Needs (ESN), Supplemental Education Grants, and Special Education funds from the US Department of Education fund 75 percent of RMI's education system. In School Year 2012-2013, over 15,000 students were enrolled in 95 elementary and 16 secondary schools including non-public schools which receive financial assistance from the Ministry of Education (MOE). Many of these schools are located on remote atolls over 200 miles from the population centers and accessible only by ship. The geographic isolation of these schools, lack of resources and access to technology, and a limited pool of qualified human resources are major impediments to providing quality education service. As Compact assistance continues to decline in real value, MOE will face even greater challenges to improve education service delivery.

Lack of credentialed teachers and low student achievement continue to be associated and persistent problems. About 40 percent of RMI's teachers still possess only a high school degree. Over the past five years, the RMI has allocated over $2.5 million dollars to upgrade its teachers' credentials. Despite this significant investment, 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.

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

1. Achieve an annual 5 percent improvement in student performance and in student and teacher attendance levels for every school.
2. Have all students able to read in both English and Marshallese by third grade by 2015.
3. Provide vocational and other life skills for students not able to enter high school and college.
4. Establish a new school accreditation system.

Health

For FY 2014, the Ministry of Health (MOH) identified adequate resources for the three special initiatives required by JEMFAC; that is, the continuation of leprosy elimination and MDR TB prevention and management activities, and the institution of steps to reduce recurring diabetes-related hospitalizations.

The combined a number of revenue resources in developing its global budget. The proposed level of Compact financial assistance in FY 2014 represents 37 percent of the total budget. A third of the Ministry's annual budget comes from two special revolving accounts allotted to the Ministry by law. The general fund contributes only 13 percent.

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

The FY 2014 RMI Request to JEMFAC

Table 1 below provides a breakdown of MOH FY14 funding by source, as applied to the 6 Ministry of Health outcomes.

MOH Outcome Areas	GF	CF	ESN	HCRF	HF	SH	FG	WHO	Total
Outcome Area 1: Provide Public Health Care in the RMI, Leprosy Elimination Program, MDR-TB Control Program	**735,684**	**1,195,906**	**0**	**592,825**	**243,000**	**0**	**2,365,419**	**0**	**5,132,834**
Outcome Area 2: Provide Hospital and Clinical Services Majuro & to Provide Referral Service to Patients	**1,017,368**	**2,912,481**	**0**	**1,664,000**	**2,787,000**	**600,000**	**317,830**	**0**	**9,298,679**
Outcome Area 3: To Provide Kwajalein Atoll with efficient Hospital Services (Ebeye)	**472,500**	**790,734**	**1,673,642**	**741,425**	**0**	**0**	**252,166**	**0**	**3,930,467**
Outcome Area 4: To Provide Kwajalein Atoll with Efficient Primary and Preventative Health Care Services and Management	**0**	**287,652**	**283,993**	**0**	**0**	**0**	**119,006**	**0**	**690,651**
Outcome Area 5: To Provide Timely and Current HIS Service	**132,777**	**0**	**0**	**0**	**0**	**0**	**77,907**	**0**	**210,684**
Outcome Area 6: To Provide Effective Management of OH Personnel and Finance	**621,696**	**2,316,496**		**156,750**	**0**	**0**	**265,992**	**79,000**	**501,742**
Total	**2,980,025**	**7,503,269**	**1,957,635**	**3,155,000**	**3,030,000**	**600,000**	**3,398,320**	**79,000**	**22,703,249**

TB Initiative

General Fund	$ 52,191
Base Compact	$185,341
Federal Grants	$ 94,887
Health Care Revenue Fund	$150,000
Global Fund	$ 88,000
TOTAL	$570,419

Planning enabled continued vigilance and emphasis on Direct Observed Therapy (DOT). Upgrades have been finished to isolation wards at Majuro and Ebeye Hospitals. Expensive secondary drugs are now available at no cost from the World Health Organization. (RMI had seven accumulated MDR TB cases from 2009-2012. The goals are to reduce mortality and morbidity from TB by 10 percent and achieve zero new cases of MDR TB.)

Leprosy Elimination

Base Compact	$146,192
Health Fund	$121,500
TOTAL	$267,692

The budget and activity plan enable continued emphasis on improved identification and follow-up of patients and contacts. The World Health Organization will support training of core program staff and assist in evaluating program effectiveness. The Ministry's mobile teams will extend skills development in detection and patient management to health assistants. (The goals are to reduce the prevalence of the disease to 1/10,000 population by 2017 and achieve a 90 percent or better treatment success rate. The 2012 prevalence baseline was 22/10,000.)

Reduction of Diabetes-Related Hospitalizations

General Fund	$ 95,881
Base Compact	$ 8,707
Federal Grants	$291,806
Health Care Revenue Fund	$ 20,000
World Health Organization	$ 20,000
TOTAL	$436,394

The addition of an initiative to reduce diabetes-related hospitalizations is JEMFAC's third health directive. The Ministry's budget covers diabetes prevention and management, and hypertension. It is primarily U.S. Federal grant-supported. The centerpiece to reducing recurring diabetes-related

hospitalizations is better communication and shared patient management planning between hospital and primary care/public health. Neither intervention is cost intensive. (The goals are to implement a comprehensive Chronic Disease Self Management Support Program to reduce diabetic complications and to reduce both diabetes-related hospitalizations and secondary complications by 5 percent annually.)

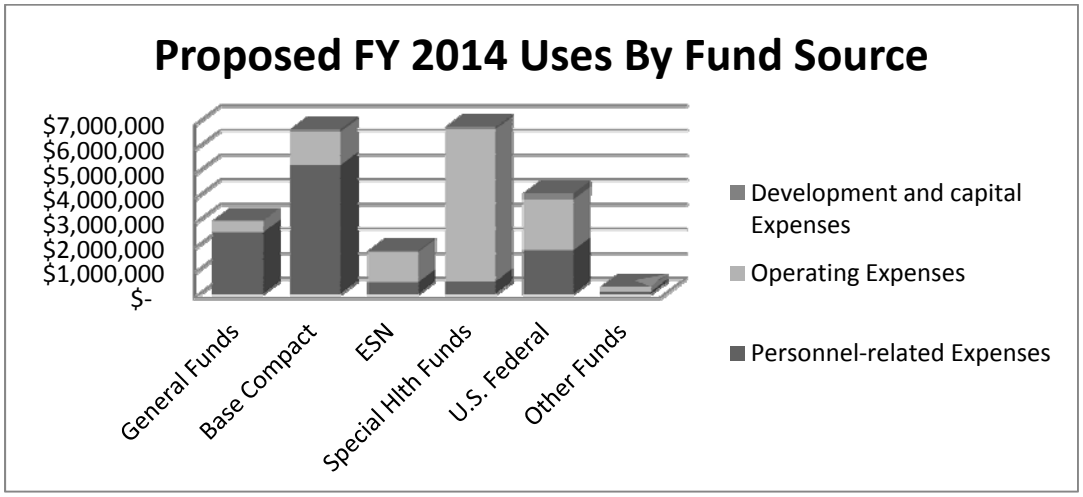
The FY 2013 budgets and plans are adequate. However, leprosy elimination, tuberculosis control and diabetes management should not depend on competitive grants and foreign assistance.

Compact Funding in the Context of the Proposed MOH Global Budget

In combination, base Compact and ESN funds comprise approximately 37 percent or $8,451,405 of the Ministry of Health's proposed $22,629,335 global budget for FY 2013. U.S. Federal grants contribute $4,084,483 or an additional 17 percent to the total budget. (Noteworthy is the fact that the Federal share is 4 percent higher than RMI's local appropriation.)

Almost a third of the global budget comes from special accounts administered by the Ministry from Social Security health care contributions, fees, and other revenues, with uses mandated by law. Only the general fund, Compact base funding, and ESN are flexible revenues that the Ministry can shift around.

The table page on the following page shows the proposed uses of funding by source.



Personnel-Related Expenses and Compact Funding

Personnel-related expenses account for $10,272,052 or 45 percent of the Ministry's multi-resourced global budget. This overall proportion is not out of line for governments with direct responsibility for providing the full range of health care services. However, the feature that makes the RMI's budget of special significance to JEMFAC is that the largest share falls to the base Compact grant (52 percent). The addition of the ESN allocation to personnel pushes the percentage to over 50 percent. The Ministry

charges leased housing, a contracted perquisite for expatriate health workers in Majuro, to the Compact. At $866,496 this cost accounts for nearly 15 percent of the Compact's total personnel share.

General funds cover only 13 percent of the Ministry's personnel-related expenses and U.S. Federal grants, 15 percent.

The primary use of Compact funds to pay salaries, differentials, and other personnel-related costs constrains JEMFAC's ability to affect program outcomes.

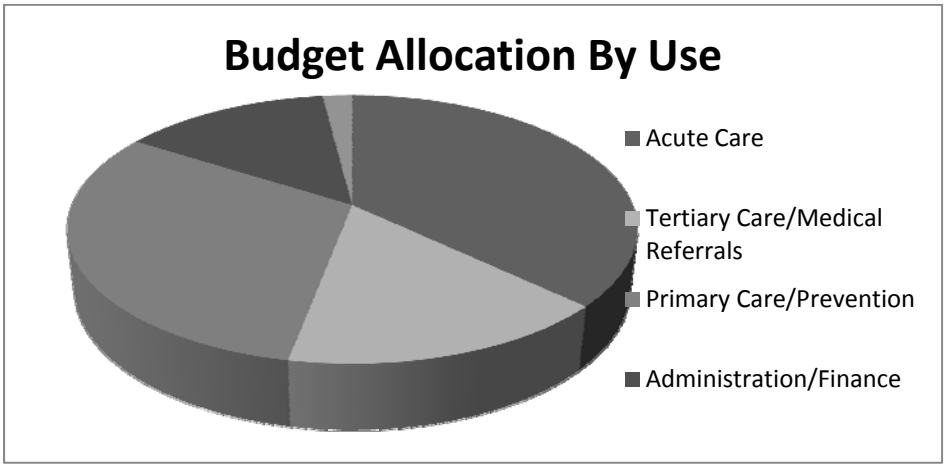
MOH's Special Health Funds Cover Most Non-Personnel Operating Costs with a Singular Exception

The Ministry's three special accounts (Health Fund, Health Care Revenue Fund, and Special Fund) cover the purchase of medical supplies and pharmaceuticals, and pay for inter-island and off-island medical referrals. U.S. Federal grants cover most remaining costs. There is one area, however, where Compact funding historically has carried the heaviest burden and that is in paying for utilities.

Compact funding for FY 2014 was restricted to 50 percent of the Ministry's total annual electricity cost. This and past increases in utility investments have resulted in the "crowding out" of other recurring needs such as housekeeping and facilities maintenance supplies, POL, interisland travel by mobile teams, and medical equipment. Still, the amount proposed is inadequate for FY 2014 and monthly payment shortfalls are predictable without aggressive steps to trim the bill. Despite a recent energy audit that touted thousands of dollars of potential savings, the Ministry has only recently started implementation steps that would reduce its utility consumption.

Tertiary Care and Off-Island Referrals

By operational necessity, the RMI's two 24-7 general hospitals on Majuro and Ebeye are costly enterprises. They employ most of the Ministry personnel and house patients who are chronically sicker than is typical at comparable facilities. It is a mistake, however, to assume that in-country hospital care is responsible for directing budgetary attention away from prevention and primary care.



The pie chart above shows that the Ministry will spend $8,406,548 or 37 percent of its FY 2014 budget on on-island hospital care. A smaller but still respectable amount ($7,015,094 or 31 percent), will go to prevention and primary care.

Costly, out-of-country referrals will consume nearly one in five dollars of the FY 2014 global budget. This outflow of dollars represents a clear and present danger to the Ministry's ability to manage future budgetary declines, and undermines the use of funding, allowable by RMI law, to build the internal capacity needed to handle some common causes of referrals to the Philippines and Honolulu.

Budget Inadequacy and Management Discipline

The Ministry of Health does not have adequate financial resources to achieve its strategic outcomes. Were it not for a sizeable and thus far sustained jump in fund allotments from "all others" in 2014, the Ministry would be in the midst of a severe crisis instead of waging a year-by-year struggle to maintain the status quo.

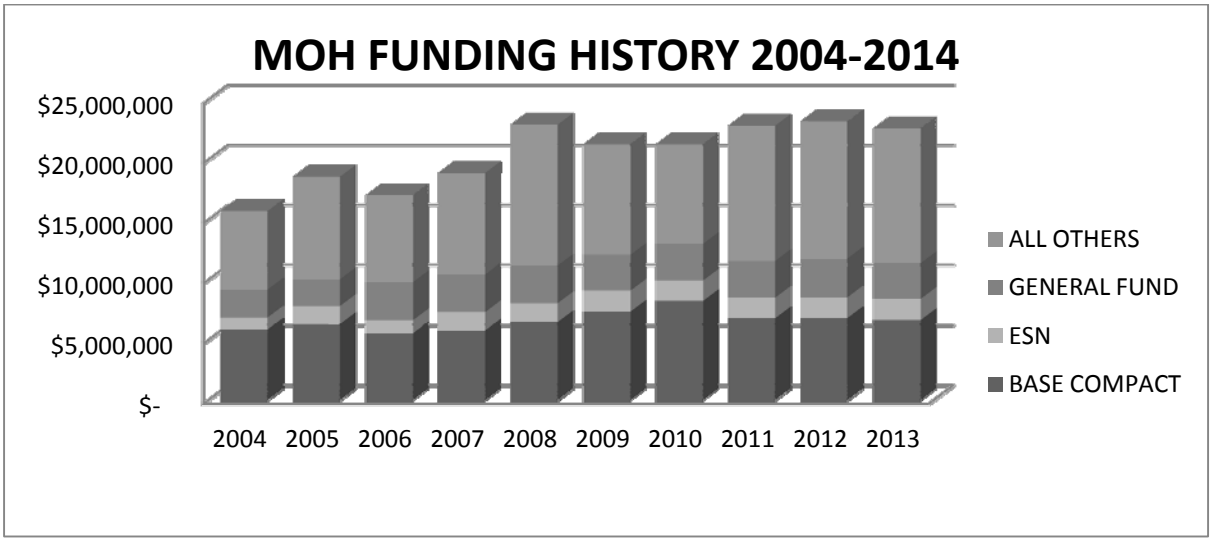
Base grant assistance dropped in FY 2014 and there is every reason to believe the downturn in funding will be a constant until FY 2023, the last year of Compact grant assistance. Although ESN funding to the RMI increases in FY 2014, there is no assurance that the health sector will continue to be a top priority for Kwajalein Atoll. If more money does go to hospital and preventive services, personnel and other recurring costs currently supported by the base Compact grant likely will shift to ESN to stabilize Majuro-centered operations.

Health care financing cannot stay static in the face of rising inflationary costs and the RMI's growing population of the young and the old who are higher risks for ill health. The saving grace in the MOH's budget balancing act thus far has been the growth in "other funds," particularly in special health account allocations and U.S. Federal grant awards. However, as noted earlier, these sources have prescribed uses only. There also is not certainty that funding levels will remain stable over time.

In FY 2014, the Ministry will implement activities to counteract declining Compact dollars but realistically can only undertake those steps that are within its circumscribed management authority. Management discipline will be critical to that effort in the years that follow. The Ministry's senior administrators actively need to seek operating efficiencies. Programs with limited effectiveness should face elimination or consolidation.

Fee increases, changes in medical referral practices, transferring personnel from Compact to general funds, and the like require the prior consent of the RMI Executive Cabinet, the approval of the Nitijela, and unwavering political will for championing reforms. While conventional wisdom points to an infusion of general funds as a necessary corollary to maintaining and even circumspectly growing affordable

health care of good quality, the future amount of general funding that will come to the Ministry is an unknown. What is apparent is that the amount will decrease in FY 2013.



Public Infrastructure

The RMI allocated approximately $13.3 million for infrastructure improvements and maintenance in 2014. The RMI consistently adheres with the Amended Compacts' policy that at least 30 percent of all annual United States Compact financial assistance made available through Section 211 of the Amended Compact be directed toward infrastructure development. To guide project selection, the RMI continued to utilize a comprehensive Infrastructure Development and Maintenance Program (IDMP) with complete project descriptions, timelines, financial requirements and measurable project indicators.

Environment

In 20143, the RMI received an allocation of $233,080 for Kwajalein Environmental Impact. This amount is used to support the RMI Environmental Protection Agency (EPA) activities and programs on Ebeye. The RMI also received $325,000 to support capital needs for the Majuro Atoll Waste Corporation.

5.

Account:	**Compact of Free Association (Permanent and Indefinite)**					
Activity:	**Compact Impact** $(000)					
			2015			
	2013 Actual	**2014 Enacted**	**Fixed Costs & Related Changes (+/-)**	**Program Changes (+/-)**	**Budget Request**	**Change from 2014 (+/-)**
Hawaii	11,210	11,229	0	+1,533	12,762	+1,533
Guam	16,799	16,827	0	-1,920	14,907	-1,920
CNMI	1,927	1,930	0	+379	2,309	+379
American Samoa	14	14	0	+8	22	+8
Census	50	0	0	0	0	0
Total	**30,000**	**30,000**	**0**	**0**	**30,000**	**0**
FTEs	0	0	0	0	0	0

PROGRAM OVERVIEW

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

The $30.0 million distribution is based on a ratio allocation to the government of each affected jurisdiction on the basis of the results of the most recent enumeration. At a minimum, enumerations will be conducted every five years. The most recent enumeration was completed in 2009 by the U.S. Census Bureau and the results were used to determine the distribution of the $30.0 million beginning in 2010. This allocation is in accordance with the provision in Section 104(e)(5) of Title One of the amended Compacts of Free Association.

As allowed for by Section 104 (e)(3)(c), the $30.0 million for 2013 was reduced by $50,000 and the distribution adjusted accordingly, in order to fund the U.S. Census Bureau enumeration.

2015 PROGRAM PERFORMANCE

The following 2014 grants will be made to each eligible jurisdiction based on the population of qualified migrants:

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

Compact Impact grant assistance may be used only for health, educational, social, or public safety services, or infrastructure related to such services, specifically affected by qualified nonimmigrants. Each jurisdiction is to provide a spending plan to the Office of Insular Affairs (OIA) for the use of the funds prior to the awarding of the grant. The 2014 spending plans follow:

The State of Hawaii is expected to use the full 2014 amount of its $12.8 million to supplement state funds to support indigent health care as in past years.

Guam has proposed to use its 2014 Compact Impact grant of $16.8 million in the following manner:

- DPW Schools Leaseback $7,100,000
- GMHA Operations Offset $3,000,000
- UOG Operations Offset $1,000,000
- DOC Operations Offset $ 950,000
- GPD Operations Offset $800,000
- DPHSS Operations Offset $800,000
- GDOE Operations Offset $417,026
- GFD Operations Offset $60,000
- DPW Vehicle Fleet and Road Repairs $1,500,000
- MCOG Village Rd Repair & Flood Abatement $700,000
- DPR Repair of Paseo Park & Recreation Area $300,000

Although OIA has not received a 2014 spending plan for the CNMI, it is anticipated the funds will be used in a manner similar to 2013. The 2013 Compact Impact funding in the amount of $1,930,443 was used for the operation needs of Public Health / CHCC, the Departments of Public Safety and Corrections, the Office of Public Defender, the Division of Youth Services, Northern Mariana College and the Public School System.

American Samoa has proposed to use its 2014 Compact Impact grant of $13,764 for the Adopt a School Initiative. The Adopt a School Initiative encompasses both public and private schools in partnership with the local government, businesses, non-profit organizations and the community. Under the Adopt a School

Initiative, government agencies and its partners have been successful with the cleanup and maintenance of school buildings. The next phase of the Adopt a School Initiative is the implementation of an after school on-the-job training program for high school students. The main objective is to prepare local students in obtaining the necessary skills so they can be better prepared as contributing members of the future workforce. Proposed use of the awarded funds is to provide stipends for the students that will assist with transportation costs to and from the worksites.

6.

Account:	**Compact of Free Association (Permanent and Indefinite)**					
Activity:	**Economic Assistance**					
Subactivity:	**Republic of Palau Compact** $(000)					
			2015			
	2013 Actual	**2014 Enacted**	**Fixed Costs & Related Changes (+/-)**	**Program Changes (+/-)**	**Budget Request**	**Inc (+) Dec(-) From 2014**
Palau Compact*	0	0	0	+41,545	41,545	+41,545
FTEs	0	0	0	0	0	0

* Republic of Palau Legislative Proposal

SUMMARY OF 2015 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Palau Compact	+41,545	0

JUSTIFICATION OF 2015 PROGRAM CHANGES

The 2015 budget request includes $41.5 million and 0 FTE in recognition of the recently completed review of the relationship between the United States (U.S.) and the Republic of Palau (ROP). The results of the review were introduced by the U.S. Senate as S. 343.

PROGRAM OVERVIEW

On February 14, 2011, S. 343 was introduced in the Senate (S. 1268 in the 113th Congress) seeking to continue the U.S. Compact financial relationship with the Republic of Palau. The proposed bill would provide $250 million in financial assistance to the Republic of Palau through 2024. The bill has not been enacted by the U.S. Congress to date. The goals of the continued funding are to maintain the viability of Palau's trust fund and to keep government spending stable while Palau enacts policy reforms to strengthen its economy.

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Miscellaneous Schedules

IV. Miscellaneous Schedules

Assistance to Territories

Line Title	Line	2012 Act	2013 Act	2014 CY	2015 BY
Combined Schedule (X)					
Obligations by program activity:					
Office of Insular Affairs	0009		8	10	10
Technical assistance	0010		14	14	17
Coral reef initiative	0015		1	1	1
Maintenance assistance fund	0017		1	1	3
American Samoa operations grants	0018		23	23	23
Brown Treesnake	0019		3	3	3
Empowering Insular Communities	0021		3	3	3
Compact Impact Discretionary	0031		5	3	1
Direct subtotal, discretionary	0091		58	58	61
Covenant grants, mandatory	0101		30	28	28
Total new obligations	0900		88	86	89
Budgetary Resources:					
Unobligated balance:					
Unobligated balance brought forward, Oct 1	1000		3	8	8
Discretionary unobligated balance brought fwd, Oct 1	1001		2	0	
Recoveries of prior year unpaid obligations	1021		9	0	0
Unobligated balance (total)	1050		12	8	8
Budget authority:					
Appropriations, discretionary:					
Appropriation	1100		57	58	61
Appropriations permanently reduced	1130		-1	0	0
Appropriation, discretionary (total)	1160		56	58	61
Appropriation, discretionary - Computed Totals	1160-20		56	58	61
Discretionary, Appropriations Committee					
Appropriation [Text]	1160-40		56	58	61
Baseline Civilian Pay	1160-50			5	5
Baseline Non-Pay	1160-50			53	54
Policy Outlays:					
New Authority	1160-61		35	38	40
Balances (excl of EOY PY Bal)	1160-62		32	0	15
End of PY Balances	1160-63			31	9
Subtotal, outlays	1160-64		67	69	64
Baseline Outlays:					
New Authority	1160-81			38	38
Balances (excl of EOY PY Bal)	1160-82			0	15
End of PY Balances	1160-83			31	9
Subtotal, outlays	1160-84			69	62

Appropriations, mandatory:					
Appropriation	1200		28	28	28
Appropriations, mandatory (total)	1260		28	28	28
Appropriations, mandatory - Computed Totals	1260-20		28	28	28
Mandatory, Authorizing Committee					
Appropriation [Text]	1260-40		28	28	28
Baseline Non-Pay	1260-50			28	28
Policy Outlays:					
New Authority	1260-61		0	1	1
Balances (excl of EOY PY Bal)	1260-62		21	0	7
End of PY Balances	1260-63			6	5
Subtotal, outlays	1260-64		21	7	13
Baseline Outlays:					
New Authority	1260-81			1	1
Balances (excl of EOY PY Bal)	1260-82			0	7
End of PY Balances	1260-83			6	5
Subtotal, outlays	1260-84			7	13
Appropriation [Text]	1260-40		-1	1	0
Baseline Non-Pay	1260-50			1	0
Policy Outlays:					
New Authority	1260-61		0	0	0
Balances (excl of EOY PY Bal)	1260-62		0	0	0
End of PY Balances	1260-63			0	0
Subtotal, outlays	1260-64		0	0	0
Baseline Outlays:					
New Authority	1260-81			0	0
Balances (excl of EOY PY Bal)	1260-82			0	0
End of PY Balances	1260-83			0	0
Subtotal, outlays	1260-84			0	0
Effects of 2014 sequester	1260-40		1	-1	0
Baseline Non-Pay	1260-50			-1	0
Policy Outlays:					
New Authority	1260-61		0	-1	0
Balances (excl of EOY PY Bal)	1260-62		0	0	0
End of PY Balances	1260-63			95	0
Subtotal, outlays	1260-64		0	94	0
Baseline Outlays:					
New Authority	1260-81			-1	0
Balances (excl of EOY PY Bal)	1260-82			0	0
End of PY Balances	1260-83			95	0
Subtotal, outlays	1260-84			94	0
Spending authority from offsetting collections, discretionary:					
Collected	1700		1	0	0
Change in uncollected payments, Federal sources	1701		-1	0	0
Spending auth from offsetting collections, disc (total)	1750		0	0	0
Budget authority (total)	1900		84	86	89
Total budgetary resources available	1930		96	94	97

Memorandum (non-add) entries:					
Unexpired unobligated balance, end of year	1941		8	8	8
Change in obligated balance:					
Unpaid obligations:					
Unpaid obligations, brought forward, Oct 1	3000		179	170	86
Obligations incurred, unexpired accounts	3010		88	86	89
Outlays (gross)	3020		-88	-170	-77
Recoveries of prior year unpaid obligations, unexpired	3040		-9	0	0
Unpaid obligations, end of year	3050		170	86	98
Uncollected payments:					
Uncollected pymts, Fed sources, brought forward, Oct	3060		-3	-2	-2
Change in uncollected pymts, Fed sources, unexpired	3070		1	0	0
Uncollected pymts, Fed sources, end of year	3090		-2	-2	-2
Memorandum (non-add) entries:					
Obligated balance, start of year	3100		176	168	84
Obligated balance, end of year	3200		168	84	96
Budget authority and outlays, net:					
Discretionary:					
Budget authority, gross	4000		56	58	61
Outlays, gross:					
Outlays from new discretionary authority	4010		35	38	40
Outlays from discretionary balances	4011		32	31	24
Outlays, gross (total)	4020		67	69	64
Offsets against gross budget authority and outlays:					
Offsetting collections (collected) from:					
Federal sources	4030		-1	0	0
Federal sources (total)	4030-10		-1	0	0
Discretionary, Appropriations Committee					
Policy Program [Text]	4030-41		-1	0	0
Baseline Program [Text]	4030-71			0	0
Additional offsets against gross budget authority only:					
Change in uncollected pymts, Fed sources, unexpire	4050		1	0	0
Discretionary, Appropriations Committee					
Policy Program [Text]	4050-41		1	0	0
Baseline Program [Text]	4050-71			0	0
Budget authority, net (discretionary)	4070		56	58	61
Outlays, net (discretionary)	4080		66	69	64

Mandatory:					
Budget authority, gross	4090		28	28	28
Outlays, gross:					
Outlays from new mandatory authority	4100		0	0	1
Outlays from mandatory balances	4101		21	101	12
Outlays, gross (total)	4110		21	101	13
Budget authority, net (mandatory)	4160		28	28	28
Outlays, net (mandatory)	4170		21	101	13
Budget authority, net (total)	4180		84	86	89
Outlays, net (total)	4190		87	170	77
Character Classification (C)					
INVESTMENT ACTIVITIES:					
Physical assets:					
Other construction and rehabilitation:					
Grants to State and local governments:					
Discretionary, Appropriations Committee					
Budget Authority	1313-01		56	58	61
Outlays	1313-02		66	69	64
Mandatory, Authorizing Committee					
Budget Authority	1313-01		28	28	28
Outlays	1313-02		21	101	13
Object Classification (O)					
Direct obligations:					
Personnel compensation:					
Full-time permanent	11.1		4	4	4
Civilian personnel benefits	12.1		1	1	1
Travel and transportation of persons	21.0		0	1	1
Other services from non-Federal sources	25.2		3	2	2
Other goods and services from Federal sources	25.3		8	4	4
Grants, subsidies, and contributions	41.0		72	74	77
Total new obligations	99.9		88	86	89

Compact of Free Association					
Line Title	Line	2012 Act	2013 Act	2014 CY	2015 BY
Combined Schedule (X)					
Obligations by program activity:					
Federal services assistance	0001		3	3	3
Palau Compact Extension, mandatory	0101		13	13	0
Subtotal	0192		16	16	3
Assistance to the Marshall Islands	0201		65	72	76
Assistance to the Federated States of Micronesia	0202		89	108	110
Compact Impact	0204		31	30	30
Subtotal, permanent indefinite	0291		185	210	216
Total direct obligations	0799		201	226	219
Reimbursable program	0801		17	17	17
Total new obligations	0900		218	243	236
Budgetary Resources:					
Unobligated balance:					
Unobligated balance brought forward, Oct 1	1000		90	114	114
Discretionary unobligated balance brought fwd, Oct 1	1001		1	0	
Recoveries of prior year unpaid obligations	1021		5	0	0
Unobligated balance (total)	1050		95	114	114
Budget authority:					
Appropriations, discretionary:					
Appropriation	1100		5	3	3
Appropriation, discretionary (total)	1160		5	3	3
Appropriation, discretionary - Computed Totals	1160-20		5	3	3
Discretionary, Appropriations Committee					
Appropriation [see below for $2m]	1160-40		5	3	3
Baseline Non-Pay	1160-50			3	3
Policy Outlays:					
New Authority	1160-61		3	3	3
Balances (excl of EOY PY Bal)	1160-62		17	0	0
End of PY Balances	1160-63			0	0
Subtotal, outlays	1160-64		20	3	3
Baseline Outlays:					
New Authority	1160-81			3	3
Balances (excl of EOY PY Bal)	1160-82			0	0
End of PY Balances	1160-83			0	0
Subtotal, outlays	1160-84			3	3

Discretionary, Discretionary Change in a Mandatory Program, Appropriations Committee					
Appropriation [Palau]	1160-40		0	0	0
Baseline Non-Pay	1160-50			0	0
Policy Outlays:					
New Authority	1160-61		0	0	0
Balances (excl of EOY PY Bal)	1160-62		0	0	0
End of PY Balances	1160-63			0	0
Subtotal, outlays	1160-64		0	0	0
Baseline Outlays:					
New Authority	1160-81			0	0
Balances (excl of EOY PY Bal)	1160-82			0	0
End of PY Balances	1160-83			0	0
Subtotal, outlays	1160-84			0	0
Appropriations, mandatory:					
Appropriation	1200		216	223	216
Appropriations, mandatory (total)	1260		216	223	216
Appropriations, mandatory - Computed Totals	1260-20		216	223	216
Mandatory, Authorizing Committee					
Appropriation [Text]	1260-40		216	223	216
Baseline Non-Pay	1260-50			223	216
Policy Outlays:					
New Authority	1260-61		206	190	184
Balances (excl of EOY PY Bal)	1260-62		6	0	11
End of PY Balances	1260-63			33	25
Subtotal, outlays	1260-64		212	223	220
Baseline Outlays:					
New Authority	1260-81			190	184
Balances (excl of EOY PY Bal)	1260-82			0	11
End of PY Balances	1260-83			33	25
Subtotal, outlays	1260-84			223	220
Spending authority from offsetting collections, discretionary:					
Collected	1700		16	17	17
Spending auth from offsetting collections, disc (total)	1750		16	17	17
Spending auth from offsetting collections, disc - Compu	1750-20		16	17	17
Discretionary, Appropriations Committee					
Spending authority from offsetting collections [Text]	1750-40		16	17	17
Baseline Program [Text]	1750-50			17	17
Policy Outlays:					
New Authority	1750-61		0	2	2
Balances (excl of EOY PY Bal)	1750-62		0	0	15
End of PY Balances	1750-63			16	0
Subtotal, outlays	1750-64		0	18	17
Baseline Outlays:					
New Authority	1750-81			2	2
Balances (excl of EOY PY Bal)	1750-82			0	15
End of PY Balances	1750-83			16	0
Subtotal, outlays	1750-84			18	17
Budget authority (total)	1900		237	243	236
Total budgetary resources available	1930		332	357	350

Memorandum (non-add) entries:					
Unexpired unobligated balance, end of year	1941		114	114	114
Change in obligated balance:					
Unpaid obligations:					
Unpaid obligations, brought forward, Oct 1	3000		120	100	93
Obligations incurred, unexpired accounts	3010		218	243	236
Outlays (gross)	3020		-232	-244	-240
Recoveries of prior year unpaid obligations, unexpired	3040		-5	0	0
Recoveries of prior year unpaid obligations, expired	3041		-1	-6	0
Unpaid obligations, end of year	3050		100	93	89
Uncollected payments:					
Uncollected pymts, Fed sources, brought forward, Oct	3060		-19	-1	-1
Change in uncollected pymts, Fed sources, expired	3071		18	0	0
Uncollected pymts, Fed sources, end of year	3090		-1	-1	-1
Memorandum (non-add) entries:					
Obligated balance, start of year	3100		101	99	92
Obligated balance, end of year	3200		99	92	88
Budget authority and outlays, net:					
Discretionary:					
Budget authority, gross	4000		21	20	20
Outlays, gross:					
Outlays from new discretionary authority	4010		3	5	5
Outlays from discretionary balances	4011		17	16	15
Outlays, gross (total)	4020		20	21	20
Offsets against gross budget authority and outlays:					
Offsetting collections (collected) from:					
Federal sources	4030		-33	-17	-17
Federal sources (total)	4030-10		-33	-17	-17
Discretionary, Appropriations Committee					
Policy Program [Text]	4030-41		-33	-17	-17
Baseline Program [Text]	4030-71			-17	-17
Additional offsets against gross budget authority only:					
Discretionary, Appropriations Committee					
Policy Program [Text]	4050-41		0	0	0
Baseline Program [Text]	4050-71			0	0
Offsetting collections credited to expired accounts	4052		17	0	0
Discretionary, Appropriations Committee					
from Education	4052-41		17	0	0
from Education	4052-71			0	0
Budget authority, net (discretionary)	4070		5	3	3
Outlays, net (discretionary)	4080		-13	4	3

Mandatory:					
Budget authority, gross	4090		216	223	216
Outlays, gross:					
Outlays from new mandatory authority	4100		206	190	184
Outlays from mandatory balances	4101		6	33	36
Outlays, gross (total)	4110		212	223	220
Budget authority, net (mandatory)	4160		216	223	216
Outlays, net (mandatory)	4170		212	223	220
Budget authority, net (total)	4180		221	226	219
Outlays, net (total)	4190		199	227	223
Character Classification (C)					
NON-INVESTMENT ACTIVITIES:					
Direct Federal programs:					
Budget Authority	2004-01		221	226	219
Outlays	2004-02		199	227	223
Object Classification (O)					
Direct obligations:					
Other goods and services from Federal sources	25.3		3	3	3
Grants, subsidies, and contributions	41.0		198	225	214
Subtotal, obligations	99.0		201	228	217
Reimbursable obligations:					
Grants, subsidies, and contributions	41.0		17	15	19
Total new obligations	99.9		218	243	236

Payments to the United States Territories, Fiscal Assistance					
Line Title	Line	2012 Act	2013 Act	2014 CY	2015 BY
Combined Schedule (X)					
Obligations by program activity:					
Advance payments to Guam of estimated U.S. income t	0001		79	65	65
Advance payments to the Virgin Islands of estimated U.	0002		263	263	263
Total new obligations	0900		342	328	328
Budgetary Resources:					
Budget authority:					
Appropriations, mandatory:					
Appropriation	1200		342	328	328
Appropriations, mandatory (total)	1260		342	328	328
Appropriations, mandatory - Computed Totals	1260-20		342	328	328
Mandatory, Authorizing Committee					
Appropriation [Text]	1260-40		342	328	328
Baseline Non-Pay	1260-50			328	328
Policy Outlays:					
New Authority	1260-61		342	328	328
Balances (excl of EOY PY Bal)	1260-62		0	0	0
End of PY Balances	1260-63			0	0
Subtotal, outlays	1260-64		342	328	328
Baseline Outlays:					
New Authority	1260-81			328	328
Balances (excl of EOY PY Bal)	1260-82			0	0
End of PY Balances	1260-83			0	0
Subtotal, outlays	1260-84			328	328
Total budgetary resources available	1930		342	328	328
Change in obligated balance:					
Unpaid obligations:					
Unpaid obligations, brought forward, Oct 1	3000		0	0	0
Obligations incurred, unexpired accounts	3010		342	328	328
Outlays (gross)	3020		-342	-328	-328
Unpaid obligations, end of year	3050		0	0	0
Memorandum (non-add) entries:					
Obligated balance, start of year	3100		0	0	0
Obligated balance, end of year	3200		0	0	0

Budget authority and outlays, net:					
Mandatory:					
Budget authority, gross	4090		342	328	328
Outlays, gross:					
Outlays from new mandatory authority	4100		342	328	328
Budget authority, net (mandatory)	4160		342	328	328
Outlays, net (mandatory)	4170		342	328	328
Budget authority, net (total)	4180		342	328	328
Outlays, net (total)	4190		342	328	328
Character Classification (C)					
NON-INVESTMENT ACTIVITIES:					
Grants to State and local govts:					
Shared revenues:					
Mandatory, Authorizing Committee					
Budget Authority	2003-01		342	328	328
Outlays	2003-02		342	328	328
Object Classification (O)					
Direct obligations:					
Grants, subsidies, and contributions	41.0		342	328	328

Assistance to American Samoa Direct Loan Financing Account					
Line Title	Line	2012 Act	2013 Act	2014 CY	2015 BY
Combined Schedule (X)					
Obligations by program activity:					
Credit program obligations:					
Payment of interest to Treasury	0713		1	1	1
Interest on downward reestimates	0743		0	1	
Total new obligations	0900		1	2	1
Budgetary Resources:					
Financing authority:					
Borrowing authority, mandatory:					
Borrowing authority	1400		0	1	0
Borrowing authority, mandatory (total)	1440		0	1	0
Spending authority from offsetting collections, mandatory:					
Collected	1800		1	1	1
Spending auth from offsetting collections, mand (total)	1850		1	1	1
Financing authority (total)	1900		1	2	1
Total budgetary resources available	1930		1	2	1
Change in obligated balance:					
Unpaid obligations:					
Unpaid obligations, brought forward, Oct 1	3000		0	0	2
Obligations incurred, unexpired accounts	3010		1	2	1
Financing disbursements (gross)	3020		-1	0	0
Unpaid obligations, end of year	3050		0	2	3
Memorandum (non-add) entries:					
Obligated balance, start of year	3100		0	0	2
Obligated balance, end of year	3200		0	2	3
Financing authority and disbursements, net:					
Mandatory:					
Financing authority, gross	4090		1	2	1
Financing disbursements:					
Financing disbursements, gross	4110		1	0	0

Offsets against gross financing authority and disbursements:					
Offsetting collections (collected) from:					
Non-Federal sources - interest payments fr. Am. San	4123		-1	-1	-1
Non-Federal sources (total)	4123-10		-1	-1	-1
Financing authority, net (mandatory)	4160		0	1	0
Financing disbursements, net (mandatory)	4170		0	-1	-1
Financing authority, net (total)	4180		0	1	0
Financing disbursements, net (total)	4190		0	-1	-1
Balance Sheet (F)					
ASSETS:					
Net value of assets related to post-1991 direct loans receivable:					
Direct loans receivable, gross	1401	14	14		
Allowance for subsidy cost (-)	1405	-5	-5		
Net present value of assets related to direct loans	1499	9	9		
Total assets	1999	9	9		
LIABILITIES:					
Federal liabilities:					
Debt	2103	9	9		
Total liabilities and net position	4999	9	9		
Status of Direct Loans (G)					
Cumulative balance of direct loans outstanding:					
Outstanding, start of year	1210		14	14	14
Repayments:					
Repayments	1251		-1	-1	-1
Adjustments:					
Capitalized interest	1261		1	1	1
Outstanding, end of year	1290		14	14	14
Federal Credit Data (Y)					
Net financing disbursements - Policy	6200		0	-1	-1
Net financing disbursements - Baseline	6300			-1	-1

Trust Territory of the Pacific Islands					
Line Title	Line	2012 Act	2013 Act	2014 CY	2015 BY
Combined Schedule (X)					
Budgetary Resources:					
Budget authority:					
Appropriations, discretionary:					
Appropriation, discretionary (total)	1160		0	0	0
Appropriation, discretionary - Computed Totals	1160-20		0	0	0
Discretionary, Appropriations Committee					
Appropriation [Text]	1160-40		0	0	0
Baseline Civilian Pay	1160-50			0	0
Policy Outlays:					
New Authority	1160-61		0	0	0
Balances (excl of EOY PY Bal)	1160-62		2	0	0
End of PY Balances	1160-63			0	0
Subtotal, outlays	1160-64		2	0	0
Baseline Outlays:					
New Authority	1160-81			0	0
Balances (excl of EOY PY Bal)	1160-82			0	0
End of PY Balances	1160-83			0	0
Subtotal, outlays	1160-84			0	0
Change in obligated balance:					
Unpaid obligations:					
Unpaid obligations, brought forward, Oct 1	3000		3	1	1
Outlays (gross)	3020		-2	0	0
Unpaid obligations, end of year	3050		1	1	1
Memorandum (non-add) entries:					
Obligated balance, start of year	3100		3	1	1
Obligated balance, end of year	3200		1	1	1
Budget authority and outlays, net:					
Discretionary:					
Outlays, gross:					
Outlays from discretionary balances	4011		2	0	0
Outlays, net (discretionary)	4080		2	0	0
Budget authority, net (total)	4180		0	0	0
Outlays, net (total)	4190		2	0	0
Character Classification (C)					
INVESTMENT ACTIVITIES:					
Physical assets:					
Other construction and rehabilitation:					
Grants to State and local governments:					
Discretionary, Appropriations Committee					
Outlays	1313-02		2	0	0
Direct federal programs:					
Budget Authority	1314-01		0	0	0

Historical Table

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

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

FSM-RMI Compact Payment Projections
2004-2008
(In thousands of dollars)

	2004			2005			2006			2007			2008			Subtotal
	Base	Inflation 0.00%	Total	Base	Inflation 1.99%	Total	Base	Inflation 4.33%	Total	Base	Inflation 6.63%	Total	Base	Inflation 8.56%	Total	2004-2008
Federated States of Micronesia																
Annual Grant Section 211	76,200	-	76,200	76,200	1,514	77,714	76,200	3,296	79,496	75,400	5,002	80,402	74,600	6,387	80,987	394,800
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	318	16,318	16,000	692	16,692	16,800	1,114	17,914	17,600	1,507	19,107	86,031
Total FSM Compact	*92,700*	-	*92,700*	*92,700*	*1,832*	*94,532*	*92,700*	*3,988*	*96,688*	*92,700*	*6,116*	*98,816*	*92,700*	*7,894*	*100,594*	*483,331*
Republic of the Marshall Islands																
Annual Grant Section 211	35,200	-	35,200	34,700	690	35,390	34,200	1,479	35,679	33,700	2,236	35,936	33,200	2,843	36,043	178,247
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	149	7,649	8,000	346	8,346	8,500	564	9,064	9,000	771	9,771	41,830
Kwajalein Impact Section 212	15,000	-	15,000	15,000	298	15,298	15,000	649	15,649	15,000	995	15,995	15,000	1,284	16,284	78,226
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	56	1,356	1,300	86	1,386	1,300	111	1,411	6,780
Total RMI Compact	*59,000*	-	*59,000*	*60,780*	*1,163*	*61,943*	*60,760*	*2,530*	*63,290*	*60,760*	*3,881*	*64,641*	*59,000*	*5,009*	*64,009*	*312,883*
Compact-Other																
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
Total Compact-Other	*30,300*	-	*30,300*	*30,300*	*6*	*30,306*	*30,300*	*13*	*30,313*	*30,300*	*20*	*30,320*	*30,300*	*26*	*30,326*	*151,565*
GRAND TOTAL	**182,000**	**-**	**182,000**	**183,780**	**3,001**	**186,781**	**183,760**	**6,532**	**190,292**	**183,760**	**10,017**	**193,777**	**182,000**	**12,929**	**194,929**	**947,778**

FSM-RMI Compact Payment Projections
2009-2013
(In thousands of dollars)

	2009			2010			2011			2012			2013			
	Base	Inflation 10.48%	Total	Base	Inflation 10.83%	Total	Base	Inflation 11.97%	Total	Base	Inflation 13.40%	Total	Base	Inflation 15.71%	Total	**Subtotal 2009-2013**
Federated States of Micronesia																
Annual Grant Section 211	73,800	7,732	81,532	73,000	7,904	80,904	72,200	8,639	80,839	71,400	9,568	80,968	70,600	11,093	81,692.50	405,935
Audit Grant Section 212 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500.00	2,500
Trust Fund Section 215	18,400	1,928	20,328	19,200	2,079	21,279	20,000	2,393	22,393	20,800	2,787	23,587	21,600	3,394	24,993.74	112,581
Total FSM Compact	*92,700*	*9,659*	*102,359*	*92,700*	*9,983*	*102,683*	*92,700*	*11,032*	*103,732*	*92,700*	*12,356*	*105,056*	*92,700*	*14,486*	*107,186*	*521,016*
Republic of the Marshall Islands																
Annual Grant Section 211	32,700	3,426	36,126	32,200	3,486	35,686	31,700	3,793	35,493	31,200	4,181	35,381	30,700	4,824	35,524	178,210
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	995	10,495	10,000	1,083	11,083	10,500	1,256	11,756	11,000	1,474	12,474	11,500	1,807	13,307	59,115
Kwajalein Impact Section 212	15,000	1,571	16,571	15,000	1,624	16,624	15,000	1,795	16,795	15,000	2,010	17,010	15,000	2,357	17,356.764	84,357
Rongelap Resettlement Section 103 (f)(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Enewetak Section 103 (f)(2)(c)(i)	1,300	136	1,436	1,300	141	1,441	1,300	156	1,456	1,300	174	1,474	1,300	204	1,504	7,311
Total RMI Compact	*59,000*	*6,129*	*65,129*	*59,000*	*6,334*	*65,334*	*59,000*	*7,000*	*66,000*	*59,000*	*7,840*	*66,840*	*59,000*	*9,191*	*68,191*	*331,493*
Compact-Other																
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	31	331	300	32	332	300	36	336	300	40	340	300	47	347	1,687
Total Compact-Other	*30,300*	*31*	*30,331*	*30,300*	*32*	*30,332*	*30,300*	*36*	*30,336*	*30,300*	*40*	*30,340*	*30,300*	*47*	*30,347*	*151,687*
GRAND TOTAL	**182,000**	**15,820**	**197,820**	**182,000**	**16,349**	**198,349**	**182,000**	**18,068**	**200,068**	**182,000**	**20,235**	**202,235**	**182,000**	**23,725**	**205,725**	**1,004,197**

FSM-RMI Compact Payment Projections
2014-2018
(In thousands of dollars)

	2014			2015			2016			2017			2018			Subtotal
	Base	Inflation 16.54%	Total	Base	Inflation 18.54%	Total	Base	Inflation 20.54%	Total	Base	Inflation 22.54%	Total	Base	Inflation 24.54%	Total	2014-2018
Federated States of Micronesia																
Annual Grant Section 211	69,800	11,544	81,344	69,000	12,792	81,792	68,200	14,007	82,207	67,400	15,191	82,591	66,600	16,343	82,943	410,877
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	4,301	27,501	24,000	4,929	28,929	24,800	5,590	30,390	25,600	6,282	31,882	144,806
Total FSM Compact	*92,700*	*15,249*	*107,949*	*92,700*	*17,093*	*109,793*	*92,700*	*18,937*	*111,637*	*92,700*	*20,781*	*113,481*	*92,700*	*22,625*	*115,325*	*558,183*
Republic of the Marshall Islands																
Annual Grant Section 211	32,200	5,325	37,525	31,700	5,877	37,577	31,200	6,408	37,608	30,700	6,919	37,619	30,200	7,411	37,611	187,940
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	2,317	14,817	13,000	2,670	15,670	13,500	3,043	16,543	14,000	3,435	17,435	78,450
Kwajalein Impact Section 212	18,000	2,977	20,977	18,000	3,337	21,337	18,000	3,697	21,697	18,000	4,057	22,057	18,000	4,417	22,417	108,485
Rongelap Resettlement Section 103 (f)(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Enewetak Section 103 (f)(2)(c)(i)	1,300	215	1,515	1,300	241	1,541	1,300	267	1,567	1,300	293	1,593	1,300	319	1,619	7,835
Total RMI Compact	*64,000*	*10,502*	*74,502*	*64,000*	*11,772*	*75,772.0*	*64,000*	*13,042*	*77,042*	*64,000*	*14,312*	*78,312*	*64,000*	*15,582*	*79,582*	*385,210*
Compact-Other																
Compact Impact Section 104 (e)	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	29,700	(74)	29,626	149,626
Compact Impact Enumeration Section 104 (e)(4)	-	-	-	-	-	-	-	-	-	-	-	-	300	74	374	374
Judicial Training	300	50	350	300	56	356	300	62	362	300	68	368	300	74	374	1,808
Total Compact-Other	*30,300*	*50*	*30,350*	*30,300*	*56*	*30,356*	*30,300*	*62*	*30,362*	*30,300*	*68*	*30,368*	*30,300*	*74*	*30,374*	*151,808*
GRAND TOTAL	**187,000**	**25,800**	**212,800**	**187,000**	**28,920**	**215,920**	**187,000**	**32,040**	**219,040**	**187,000**	**35,160**	**222,160**	**187,000**	**38,280**	**225,280**	**1,095,201**

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

	2019			2020			2021			2022			2023			Subtotal	Total 2004-
	Base	Inflation 26.54%	Total	Base	Inflation 28.54%	Total	Base	Inflation 30.54%	Total	Base	Inflation 32.54%	Total	Base	Inflation 34.54%	Total	2019-2023	2023
Federated States of Micronesia																	
Annual Grant Section 211	65,800	17,462	83,262	65,000	18,550	83,550	64,200	19,606	83,806	63,400	20,629	84,029	62,600	21,621	84,221	418,869	**1,630,480**
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	7,006	33,406	27,200	7,762	34,962	28,000	8,551	36,551	28,800	9,371	38,171	29,600	10,223	39,823	182,914	**526,333**
Total FSM Compact	*92,700*	*24,469*	*117,169*	*92,700*	*26,313*	*119,013*	*92,700*	*28,157*	*120,857*	*92,700*	*30,001*	*122,701*	*92,700*	*31,845*	*124,545*	*604,283*	**2,166,813**
Republic of the Marshall Islands																	
Annual Grant Section 211	29,700	7,882	37,582	29,200	8,333	37,533	28,700	8,765	37,465	28,200	9,176	37,376	27,700	9,567	37,267	187,223	**731,620**
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	3,848	18,348	15,000	4,281	19,281	15,500	4,733	20,233	16,000	5,206	21,206	16,500	5,699	22,199	101,267	**280,662**
Kwajalein Impact Section 212	18,000	4,777	22,777	18,000	5,137	23,137	18,000	5,497	23,497	18,000	5,857	23,857	18,000	6,217	24,217	117,485	**388,553**
Rongelap Resettlement Section 103 (f)(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**5,300**
Enewetak Section 103 (f)(2)(c)(i)	1,300	345	1,645	1,300	371	1,671	1,300	397	1,697	1,300	423	1,723	1,300	449	1,749	8,485	**30,411**
Total RMI Compact	*64,000*	*16,852*	*80,852*	*64,000*	*18,122*	*82,122*	*64,000*	*19,392*	*83,392*	*64,000*	*20,662*	*84,662*	*64,000*	*21,932*	*85,932*	*416,960*	**1,446,546**
Compact-Other																	
Compact Impact Section 104 (e)	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	29,700	(104)	29,596	149,596	**598,550**
Compact Impact Enumeration Section 104 (e)(4)	-	-	-	-	-	-	-	-	-	-	-	-	300	104	404	404	**1,450**
Judicial Training	300	80	380	300	86	386	300	92	392	300	98	398	300	104	404	1,958	**7,018**
Total Compact-Other	*30,300*	*80*	*30,380*	*30,300*	*86*	*30,386*	*30,300*	*92*	*30,392*	*30,300*	*98*	*30,398*	*30,300*	*104*	*30,404*	*151,958*	**607,018**
GRAND TOTAL	**187,000**	**41,400**	**228,400**	**187,000**	**44,520**	**231,520**	**187,000**	**47,640**	**234,640**	**187,000**	**50,760**	**237,760**	**187,000**	**53,880**	**240,880**	**1,173,201**	**4,220,377**

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

ACTIVITY (P.L. 99-658)	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
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
Subtotal Sec. 211	108,948	12,781	16,781	12,781	7,781	7,781	7,781	7,781	7,781	7,781	6,781	6,781	6,781	6,781	6,781	231,882
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
SUBTOTAL	**186,167**	**18,623**	**22,856**	**19,221**	**11,571**	**11,642**	**11,785**	**11,857**	**12,071**	**12,143**	**10,656**	**10,779**	**10,902**	**11,025**	**11,148**	**372,442**
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
DIRECT PAYMENTS	**192,467**	**23,523**	**26,356**	**21,221**	**13,571**	**13,642**	**13,785**	**13,857**	**14,071**	**14,143**	**12,656**	**12,779**	**12,902**	**13,025**	**13,148**	**411,142**
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
GRAND TOTAL, PALAU	**246,807**	**23,523**	**122,356**	**21,221**	**13,571**	**13,642**	**13,785**	**15,396**	**15,610**	**15,682**	**14,195**	**14,318**	**14,441**	**14,564**	**14,687**	**573,794**

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
Estimated Payments 2010-2024

$'S IN 000'S

Sec.	ACTIVITY (Revised Agreement)	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 *1/*
1	Trust Fund Contributions						14,000	3,000	3,000	2,000	2,000	2,000	2,000	2,000	250	0	30,250
2a	Infrastructure Maintenance Fund *2/*						2,692	2,692	2,691	2,691	2,691	2,691	2,691	2,691	2,691	2,691	26,912
3	*Fiscal Consolidation Fund - Discretionary*																*0*
	Fiscal Consolidation Fund - Mandatory						5,000	5,000									10,000
4a	*Economic Assistance -Discretionary*	*13,147*	*13,147*	*13,147*	*13,147*	*13,147*											*65,735*
	Economic Assistance -Mandatory						10,353	10,000	8,500	7,250	6,000	5,000	4,000	3,000	2,000		56,103
5	Infrastructure Projects						8,000	8,000	8,000	6,000	5,000	5,000					40,000
	Direct Assistance to Palau - Discretionary	*13,147*	*13,147*	*13,147*	*13,147*	*13,147*											*65,735*
	Direct Assistance to Palau - Mandatory	**0**	**0**	**0**	**0**	**0**	**40,045**	**28,692**	**22,191**	**17,941**	**15,691**	**14,691**	**8,691**	**7,691**	**4,941**	**2,691**	**163,265**
	Total, Direct Assistance to Palau	13,147	13,147	13,147	13,147	13,147	40,045	28,692	22,191	17,941	15,691	14,691	8,691	7,691	4,941	2,691	229,000
	Postal Service Subsidy						1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	15,000
	ANNUAL FUNDING, PALAU COMPACT	**13,147**	**13,147**	**13,147**	**13,147**	**13,147**	**41,545**	**30,192**	**23,691**	**19,441**	**17,191**	**16,191**	**10,191**	**9,191**	**6,441**	**4,191**	**244,000**
	PALAU ANNUAL WITHDRAWAL FROM TRUST FUND *3/*	**5,000**	**5,000**	**5,000**	**5,000**	**5,250**	**5,500**	**6,750**	**8,000**	**9,000**	**10,000**	**10,500**	**11,000**	**12,000**	**13,000**	**15,000**	**126,000**

1/Discretionary appropriations provided by the Congress in 2010-2013 Italicized

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

3/ Palau is limited by agreement from withdrawing more than this amount from its US-funded Compact Trust Fund.