

# President's FY 2015 Budget Requests \$678.1 Million to Encourage Economic Activity in U.S. Territories and Freely Associated States

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**WASHINGTON, D.C.** (March 4, 2014) -- President Obama has proposed a fiscal year 2015 budget of \$678.1 million for the Office of Insular Affairs (OIA), which works to empower U.S.-affiliated insular communities by encouraging economic activity, building governmental capacity, improving quality of life, and promoting good governance. The budget request includes \$92.2 million in annual appropriations and \$585.9 million in permanent and indefinite appropriations for fiscal payments mandated by law to U.S. Territories and Freely Associated States.

“The 2015 budget request demonstrates President Obama’s continued commitment to the U.S. insular areas,” said Acting Assistant Secretary for Insular Areas Lori Faeth. “In the face of fiscal austerity, the President’s proposal will enable OIA to continue to work toward building local government capacity, including skills, training, and education, and leverage resources in order to improve the quality of life in insular communities.”

The request includes \$61.2 million to address a variety of technical assistance and operational programs in the U.S.-affiliated island communities, including Guam, the U.S. Virgin Islands, American Samoa, and the Commonwealth of the Northern Mariana Islands. Within this amount, the 2015 budget makes noteworthy investments of \$3 million to pursue sustainable energy strategies; \$2.9 million primarily focused on school maintenance; \$17.5 million to support improvements in insular area government management; and \$22.8 million to support the operations of the American Samoa Government.

Current mandatory appropriations of \$27.7 million will continue to be used to undertake capital improvement projects (CIP) that create economic opportunity in U.S. territories and improve the quality of life in those communities. With these funds, American Samoa is scheduled to receive \$9.3 million in CIP funding; the Commonwealth of the Northern Mariana Islands, \$9.6 million; Guam, \$5.8 million;

and the U.S. Virgin Islands, \$3.1 million.

Permanent appropriations for 2015 include \$328.4 million in payments to Guam and the U.S. Virgin Islands. It is estimated Guam would receive \$65.3 million for taxes collected in the territory via the IRS "mirror" tax code that are by law transferred to the Government of Guam to support its public safety, health care, education and other public services and operations. The U.S. Virgin Islands is scheduled to receive an estimated \$263.1 million for Federal taxes collected on distilled spirits in the territory that are by law transferred to the local government to support its operations and public services.

The budget also includes \$257.5 million in payments to the Freely Associated States under the Compact of Free Association legislation, including \$75.8 million for the Republic of the Marshall Islands, \$109.8 million for the Federated States of Micronesia, \$41.5 million for the Republic of Palau, and \$30.0 million for Compact Impact. The Compact requires the United States to provide regional defense and security for the Freely Associated States as well as economic and social development assistance and financial support for their governments' operations.

On September 3, 2010, the United States Government and the Government of Palau successfully concluded their review of the Compact of Free Association and signed a 15-year extension agreement that includes a \$250.0 million package of assistance through 2024. Under the agreement, Palau committed to undertake economic, legislative, financial and management reforms. The conclusion of the agreement reaffirms the close partnership between the United States and the Republic of Palau. The legislative proposal transmitted to Congress on January 14, 2011 is expected to be enacted prior to the implementation of the 2015 budget; therefore, OIA is not requesting current appropriations for Palau Compact assistance in 2015.

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