



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

and Performance Information
Fiscal Year 2017

OFFICE OF INSULAR AFFAIRS

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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 (FAS): the Federated States of Micronesia (FSM), the Republic of the Marshall Islands (RMI) and the Republic of Palau (Palau).

Economic challenges, long-term energy security, the protection of natural and cultural resources, national security concerns, and anticipating climate change are the foundations of the 2017 budget request. Data from the Bureau of Economic Analysis (BEA) illustrate the economic challenges facing the insular areas. The islands must transition from 100 percent reliance on imported oil to a clean, sustainable energy future and relief from power rates three times the national average. By their geography, the islands are critically vulnerable to climate change, yet face a formidable challenge in adapting and responding to the expected effects on infrastructure, economic development, food security and natural resources.

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

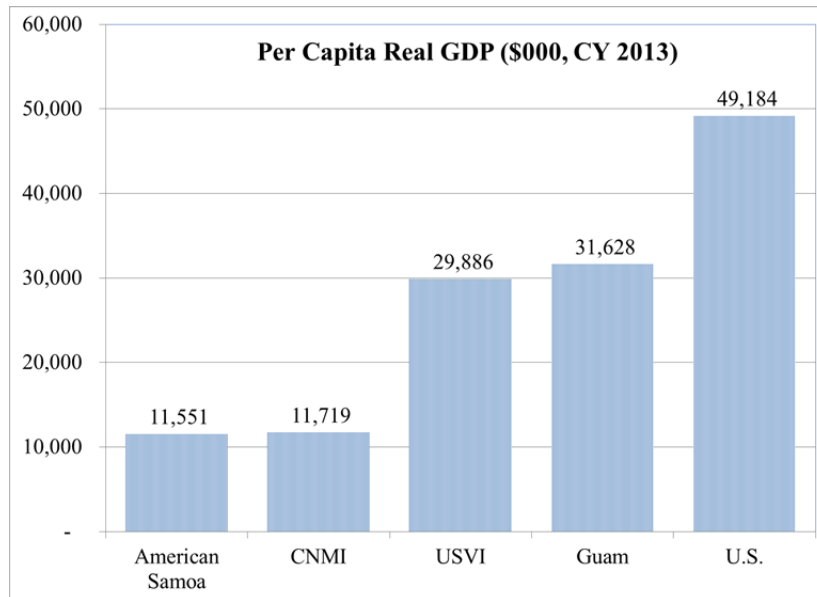
In the face of the physical, institutional and environmental realities of the insular areas, the financial assistance OIA provides is a critical element in stabilizing their economies and fiscal resources, and planning for climate resiliency. OIA's assistance helps the areas confront some of their pressing challenges, improve the quality of life, expand economic opportunity and promote efficient and effective governance. What follows is a brief description of the challenges faces by the territories in their economies, energy sectors and in addressing climate change.

Economic Challenges

The insular economies are small, isolated and dependent on one or two main sources of income. In most areas, Federal programs and other assistance represent a major source of government revenues. Federal funds are 20 percent of government income in the USVI, 33 percent in Guam, 34 percent in the CNMI and 65 percent in American Samoa. In three of the four territories, a single industry, tourism, is a large economic factor that is influenced by global and regional economic forces beyond their control.

There has only been accurate and comparable economic data about the islands since OIA contracted with BEA to provide standardized GDP statistics. An updated five-year series is now available. It shows how far behind the islands are in per capita income compared with the rest of the United States, the impacts of

the loss or gain of single industries and the difficulty that all of the islands have in generating capital investment. The information shows struggling economies in all areas, with the most success shown in Guam.



Renewable and Conventional Energy

The islands are beginning to transform their energy sectors from 100 percent reliance on imported fossil fuel energy to a clean sustainable energy future. The islands are highly dependent on imported oil, leaving them vulnerable to global price fluctuations that directly impact the cost of electricity. At present, the insular communities face very high energy costs as residents pay about three times the national average for electricity. Each of the insular governments has established fossil fuel reduction targets and identified comprehensive sustainable energy strategies to achieve those targets. For example, the U.S. Virgin Islands' clean energy goal is to reduce fossil fuel-based energy consumption by 60 percent by 2025. OIA is working to expand existing pilot programs into full utility-scale renewable energy programs that will reduce greenhouse gas emissions and ultimately provide access to affordable and reliable energy.

The islands enjoy a relative abundance of renewable energy resources providing ample opportunity for the development of solar, wind, geothermal, waste-to-energy, and other clean energy technologies. To accelerate the deployment of these technologies, OIA is providing technical assistance and engineering support through project development and permitting, financing strategies, integrated resource planning, local capacity building, grid interconnection policies, power distribution system assessments, and energy efficiency improvements. These efforts will help the insular areas transform their energy sectors by diversifying the supply of energy and reducing the cost of electricity.

Climate Change Resiliency and Adaptation

The impacts of climate change are an immediate and serious threat to the U.S.-affiliated insular areas. By their geography, the islands are critically vulnerable to climate change, yet face formidable challenges in adapting and responding to the expected effects on infrastructure, economic development, food security,

natural resources and local culture. They are already suffering from rising sea levels and increasingly devastating storms, droughts, and floods. Over the past few years, island leaders have reaffirmed that climate change remains a significant threat to their livelihoods, economies, security and well-being. Island leaders have prioritized strengthening access to and management of technical and financial assistance as a means to address the effects of climate change.

The Freely Associated States (FAS)

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

Federated States of Micronesia (FSM)

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

The FSM also needs to take a fresh look at its overall financial resources. Overall, the country is in surplus. However, this result differed significantly between the FSM national and state governments. The national government ran a surplus, while all states but Kosrae recorded small deficits. The FSM state governments which deliver services have been constrained by declining real Compact grants, while the national government has benefited from rising revenues from fishing fees and the captive insurance market.

Republic of the Marshall Islands (RMI)

The RMI real GDP grew 3.5 percent in 2013, following growth in 2012. The RMI's fiscal operations in 2013 also recorded a surplus, an improvement over a deficit in 2012. However, despite gains in revenues, expenditures grew with increases in payroll, continued state-owned enterprise (SOE) subsidies and drought in the northern islands.

Republic of Palau

Palau signed the Compact Review Agreement with the United States in fiscal year 2010. The Administration is submitting a legislative proposal to continue the Compact's financial relationship with Palau for congressional consideration during this session. The 2017 budget assumes enactment of the proposed legislation and thus includes permanent appropriations of \$149 million for the Palau Compact through 2024. OIA is not requesting current appropriations for Palau Compact assistance in 2017 assuming enactment of the Bill.

2. Budget Highlights

The proposed 2017 OIA budget is \$652.7 million, an increase of \$47.1 million and 2 FTE from the 2016 enacted level.

Total 2017 Budget Request (Dollars in Thousands)

Budget Authority	2015 Actual	2016 Enacted	2017 President's Budget	2017 Change from 2016
Current Discretionary	61,574	62,574	74,997	+12,423
Current Mandatory	40,867	40,867	27,720	-13,147
Total Current	102,441	103,441	102,717	-724
Permanent	511,209	502,139	550,000	+47,861
Total OIA	613,650	605,580	652,717	+47,137
<i>FTEs*</i>	34	40	42	+2

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 2017, these commitments include an estimated \$288 million for fiscal payments to Guam and the U.S. Virgin Islands and \$262 million for payments under the Compacts of Free Association. Current appropriations of \$102.7 million are requested in 2017, a decrease of \$724,000 from the 2016 level. The current appropriations request includes \$75 million in discretionary funding and \$27.7 million in mandatory funding.

Secretarial Initiatives

Strengthening Tribal Nations and Insular Communities

Self-governance and Self-Determination serve as the guiding principles

The Office of Insular Affairs continues to support self-governance and self-determination efforts in all of the insular areas. Three territories (American Samoa, Guam, and the U.S. Virgin Islands) still remain on the United Nations General Assembly's list of non-self-governing territories. Under the U.N. Charter, the United States is bound to advance social, economic, political, and educational progress in each of these territories. OIA's mission and grant programs assist the U.S. territories to achieve these objectives. Any change in political status or self-determination of the three territories which would require Congressional approval, must be led and sought by the leaders of the respective territories.

Increase renewable and conventional energy

The Office of Insular Affairs (OIA) is assisting insular communities with transforming their energy sectors from 100 percent reliance on imported fossil fuel energy to a clean, sustainable energy future. The islands are highly dependent on imported oil, leaving them vulnerable to global price fluctuations that directly impact the cost of electricity. At present, insular community residents pay, on average, about

three times the national average for electricity. The islands, however, have a relative abundance of renewable energy resources that provide ample opportunity for the development of solar, wind, geothermal, waste-to-energy, and other clean energy technologies. Each of the insular governments have established fossil fuel reduction targets and identified comprehensive sustainable energy strategies to achieve those targets. To accelerate the deployment of these strategies, OIA is providing technical assistance and engineering support through project development and permitting, financing strategies, integrated resource planning, local capacity building, grid interconnection policies, power distribution system assessments, and energy efficiency improvements.

Congress has also directed OIA to facilitate the development and implementation of an energy plan for Puerto Rico. The Puerto Rico Electric Power Authority (PREPA) is in the process of developing an integrated resource plan (IRP) and other strategies to transform the energy sector. The IRP will provide a full range of power alternatives under a variety of scenarios that will include both base load and renewable energy technologies. The plan, to be completed in the spring of 2016, will describe a detailed and comprehensive path forward for how PREPA can meet its goal to provide reliable service to its customers at the lowest possible cost. Significant funding would be needed to implement any Puerto Rico energy plan and should not impact current base funding for the other insular areas. The 2017 request will allow OIA to continue its collaboration with Department of Energy and other federal partners and stakeholders in the transformation of the energy sector to reduce greenhouse gas emissions and provide sustainable and efficient power.

Protect natural and cultural resources in the face of climate change

The protection of natural and cultural resources in the face of climate change is a top priority for the Office of Insular Areas. OIA already provides financial assistance for natural and cultural resources through our Technical Assistance, Coral Reef Initiative, and Brown Tree Snake programs, and will continue to do so.

During the June 2015 U.S. Insular Areas Climate Change Stakeholder Meeting in Guam between federal and insular area officials, there was a call for greater federal inter-agency collaboration, technical assistance and training, capacity building, community engagement, and coordination of information on federal government resources for natural and cultural resources. OIA's strategy will take these concerns into account and continue to incorporate natural and cultural resources management in its funding priorities and will work with the insular area governments to build capacities within their respective jurisdictions on these important issues.

Improve interagency coordination and break down silos to leverage Federal resources available to their communities

The essential role that OIA plays in promoting collaboration and in the leveraging of resources to meet the unique circumstances of the insular areas is formalized in the organization and activities of the Interagency Group on Insular Areas (IGIA). IGIA establishes the basis and structure for breaking down silos, but it is OIA's consistent pursuit of using its expertise and funding ability to fill gaps, to build capacity, and to resolve technical barriers that facilitates leveraging the resources of willing partners in the Federal family to execute programs that make a difference. OIA will continue working with its IGIA partners to ensure that it continues to foster interagency coordination and that it remains relevant and responsive to the demands of our times.

Powering our Future and Responsible Use of the Nation's Resources

As described under the “Strengthening Tribal Nations and Insular Communities” initiative, the Office of Insular Affairs (OIA) is assisting insular communities with transforming their energy sectors from 100 percent reliance on imported fossil fuel energy to a clean, sustainable energy future. The islands are highly dependent on imported oil, leaving them vulnerable to global price fluctuations that directly impact the cost of electricity. Each of the insular governments have established fossil fuel reduction targets and identified comprehensive sustainable energy strategies to achieve those targets. To accelerate the deployment of these strategies, OIA is providing technical assistance and engineering support through project development and permitting, financing strategies, integrated resource planning, local capacity building, grid interconnection policies, power distribution system assessments, and energy efficiency improvements.

Palau Compact of Free Association

Palau signed the Compact Review Agreement with the United States in fiscal year 2010. The Administration is submitting a legislative proposal to continue the Compact's financial relationship with Palau for congressional consideration during this session. The 2017 budget assumes enactment of the proposed legislation and thus includes permanent appropriations of \$149 million for the Palau Compact through 2024. OIA is not requesting current appropriations for Palau Compact assistance in 2017 assuming enactment of the Bill.

The President's Management Agenda

The Department of the Interior supports the President's Management Agenda to build a better government that delivers continually improving results for the American people and renews their faith in government. The Office of Insular Affairs is actively involved in the government-wide effort to bring forward the most promising ideas to improve government effectiveness, efficiency, spur economic growth, and promote people and culture. The Office of Insular Affairs supports achievement of the President's Management Agenda objectives in these four pillars 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.

B. Bureau-Level Tables

1.

FY 2017 Budget at a Glance					
Office of Insular Affairs					
<i>(Dollars in Thousands)</i>					
	2015 Actual	2016 Enacted	Fixed Costs & Related Changes	Program Changes	2017 Request
<u>Assistance to Territories</u>					
American Samoa Operations	22,752	22,752	0	0	22,752
Capital Improvement Project Grants	27,720	27,720	0	0	27,720
Territorial Assistance					
Office of Insular Affairs	9,448	9,448	-366	+781	9,863
Technical Assistance	14,504	15,504	0	+5,560	21,064
Maintenance Assistance	1,081	1,081	0	+3,919	5,000
Brown Tree Snake Control	3,500	3,500	0	-500	3,000
Coral Reef Initiative & Natural Resources	1,000	1,000	0	+1,000	2,000
Empowering Insular Communities	2,971	2,971	0	+2,029	5,000
Compact Impact Disc.	<u>3,000</u>	<u>3,000</u>	<u>0</u>	<u>0</u>	<u>3,000</u>
Total, Assistance to Territories	85,976	86,976	-366	+12,789	99,399
<u>Compact of Free Association - Current</u>					
Federal Services	2,818	2,818	0	0	2,818
Enewetak	500	500	0	0	500
Palau Compact Extension	<u>13,147</u>	<u>13,147</u>	<u>0</u>	<u>-13,147</u>	<u>0</u>
Total, Compact of Free Association - Current	16,465	16,465	0	-13,147	3,318
Total Current Discretionary/Mandatory	102,441	103,441	-366	-358	102,717
<u>Compact of Free Association</u>					
Marshall Islands Compact	74,336	74,598	0	+1,410	76,008
Federated States of Micronesia Compact	107,710	109,176	0	+959	110,135
Palau Compact (Legislative Proposal)	0	0	0	+45,500	45,500
<i>Federal Services Permanent [1,500]</i>					
Compact Impact	30,000	30,000	0	0	30,000
Judicial Training	<u>349</u>	<u>365</u>	<u>0</u>	<u>-8</u>	<u>357</u>
Total Compact (Permanent)	212,395	214,139	0	+47,861	262,000
<u>Fiscal Payments</u>					
Guam Section 30 Income Taxes	78,468	79,000	0	0	79,000
VI Rum Excise Taxes	<u>220,346</u>	<u>209,000</u>	<u>0</u>	<u>0</u>	<u>209,000</u>
Total, Fiscal Payments (Permanent)	298,814	288,000	0	0	288,000
Grand Total - Office of Insular Affairs	613,650	605,580	-366	+47,503	652,717

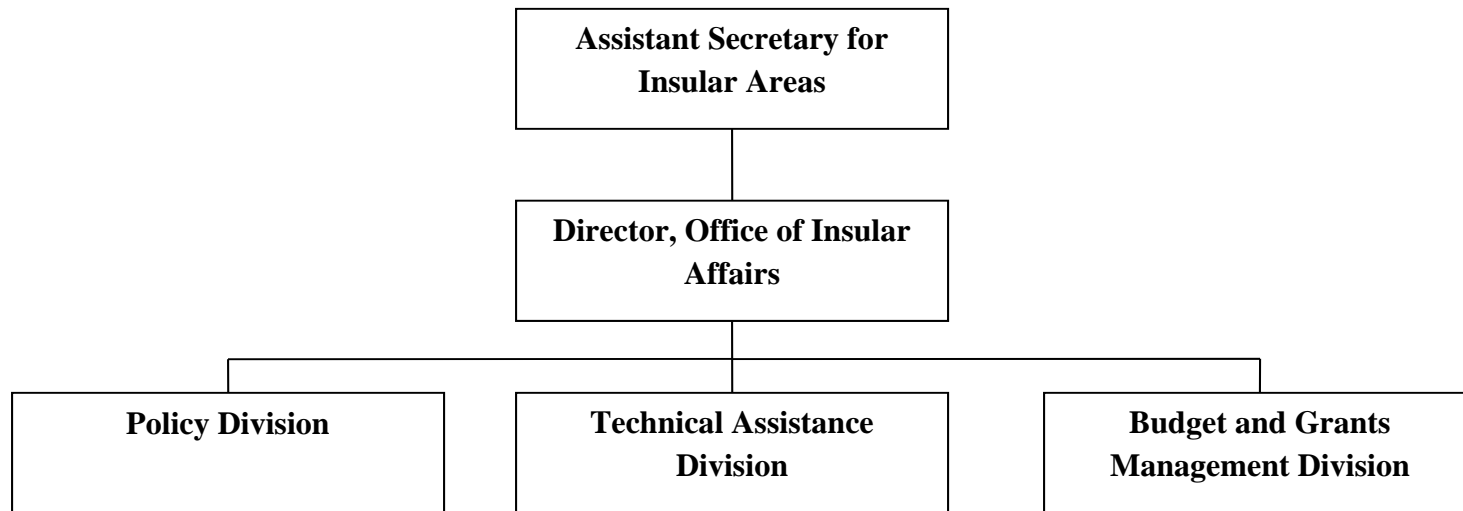
2.

Office of Insular Affairs
2015 Funding (Budget Authority) by Activity and Insular Area
\$(000)

Activity	Am Samoa	CNMI	Guam	USVI	FSM	RMI	Palau	Hawaii	DC	Other	Total
<u>Assistance to Territories</u>											
American Samoa Operations	22,752										22,752
Covenant Grants	9,297	9,565	5,795	3,063							27,720
Office of Insular Affairs	191	75			179	111		1,465	7,038	389	9,448
Technical Assistance	1,343	2,319	2,127	1,099	366	1,630	884	1,044	3,692	0	14,504
Maintenance Assistance								1,081			1,081
Brown Tree Snake Control		981						1,414		1,105	3,500
Coral Reef Initiative	116	149	95	181	227	122	110				1,000
Empowering Insular Communities	1,508	366	1,097								2,971
Compact Impact Discretionary	2	231	1,491					1,276			3,000
<i>Total, Assistance to Territories</i>	35,209	13,686	10,605	4,343	772	1,863	994	6,280	10,730	1,494	85,976
<u>Compact of Free Association - Current</u>											
Federal Services							504			2,314	2,818
Palau Program Grant Assistance							2,000				2,000
Enewetak						500					500
Palau Compact Extension							11,147				11,147
<i>Total, Compact of Free Association - Current</i>	0	0	0	0	0	500	13,651	0	0	2,314	16,465
Total Current Discretionary/Mandatory	35,209	13,686	10,605	4,343	772	2,363	14,645	6,280	10,730	3,808	102,441
<u>Compact of Free Association</u>											
Marshall Islands Compact						74,336					74,336
Federated States of Micronesia Compact					107,710						107,710
Palau Compact											0
Compact Impact	22	2,309	14,907					12,762			30,000
Judicial Training										349	349
<i>Total, Compact (Permanent)</i>	22	2,309	14,907	0	107,710	74,336	0	12,762	0	349	212,395
<u>Fiscal Payments</u>											
Guam Section 30 Income Taxes			78,468								78,468
VI Rum Excise Taxes				220,346							220,346
<i>Total, Fiscal Payments (Permanent)</i>	0	0	78,468	220,346	0	0	0	0	0	0	298,814
Total Permanent Mandatory	22	2,309	93,375	220,346	107,710	74,336	0	12,762	0	349	511,209
Grand Total - Office of Insular Affairs	35,231	15,995	103,980	224,689	108,482	76,699	14,645	19,042	10,730	4,157	613,650

3.

**Organization Chart
Office of Insular Affairs**



4. Goal Performance Table

Mission Area 2: Strengthening Tribal Nations and Insular Communities
Goal #3: Empower Insular Communities

Strategic Plan Performance Measures	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Target	2015 Actual	2016 Target	2017 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	14.8%	13.5%	18.9%	8.2%	9.5%	12.9%	9.5%	9.5%	
CWS In Violation	23	20	28	12	14	19	14	14	
Total CWS	155	148	148	147	147	147	147	147	
Residential cost per kilowatt hour for power in the US territories compared to the national average	N/A	3.1X	3.1X	3.1X	2.0X	3.0X	2.0X	2.0X	
Territories Avg Cost kWh	N/A	\$ 0.34	\$ 0.37	\$ 0.37	\$ 0.24	\$ 0.39	\$ 0.24	\$ 0.24	
National Avg Cost kWh	N/A	\$ 0.11	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.13	\$ 0.12	\$ 0.12	
Percent of schools in acceptable condition based on specified safety and functionality standards.	N/A	N/A	38%	38%	60%	38%	38%	60%	
Buildings In Acceptable Condition	N/A	N/A	701	701	1,120	701	701	1,120	
Total Buildings	N/A	N/A	1,866	1,866	1,866	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.	53.0%	50.5%	47.4%	40.6%	40.6%	TBD	60.0%	60.0%	
Avg. Per Capita GDP Territories	\$22,430	\$ 21,627	\$ 20,483	\$ 19,972	\$ 19,972		\$ 29,526	\$ 29,526	
Avg. Per Capita GDP US	\$42,310	\$ 42,831	\$ 43,236	\$ 49,210	\$ 49,210		\$ 49,210	\$ 49,210	
Strategy #3: Promote Efficient and Effective Governance									
Number of insular governments with on-time and unqualified single audits.	2	3	3	3	4	4	4	4	

Water, Energy, GDP and Audit goals have a one year lag. For example 2014 data would be reported as the 2015 actual. The next school facility condition assessment is slated to be conducted in fiscal year 2017.

II. Account-Level Presentation

A. Summary of Requirements

1.

OFFICE OF INSULAR AFFAIRS
ASSISTANCE TO TERRITORIES

2017 Summary of Requirements
(Dollars in Thousands)

Activity/Subactivity	2015 Actual		2016 Enacted		Fixed Costs & Related Changes	Internal Transfers	Program Changes		2017 Request		Change from 2016 (+/-)	
	Amount	FTE	Amount	FTE			FTE	Amount	FTE	Amount	FTE	Amount
ASSISTANCE TO TERRITORIES												
1. American Samoa Operations	22,752	2	22,752		-	-	-	-	2	22,752	-	-
2. Capital Improvement Project (CIP) Grants												
Northern Mariana Islands Construction	9,565	-	9,606		-	-	(524)	-	9,082		(524)	
American Samoa Construction	9,297	-	9,505		-	-	108	-	9,613		108	
Guam Construction	5,795	-	5,670		-	-	908	-	6,578		908	
Virgin Islands Construction	3,063	-	2,939		-	-	(492)	-	2,447		(492)	
<i>Total, CIP Grants</i>	27,720	-	27,720		-	-	-	-	27,720		-	
3. Territorial Assistance												
Office of Insular Affairs	9,448	38	9,448		(366)	-	781	40	9,863	2	415	
Technical Assistance	14,504	-	15,504		-	-	5,560	-	21,064	-	5,560	
Maintenance Assistance	1,081	-	1,081		-	-	3,919	-	5,000	-	3,919	
Brown Tree Snake Control	3,500	-	3,500		-	-	(500)	-	3,000	-	(500)	
Coral Reef Initiative & Natural Resources	1,000	-	1,000		-	-	1,000	-	2,000	-	1,000	
Empowering Insular Communities	2,971	-	2,971		-	-	2,029	-	5,000	-	2,029	
Compact Impact - Discretionary	3,000	-	3,000		-	-	-	-	3,000	-	-	
<i>Total, Territorial Assistance</i>	35,504	38	36,504		(366)	-	12,789	40	48,927	2	12,423	
TOTAL, ASSISTANCE TO TERRITORIES	85,976	40	86,976		(366)	-	12,789	42	99,399	2	12,423	

2.

OFFICE OF INSULAR AFFAIRS
 COMPACT OF FREE ASSOCIATION - CURRENT APPROPRIATION

2017 Summary of Requirements
 (Dollars in Thousands)

	2015 Actual		2016 Enacted		Fixed Costs & Related Changes	Internal Transfers	Program Changes		2017 Request		Change from 2016 (+/-)	
	Amount	FTE	Amount	FTE			FTE	Amount	FTE	Amount	FTE	Amount
COMPACT OF FREE ASSOCIATION - CURRENT												
1. Federal Services	2,818	-	2,818	-	-	-	-	-	-	2,818	-	-
2. Enewetak	500	-	500	-	-	-	-	-	-	500	-	-
3. Palau Compact Extension	13,147	-	13,147	-	-	-	(13,147)	-	-	-	-	(13,147)
TOTAL, ASSISTANCE TO TERRITORIES	16,465	-	16,465	-	-	-	(13,147)	-	3,318	-	(13,147)	

3.

OFFICE OF INSULAR AFFAIRS
COMPACT OF FREE ASSOCIATION - PERMANENT APPROPRIATION

2017 Summary of Requirements

(Dollars in Thousands)

Activity/Subactivity	2015 Actual		2016 Enacted		Program Changes		2017 Request		Change from 2016 (+/-)		
	Amount	FTE	Amount	FTE	Fixed Costs and Related Changes	Internal Transfers	FTE	Amount	FTE	Amount	
COMPACT OF FREE ASSOCIATION - PERMANENT											
<u>Assistance to the Marshall Islands:</u>											
Sector Grants	36,860		35,975		-	-		530		36,505	530
Audit	500		500		-	-		-		500	-
Trust Fund	14,534		15,323		-	-		730		16,053	730
Rongelap Resettlement	-		-		-	-		-		-	-
Kwajalein Lease Payment	20,930		21,217		-	-		187		21,404	187
Enewetak	<u>1,512</u>		<u>1,583</u>		-	-		<u>-37</u>		<u>1,546</u>	<u>-37</u>
Subtotal, Marshall Islands Assistance	74,336	-	74,598	-	-	-	-	1,410	-	76,008	1,410
<u>Assistance to the Federated States of Micronesia (FSM)</u>											
Sector Grants	80,233		80,387		-	-		-242		80,145	-242
Trust Fund	26,977		28,289		-	-		1,201		29,490	1,201
Audit	<u>500</u>		<u>500</u>		-	-		-		<u>500</u>	-
Subtotal, FSM Assistance	107,710	-	109,176	-	-	-	-	959	-	110,135	959
<u>Compact Impact</u>											
Judicial Training	349		365		-	-		-8		357	-8
<u>Total, FSM/Marshalls Compact (Permanent)</u>	<u>212,395</u>	-	<u>214,139</u>	-	-	-	-	<u>2,361</u>	-	<u>216,500</u>	<u>2,361</u>
<u>Assistance to the Republic of Palau</u>											
Section 211 (Government Operations)	-		-		-	-		-		-	-
Section 215 (Inflation Adjustment)	-		-		-	-		-		-	-
Palau Legislative Proposal*	-		-		-	-		45,500		45,500	45,500
Subtotal, Assistance to the Republic of Palau	-	-	-	-	-	-	-	45,500	-	45,500	45,500
TOTAL, COMPACT, Permanent	212,395	-	214,139	-	-	-	-	47,861	-	262,000	47,861

*Assumes enactment of the amended Palau Compact in 2017.

B. Fixed Costs and Related Changes

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

Fixed Cost Changes and Projections	2016 Total or Change	2016 to 2017 Change
Change in Number of Paid Days This column reflects changes in pay associated with the change in the number of paid days between the 2016 and 2017.	+23	-48
Pay Raise The change reflects the salary impact of the 1.6% programmed pay raise increases as provided in the June, 2015 Circular A-11.	+74	+95
Departmental Working Capital Fund The change reflects expected changes in the charges for centrally billed Department services and other services through the Working Capital Fund. These charges are detailed in the Budget Justification for Department Management.	+74	-120
Worker's Compensation Payments The amounts reflect projected changes in the costs of compensating injured employees and dependents of employees who suffer accidental deaths while on duty. Costs for the 2017 will reimburse the Department of Labor, Federal Employees Compensation Fund, pursuant to 5 U.S.C. 8147(b) as amended by Public Law 94-273.	+0	+0
Unemployment Compensation Payments The amounts reflect projected changes in the costs of unemployment compensation claims to be paid to the Department of Labor, Federal Employees Compensation Account, in the Unemployment Trust Fund, pursuant to Public Law 96-499.	+0	+0
Rental Payments The amounts reflect changes in the costs payable to General Services Administration (GSA) and others for office and non-office space as estimated by GSA, as well as the rental costs of other currently occupied space. These costs include building security; in the case of GSA space, these are paid to Department of Homeland Security (DHS). Costs of mandatory office relocations, i.e. relocations in cases where due to external events there is no alternative but to vacate the currently occupied space, are also included.	-102	-293
Baseline Adjustments for O&M Increases In accordance with space maximization efforts across the Federal Government, this adjustment captures the associated increase to baseline operations and maintenance requirements resulting from movement out of GSA or direct-leased (commercial) space and into Bureau-owned space. While the GSA portion of fixed costs will go down as a result of these moves, Bureaus often encounter an increase to baseline O&M costs not otherwise captured in fixed costs. This category of funding properly adjusts the baseline fixed cost amount to maintain steady-state funding for these requirements.	+0	+0
Total, Fixed Costs OIA	+69	-366

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, [\$86,976,000]\$99,399,000, of which: (1) [\$77,528,000]\$89,536,000 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]\$9,863,000 shall be available until September 30, [2017]2018, 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) and 233 of the Compact of Free Association for the Republic of Palau; and section 221(a)(2) of the Compacts of Free Association for the Government of the Republic of the Marshall Islands and the Federated States of Micronesia, as authorized by Public Law 99-658 and Public Law 108-188.

ADMINISTRATIVE PROVISIONS (Including transfer of funds)

At the request of the Governor of Guam, the Secretary may transfer discretionary funds or mandatory funds provided under section 104(e) of Public Law 108-188 and Public Law 104-134, that are allocated for Guam, to the Secretary of Agriculture for the subsidy cost of direct or guaranteed loans, plus not to exceed three percent of the amount of the subsidy transferred for the cost of loan administration, for the purposes authorized by the Rural Electrification Act of 1936 and section 306(a)(1) of the Consolidated

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

2. Authorizations

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

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

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

(4) Northern Mariana Islands. On March 24, 1976, the President signed a joint resolution of Congress approving the "Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America" (Public Law 94-241). The islands remained a part of the Trust Territory of the Pacific Islands under the jurisdiction of the Secretary of the Interior pursuant to Executive

Order 11021 of May 7, 1962. Secretarial Order 2989, dated March 14, 1976, and effective January 9, 1978, provided for the separate administration of the Northern Mariana Islands, provided for the elected Government in the Northern Mariana Islands, and activated various sections of the Covenant. By Presidential Proclamation of November 3, 1986, and as a result of a valid act of self-determination pursuant to Section 1002 of the Covenant, the Northern Mariana Islands ceased to be bound by the United Nations Trusteeship Agreement of 1947, and became a commonwealth in political union and under the sovereignty of the United States.

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

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

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

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

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III. Activity/Subactivity-Level Presentation

A. American Samoa Operations

Activity: American Samoa						
Subactivity: American Samoa Operations \$(000)						
	2015 Actual	2016 Enacted	2017			Change from 2016 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
General Operations	21,897	21,897	0	0	21,897	0
High Court	855	855	0	0	855	0
Total Requirements	22,752	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 13 percent of ASG’s General Fund revenue and 11 percent of the LBJ Hospital’s revenue.

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

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

2017 PROGRAM PERFORMANCE

American Samoa plans to accomplish the following in 2017:

- Provide financial reports for quarter ending September 30, 2016.
- Provide financial reports for quarter ending December 31, 2016.
- Provide financial reports for quarter ending March 31, 2017.
- Provide financial reports for quarter ending June 30, 2017.

The following chart reflects the ASG's operations funding priorities for 2015, 2016 and 2017:

Funding Category	2015	2016	2017
	Award	Proposed Award	Proposed Award
Basic (DOE) Operations	\$12,639,000	\$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	\$855,000	\$855,000	\$855,000
Total	\$22,752,000	\$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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B. Capital Improvement Project (CIP) Grants Summary

Activity: Capital Improvement Project (CIP) Grants \$(000)						
SUMMARY TABLE						
	2015 Actual	2016 Enacted	2017			Change from 2016 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
CNMI Construction	9,565	9,606	0	-524	9,082	-524
American Samoa Construction	9,297	9,505	0	+108	9,613	+108
Guam Construction	5,795	5,670	0	+908	6,578	+908
Virgin Islands Construction	3,063	2,939	0	-492	2,447	-492
Totals	27,720	27,720	0	0	27,720	0
FTEs	0	0	0	0	0	0

Capital Improvement Project (CIP) funds address a variety of infrastructure needs in the U.S. territories including critical infrastructure such as hospitals, schools, wastewater and solid waste systems.

Improvements to critical infrastructure not only benefit the current population and businesses, but lay the groundwork to attract new investment to the territories thereby promoting economic development and self-sufficiency.

Beginning with 2005, OIA implemented a competitive allocation system for the \$27.72 million in mandatory CIP grants. It is based on a premise that all funds will be used for capital needs in the U.S. territories. The process offers the U.S. insular area governments an opportunity to compete each year for a portion of the guaranteed funding in addition to other assistance or local funding that might be available.

Base level funding was established on the basis of historic trends in 2005 when the competitive allocation system was implemented. It was adjusted for fiscal years 2012 and again in 2017 based upon the

performance of each of the U.S. territories over the past five years as required by the 2004 Section 702 Funding Agreement between OIA and the CNMI.

FY 2017 Baseline CIP Funding

(\$000)

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

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

Competitive Criteria for the Proposed Allocation of Mandatory CIP Funding

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

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

While the total available for funding stays constant (\$27.72 million), allocations will vary from year to year depending upon the performance of each insular government with respect to the above competitive criteria. A change in an annual allotment does not necessarily indicate deterioration in performance. It instead recognizes those governments whose performance has increased during a fiscal year. For example, the 2017 request for Guam increased \$667,000 over the baseline funding in the competitive process because it scored above the average of the insular areas on the ten criteria.

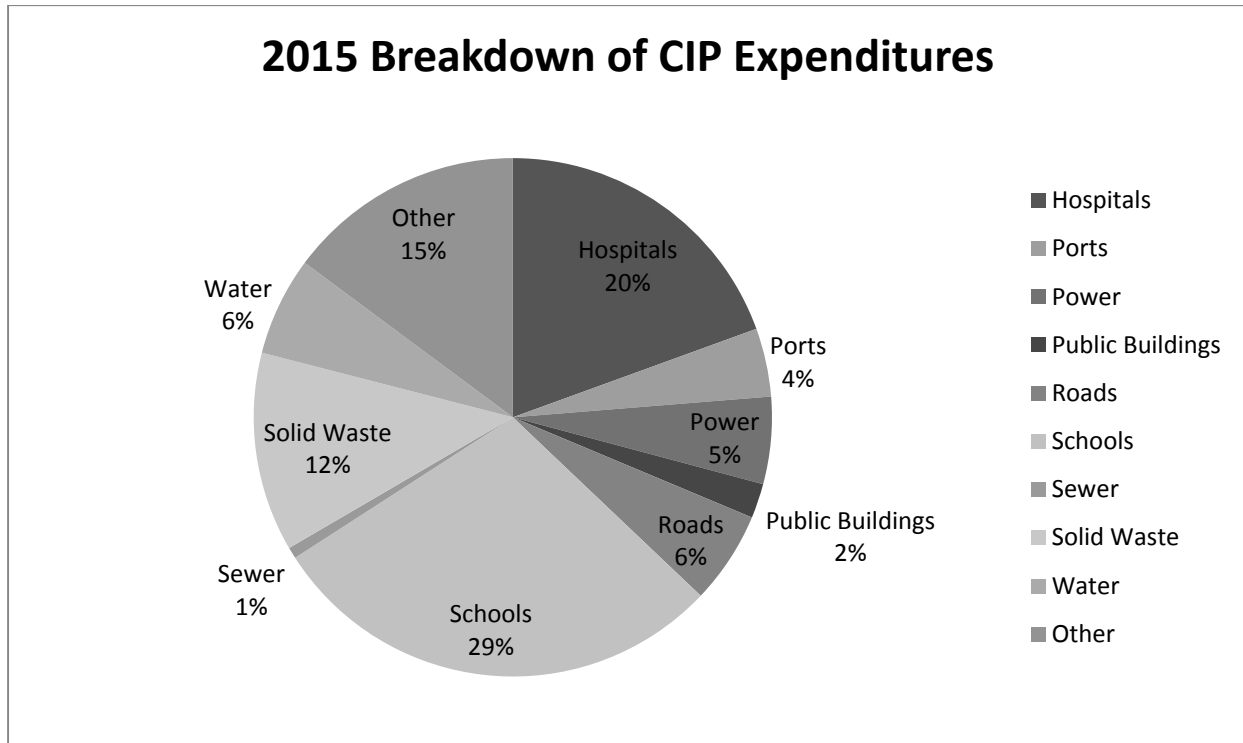
The competitive allocation system is applied to the \$27.72 million in CIP funds using a point method. The territories are given a score on each of the above criteria. The criteria themselves are ranked so that those considered more significant would receive a higher weight than those considered less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

The following chart reflects the baseline distribution along with adjustments made to 2016 and 2017 requests based on each insular government's score on the competitive criteria.

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

Territory	2016 Baseline Funding	FY 2016 +/- Baseline	2017 New Baseline	FY 2017 +/- Baseline	Total FY 2016	Total FY 2017	Diff +/- 2016
CNMI	10,648	-1,042	9,249	-167	9,606	9,082	-524
American Samoa	10,047	-542	9,780	-167	9,505	9,613	+108
Guam	4,545	+1,125	5,911	+667	5,670	6,578	+908
Virgin Islands	<u>2,480</u>	<u>+459</u>	<u>2,780</u>	<u>-333</u>	<u>2,939</u>	<u>2,447</u>	<u>-492</u>
Total	27,720	0	27,720	0	27,720	27,720	0

Capital Improvement Project funds address a variety of infrastructure needs in the U.S. territories including critical infrastructure such as hospitals, schools, wastewater and solid waste systems. The pie chart below displays 2014 spending of CIP by category. The expenditures in the chart also include Compact Impact funding spent on infrastructure projects.



1.

Activity: Capital Improvement Project Grants						
Subactivity: CNMI Construction \$(000)						
	2015 Actual	2016 Enacted	2017			Change from 2016 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	9,565	9,606	0	-524	9,082	-524
FTEs	0	0	0	0	0	0

SUMMARY OF 2017 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
CNMI Construction	-524	0

JUSTIFICATION OF 2017 PROGRAM CHANGES

The 2017 budget request for CNMI Construction is \$9.1 million, a program decrease of \$524,000 with no change in FTE from the 2016 enacted level. The budget request was calculated utilizing the CIP selection criteria and methods. The process is described in the beginning of this section (see Activity: CIP Grants summary section).

CNMI Baseline Funding.....	\$9,249,000
Results from Competitive Process.....	<u>- \$ 167,000</u>
Programmed funding for 2017.....	\$9,082,000

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 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.

2017 PROGRAM PERFORMANCE

The past year saw progress on several CIP funded infrastructure projects in the CNMI. The HVAC Replacement project at the Commonwealth Health Center and the Garapan Revitalization Drainage project are almost complete. Commencement of the Puerto Rico Dump Closure project and Phase III of the Public School System ABC Initiative projects have begun. The Commonwealth Utilities Corporation (CUC) continues to make progress on numerous Stipulated Order power related projects including the Power Plant Oil Pipeline project, as required by the U.S. District Court, Justice Department and EPA. And finally, the Phase II drilling is to begin on the CUC Geothermal Exploratory Drilling project.

The \$9.1 million for 2017 will be used to continue meeting critical infrastructure needs in the CNMI similar to previous years.

The following chart summarizes the CNMI's funding priorities for 2015 and 2016:

Funding Category	2015	2016
	Award	Award
Economic Development	\$6,065,000	\$4,606,000
Solid Waste	\$2,000,000	\$3,500,000
Maintenance	\$500,000	\$500,000
Education	\$1,000,000	\$1,000,000
Total	\$9,565,000	\$9,606,000

2.

Activity: Capital Improvement Project Grants						
Subactivity: American Samoa Construction \$(000)						
	2015 Actual	2016 Enacted	2017			Change from 2016 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	9,297	9,505	0	+108	9,613	+108
FTEs	0	0	0	0	0	0

SUMMARY OF 2017 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
American Samoa Construction	+108	0

JUSTIFICATION OF 2017 PROGRAM CHANGES

The 2017 budget request for American Samoa Construction is \$9.6 million, a program increase of \$108,000 with no change in FTE from the 2016 enacted level. The budget request was calculated utilizing the CIP selection criteria and methods. The process is described in the beginning of this section (see Activity: CIP Grants summary section).

American Samoa Baseline Funding.....	\$9,780,000
Results from competitive process.....	<u>- \$ 167,000</u>
Proposed funding for 2017.....	\$9,613,000

The 2017 allocation for American Samoa was calculated utilizing the CIP selection criteria and methods discussed further in the beginning of this section (see Activity: CIP 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 had been faced with increasing hardship and risk with regard to such basic needs as drinking water, medical services and education. In recognition of these severe problems, Congress enacted legislation in 1996 which directs a portion of the mandatory Covenant CIP funds to be used to pay for critical infrastructure in American Samoa. The legislation required the development of a multi-year capital improvement plan. The plan was prepared by a committee appointed by the Governor of American Samoa. The Army Corps of Engineers served as technical advisors to the committee under an interagency agreement funded through the Office of Insular Affairs. This plan was transmitted to Congress on August 8, 1996. The Capital Improvement Master Plan is updated on an annual basis. All projects have been categorized into three general priority areas. First order priorities include health, safety, education, and utilities. Second order priorities include ports and roads. Third order priorities include industry, shoreline protection, parks and recreation and other government facilities. The objective of this program is to assist American Samoa in providing infrastructure to promote economic development and improve health, education and public safety.

2017 PROGRAM PERFORMANCE

Over the past year, several important CIP projects in American Samoa made significant progress. The LBJ Tropical Medical Center completed the renovation and expansion of the dialysis unit and the forensic psychiatric unit while the Port Administration made steady progress on the construction of a new ferry boat to provide reliable transportation between Tutuila and the Manu'a Islands.

In addition, the Department of Public Safety continued construction on a new inmate building at the Tafuna Correctional Facility to alleviate overcrowding while the American Samoa Community College made steady progress with construction on its new Multipurpose Building that will be finished by July 2016.

The requested \$9.6 million for 2017 will be used to continue meeting critical infrastructure needs in American Samoa similar to previous years.

The following chart reflects the ASG's funding priorities for 2015 and 2016:

Funding Category	2015	2016
	Award	Award
Health	\$500,000	\$2,604,180
Education	\$3,060,000	\$2,500,000
Econ. Development	\$2,879,180	-
Water	\$1,000,000	\$250,000
Port	\$1,300,000	2,080,520
Roads	-	\$500,000
Public Buildings	-	\$1,000,000
Administration	\$92,970	\$95,050
O&M Set-Aside	\$464,850	\$475,250
Total	\$9,297,000	\$9,505,000

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: Capital Improvement Project Grants						
Subactivity: Guam Construction \$(000)						
	2015 Actual	2016 Enacted	2017			Change from 2016 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	5,795	5,670	0	+908	6,578	+908
FTEs	0	0	0	0	0	0

SUMMARY OF 2017 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Guam Construction	+908	0

JUSTIFICATION OF 2017 PROGRAM CHANGES

The 2017 request for Guam Construction is \$6.6 million, a program increase of \$908,000 with no change in FTE from the 2016 enacted level. The request amount was calculated utilizing the CIP selection criteria and methods. The process is described in the beginning of this section (see Activity: CIP Grants summary section).

Guam Baseline Funding.....	\$5,911,000
Results from competitive process.....	+ \$ 667,000
Proposed funding for 2017	\$ 6,578,000

PROGRAM OVERVIEW

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

Therefore, funds provided in 2005 and future years under this sub activity will be utilized for priority capital improvement projects in Guam and are in addition to Guam's allocated share of impact aid.

2017 PROGRAM PERFORMANCE

CIP funded infrastructure projects on Guam made substantial progress this past year. The UOG Field House Renovation and Agat Marina Renovation projects were completed. The Guam Power Authority Wind Turbine project, the new Public Health Mosquito Laboratory and the Public Library renovation projects will be completed in early 2016.

In 2017, Guam proposes to use its allocation of \$6.6 million to continue meeting critical infrastructure needs similar to previous years.

The chart below reflects Guam's funding priorities for 2015 and 2016:

Funding Category	2015	2016
	Award	Award
Education	\$2,795,000	
Public Health	\$1,500,000	\$4,000,000
Public Safety	\$500,000	\$1,670,000
Parks	\$1,000,000	
Total	\$5,795,000	\$5,670,000

4.

Activity: Capital Improvement Project Grants						
Subactivity: Virgin Islands Construction \$(000)						
	2015 Actual	2016 Enacted	2017			Change from 2016 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	3,063	2,939	0	-492	2,447	-492
FTEs	0	0	0	0	0	0

SUMMARY OF 2017 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Virgin Islands Construction	-492	0

JUSTIFICATION OF 2017 PROGRAM CHANGES

The 2017 budget request for Virgin Islands Construction is \$2.4 million, a program decrease of \$492,000 with no change in FTE from the 2016 enacted level. The budget request was calculated utilizing the CIP selection criteria and methods. The process is described in the beginning of this section (see Activity: CIP Grants summary section).

U.S. Virgin Islands Baseline Funding.....	\$2,780,000
Results from competitive process.....	<u>-\$ 333,000</u>
Proposed funding for 2017.....	\$2,447,000

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 focused on addressing the health and safety deferred maintenance items identified in OIA's Insular Assessment of Buildings and Classroom (Insular ABCs) initiative. OIA's 2013 assessment of every public school building in the U.S. Virgin Islands identified health and safety deferred maintenance items totaling approximately \$7.0 million. The U.S. Virgin Islands plans to use CIP funds to immediately address these maintenance items to ensure a safe learning environment throughout the territory.

2017 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 upgrade of a bin site into a full convenience center at Mandahl, St. Thomas. The convenience center will provide a centralized location for a more efficient handling of solid waste. The old open-top bins were replaced with close-top compactor bins that reduce odors, improve cleanliness, increase efficiency, and reducing hauling costs. The project included the construction of access roads, retaining walls, asphalt paving with proper drainage, fencing, security lighting and cameras, attendant booth, and a covered area for recyclables collection.

This past year the Schneider Regional Medical Center completed an important upgrade to its network and information technology infrastructure. Eighty-five percent of the medical center's 62 existing servers were at the end of their useful life and required replacement. The CIP project successfully purchased and installed replacement servers as well as switches, ports, fiber optic cable, and wireless network infrastructure.

Over the past year the Virgin Islands Water and Power Authority made steady progress on phase 1 of the Smart Grid project. Phase 1 includes the upgrade of switches to more intelligent Distribution Automation switches that will aid in improving electrical distribution system operation and system reliability. The new technology will enable the Water and Power Authority to operate both pad-mounted and pole-mounted switches remotely, thereby allowing the Authority the creation of a "Smart Grid" with the capability to safely isolate faulted lines and re-route power to restore power quickly and automatically for customers.

The requested \$2.4 million for 2017 will be used to continue meeting critical infrastructure needs in the U.S. Virgin Islands similar to previous years.

The following chart summarizes the U.S. Virgin Islands' funding priorities for 2015 and 2016:

Funding Category	2015	2016
	Award	Award
Education	\$2,148,000	\$1,939,000
Public Buildings	\$915,000	\$1,000,000
Total	\$3,063,000	\$2,939,000

C. Territorial Assistance

Activity: Territorial Assistance \$(000)						
SUMMARY TABLE						
	2015 Actual	2016 Enacted	2017			Change From 2016 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
Office of Insular Affairs	9,448	9,448	-366	+781	9,863	+415
Technical Assistance	14,504	15,504	0	+5,560	21,064	+5,560
Maintenance Assistance	1,081	1,081	0	+3,919	5,000	+3,919
Brown Tree Snake Control	3,500	3,500	0	-500	3,000	-500
Coral Reef Initiative & Natural Resources	1,000	1,000	0	+1,000	2,000	+1,000
Empowering Insular Communities	2,971	2,971	0	+2,029	5,000	+2,029
Compact Impact Disc.	3,000	3,000	0	0	3,000	0
Total	35,504	36,504	-366	+12,789	48,927	+12,423
FTEs	32	38	0	+2	40	+2

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 Actual	2016 Enacted	2017			Change from 2016 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	9,448	9,448	-366	+781	9,863	+415
FTEs	32	38	0	+2	40	+2

SUMMARY OF 2017 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Office of Insular Affairs	+781	+2

JUSTIFICATION OF 2017 PROGRAM CHANGES

The 2017 budget request for the Office of Insular Affairs (OIA) is \$9,863 million and 40 FTE, a net increase of \$415,000 and 2 FTE from the 2016 enacted level. The 2017 budget request for the Office of Insular Affairs includes a decrease of \$366,000 for fixed costs and related changes as well as a general program increase of \$781,000. The budget request reflects projected retirement separations and has identified the need for new hires to overlap with existing employees for training purposes. 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.

PROGRAM OVERVIEW

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

1.) The Policy Division: performs general program, political, and economic analysis. It monitors and tracks Federal programs extended to the insular areas and handles legislative affairs, other than those

related to the appropriations process. The Division maintains a field presence in American Samoa and the Commonwealth of the Northern Mariana Islands.

2.) The Technical Assistance Division: manages all 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 Tree Snake and Maintenance Assistance programs as well as payments to the U.S. Virgin Islands (rum excise taxes) and Guam (Section 30 income taxes).

3.) The Budget and Grants Management Division: is responsible for budget formulation and presentation, chief financial officer activities, and 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.

2017 PROGRAM PERFORMANCE

In 2017, 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 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 CIP funding. At the 2017 level of funding OIA will:

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

SECTION 403 COMPLIANCE

Working Capital Fund

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

	2017
External Administrative Costs	
WCF Centralized Billings	\$638,400
WCF Direct Billings/Fee for Service	\$270,400

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

(Total Employment)*

	2015 Actual	2016 Estimate	2017 Estimate
SES	1	1	1
SL-0	1	1	1
GS-15	5	6	6
GS-14	7	9	8
GS-13	11	11	12
GS-12	8	7	10
GS-11	0	1	0
GS-10	0	0	0
GS-9	1	0	3
GS-8	0	0	0
GS-7	0	3	1
GS-6	0	0	0
GS-5	0	0	0
GS-4	0	1	0
GS-3	0	0	0
GS-2	0	0	0
Total Employment (actual/projected) at the end of the Fiscal Year	34	40	42

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

2.

Activity: Territorial Assistance						
Subactivity: Technical Assistance (TAP) \$(000)						
	2015 Actual	2016 Enacted	2017			Change from 2016 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
Technical Assistance	14,504	15,504	0	+5,560	21,064	+5,560
FTEs	0	0	0	0	0	0

SUMMARY OF 2017 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Technical Assistance	+5,560	0

JUSTIFICATION OF 2017 PROGRAM CHANGES

The 2017 budget provides \$21.1 million for Technical Assistance. Technical Assistance increases \$5.6 million from the 2016 enacted level of \$15.5 million. \$1.6 million of the increase will provide additional funds for direct grants and projects benefitting the seven insular areas. The remaining \$4.0 million increase will provide support for community, landscape and infrastructure adaptation and resilience initiatives.

Community, Landscape and Infrastructure Adaptation Technical Assistance

The impacts of sea level rise are an immediate and serious threat to the U.S.-affiliated insular areas, which includes the territories of Guam, the Commonwealth of the Northern Mariana Islands (CNMI), American Samoa, and the Virgin Islands (USVI); as well as the Freely Associated States of the Republic of the Marshall Islands (RMI), the Federated States of Micronesia (FSM), and the Republic of Palau. By their geography, the islands are critically vulnerable to climate change, yet face a formidable challenge in adapting and responding to the expected effects on infrastructure, economic development, food security, natural resources and local culture. The islands are already suffering from rising sea levels and increasingly devastating storms, droughts, and floods. Over the past few years, island leaders have

reaffirmed that this remains one of the most significant threats to their livelihoods, economies, security and well-being. Island leaders have prioritized strengthening access to and management of technical and financial assistance as a means to address the effects of climate change.. The \$4 million increase to Technical Assistance will be utilized to provide support for community, landscape and infrastructure adaptation and resilience initiatives in American Samoa, Guam, the Northern Mariana Islands, the U.S. Virgin Islands, the Republic of Palau, the Republic of the Marshall Islands and the Federated States of Micronesia.

Examples of resilience projects which could be funded include (but are not limited to) projects which improve drinking water availability, sanitation, health, safety, and economic opportunity and sustainability.

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.

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.

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

2017 PROGRAM PERFORMANCE

In 2017, it is anticipated that approximately \$13.7 million of the TAP funds will be utilized for grants provided directly to each insular area. In 2015, OIA considered technical assistance requests totaling approximately \$55 million. OIA technical assistance funds were not sufficient to meet these requests; approximately \$14.5 million was awarded. Please see the table on the following page.

Technical Assistance
Grant Awards 2015/Estimate for 2016 & 2017
(Dollars in Thousands)

Recipient	2015 Awards	2016 Estimate	2017 Estimate
Direct Grants to Insular Areas			
American Samoa	1,250	TBD	TBD
Northern Mariana Islands (CNMI)	980	TBD	TBD
Guam	2,204	TBD	TBD
U.S. Virgin Islands	1,378	TBD	TBD
Federated States of Micronesia (FSM)	182	TBD	TBD
Republic of the Marshall Islands (RMI) (includes 4 Atoll Healthcare)	1,677	TBD	TBD
Republic of Palau	833	TBD	TBD
Total, Direct Grants to Insular Areas	\$8,504	\$9,039	\$14,000
Other TAP (Provides Benefits to Multiple Insular Areas)	2015 Awards	2016 Estimate	2017 Estimate
Grad. School Pacific & Virgin Islands Training Initiatives -Includes FAS Compact area support projects	\$1,984	\$2,500	\$2,500
U.S. Department of Commerce, for GDP data	\$0	\$750	\$750
NEPA review and Compliance for OIA grants	\$0	\$315	\$315
Prior Service Benefits Program	\$800	\$800	\$800
Civic Education Programs	\$1,398	\$1,100	\$1,000
Other multiple jurisdiction projects	\$1,800	\$1,000	\$1,699
Total, Multiple Jurisdiction Programs	\$5,982	\$6,465	\$7,064
Total, Technical Assistance	\$14,504*	\$15,504	\$21,064

Total 2015 TAP awards \$14,486k.

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.

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 and education, energy, public safety, capacity building, climate change, cultural preservation, health, and outdoor youth initiatives.

Direct Grants to Insular Areas

In 2015, \$8.5 million in Technical Assistance funds was provided to directly benefit the seven insular areas. Examples of awarded financial assistance include:

- Provided \$310,000 to the CNMI for linking youth to jobs to prepare them for college and workforce;
- Provided \$250,000 to Big Brothers and Big Sisters of Guam for a Micronesian Resource Center – One Stop Shop;
- Provided \$300,000 to American Samoa for climate change and research habitat restoration projects;
- Provided \$500,000 to US Virgin Islands for the 2017 USVI Centennial Preparations;
- Provided \$626,000 to Guam Customs and Quarantine Agency for a Customs Management System;
- Provided \$201,500 to the St. Thomas East End Medical Center in the USVI for upgrading and enhancing Technology Infrastructure;
- Provided \$48,082 to the LBJ Tropical Medical Center in American Samoa for Certified Clinical Hemodialysis Technicians Training;
- Provided \$275,000 to the CNMI for a Commonwealth Joint Military Training Draft Environmental Impact Statement Report Assessment.
- Provided \$103,000 to FSM College for Study Success Retention Program;
- Provided \$100,000 to the Rongelap Atoll Government in the RMI for Moi fish farm support; and
- Provided \$415,000 to Palau for a 10 Year Tourism Master Plan.

Examples of TAP crosscutting grants:

- Junior Statesman Foundation - \$273,250 for the Insular Areas Youth Civic Engagement and Leadership Program

- 4 Atoll Healthcare Program - \$1.3 million 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);
- Prior Service Trust Fund - \$800,000 for Prior Service Benefit Payments to the families of Micronesians who served in the Military between 1944 and 1968, who earned very low wages and did not have the rights to retirement, survivor or disability benefits when serving.
- Graduate School USA - Approximately \$2.0 million 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.

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. Annually, OIA pays \$750,000 to BEA to continue this project.

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

The GDP estimates for the four territories are available at the BEA web site which can be reached 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. 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 2015, the Technical Assistance program funded \$1.3 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 \$800,000 in 2015 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 in 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 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 2015, \$150,000 was 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.

Junior Statesman Foundation

OIA awarded a technical assistance grant in the amount of \$273,000 in 2015 for Junior Statesmen Foundation (JSF) scholarships for twenty-eight high school students from the insular areas to attend the 2015 Junior Statesmen Summer Schools. That was the 25th year that the Junior Statesmen Foundation has worked in partnership with the Office of Insular Affairs to identify, educate and train outstanding insular-area high school students for active, effective and ethical participation in public affairs.

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

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

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. OIA devoted \$2 million to this effort in fiscal year 2015.

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

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.

Major components of this initiative are described below. Additional program details can be obtained by contacting the Office of Insular Affairs.

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 PITI-VITI and DOI-OIA. PITI-VITI continues to provide technical support to improve the timeliness and quality of the insular areas' single audits, building on prior successes. The number of financial statement audit qualifications within the insular areas has decreased dramatically. Timeliness has improved as well. The number of audit reports which were delayed has declined significantly.

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 areas 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.

Approximately twenty-four (24) participants from the Pacific region and the U.S. Virgin Islands complete the ELDP program each cycle.

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.

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.

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 are developed on an annual basis. Many of the insular governments use the Performeter 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.

Classroom training courses are delivered each year in the insular areas. Classroom training courses are delivered in Human Resource Management, Grants Management, Leadership and Management, Governmental Accounting, Indirect Costs, Performance Based Management, Auditing, Fraud, Indirect Costs, and Internal Controls. For additional details, please contact the Office of Insular Affairs.

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) and U.S.-RMI Joint Economic Management and Fiscal Accountability Committee (JEMFAC) meetings, and budgetary, fiscal, and sector support. Compact-specific activities include:

- 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 U.S., 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.

3.

Activity: Territorial Assistance						
Subactivity: Maintenance Assistance (MAP) \$(000)						
	2015 Actual	2016 Enacted	2017			Change from 2016 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	1,081	1,081	0	+3,919	5,000	+3,919
FTEs	0	0	0	0	0	0

SUMMARY OF 2017 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Maintenance Assistance	+3,919	0

JUSTIFICATION OF 2017 PROGRAM CHANGES

The 2017 budget request for Maintenance Assistance is \$5.0 million, a general program increase of \$3.9 million from the 2016 enacted level. The requested program increase will bolster OIA's partnership with the U.S. 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 address deferred maintenance items with priority given 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.

2017 PROGRAM PERFORMANCE

In 2015, the Maintenance Assistance program funding was devoted entirely to support the Insular ABCs school initiative.

4.

Activity: Territorial Assistance						
Subactivity: Brown Tree Snake Control \$(000)						
	2015 Actual	2016 Enacted	2017			Change from 2016 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	3,500	3,500	0	-500	3,000	-500
FTEs	0	0	0	0	0	0

SUMMARY OF 2017 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Brown Tree Snake Control	-500	0

JUSTIFICATION OF 2017 PROGRAM CHANGES

The 2017 budget request for Brown Tree Snake Control is \$3 million, a program decrease of \$500,000 from the 2016 enacted level. Manufacture and testing of an automated bait delivery system for the Toxicant Bait Drop Project on Guam should be completed in 2016 allowing the \$500,000 program decrease in 2017.

PROGRAM OVERVIEW

The invasive Brown Tree Snake (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. Between 1978 and 2009, approximately 120 snakes have been reported outside of Guam. The majority of those sightings were in the CNMI (93) and on Oahu (10). A live BTS was found in a trap on the fence line surrounding the Rota Seaport as recently as September 2014. 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 Tree Snake Control is a combination research and operational program designed to prevent the dispersal of BTS from Guam to other vulnerable geographic areas and to ultimately eradicate existing or newly established BTS populations in U.S. areas. 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.

2017 PROGRAM PERFORMANCE

It is anticipated that the 2016 and 2017 BTS funds will be awarded with a continued focus on the operational interdiction and control initiatives including suppression and eradication; funds may also be awarded to continue research funding and educational outreach dependent upon the availability of funding. Actual BTS awards for 2015 are detailed below:

- \$870,314 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.
- \$458,952 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.
- \$527,137 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). The Plant Quarantine Branch also plans to increase its rapid response capacity, readiness and capabilities for snake sightings in Hawaii.
- \$631,068 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.
- \$1,050,405 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.
- \$190,000 USFWS will continue to provide overall BTS program coordination on a regional and national level to ensure continued progress. USFWS will also provide technical assistance to program partners and develop a strategic planning document for the program.

5.

Activity: Territorial Assistance						
Subactivity: Coral Reef Initiative & Natural Resources \$(000)						
	2015 Actual	2016 Enacted	2017			Change from 2016 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	1,000	1,000	0	+1,000	2,000	+1,000
FTEs	0	0	0	0	0	0

SUMMARY OF 2017 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Coral Reef Initiative & Natural Resources	+1,000	0

JUSTIFICATION OF 2017 PROGRAM CHANGES

The 2017 budget request for Coral Reef Initiative & Natural Resources is \$2 million, a program increase of \$1 million from the 2016 enacted level. The Office of Insular Affairs is supportive of proposed actions contained within the *2015 Biosecurity Plan for Hawaii and Micronesia* and other invasive species eradication efforts. In order to assist both Federal and local partners with effective actions, OIA is requesting to increase Coral Reef and Natural Resources by \$1 million. In particular, the requested program increase would augment climate related invasive species control and eradication efforts for the Coconut Rhinoceros Beetle and Little Fire Ant. These two invasive species pose significant challenges to regional ecosystems and present both health and economic risks to communities in the Pacific. It would also augment capacity building efforts within the insular areas in their natural and cultural resources management efforts.

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.

2017 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. OIA's primary role is to assist the insular areas in identifying causes for coral reef decline, assessing needs for enhancing 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.

Through financial and technical assistance, OIA has supported the development of several local and regional initiatives. Among these is the Micronesia Challenge, launched at the Coral Reef 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 the insular areas develop and implement plans for the restoration of watersheds in Guam, Saipan, American Samoa and the U.S. Virgin Islands. These efforts will alleviate

the effects of run-off and other threats to adjacent coral reefs. OIA has also supported development and management of marine protected areas, education and internship opportunities for students, 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 and the Federated States of Micronesia.

OIA has joined a consortium of universities and the National Park Service to establish new research and education facilities on St. Croix, USVI. Once built, the Marine Research and Education Center (MREC), will provide not only world-class science and educational opportunities for the Virgin Islands and the region, but serve as a model for green building design and operations to island communities. The National Park Service signed the documents required to gain final approval to proceed with development of the MREC in 2015 and is awaiting signature from its partners. Construction of a Coastal Studies Outpost (CSO) at Salt River Bay will begin in 2016. The CSO will provide a small platform for day use. It is designed to “jumpstart” research and education in the park while the more ambitious MREC project moves forward. Once completed the two facilities will function in an integrated way.

Coral Reef program grant awards in 2015 included:

- **Guam Museum Foundation, Inc. (Guam) - \$73,150** to support a graduate-level internship program to curate the *Richard Randall Coral Collection*. This rare collection, consisting of more than 30,000 specimens of corals from around the Pacific, will be digitized into a database for future scientific use and study. This unique collection is currently housed at the Guam Museum Foundation.
- **Guam Bureau of Statistics and Planning (Guam) - \$131,800** to promote conservation awareness through education and outreach on the importance of Guam’s reefs to the island’s culture; to establish a Coral Reef Resilience Coordinator; to conduct a hydrological study of the Toguan Watershed to develop strategies for its management; and to support participation in the U.S. Coral Reef Task Force meetings.
- **U.S. Virgin Islands (USVI) The Nature Conservancy (St. Croix, USVI) - \$50,000** for coral reef restoration within the St. Croix East End Marine Park by transplanting elkhorn and staghorn coral colonies, grown in The Nature Conservancy’s coral nursery, to sites characterized as high-value for restoration and recovery of these two threatened species of Caribbean coral.
- **U.S. Virgin Islands Department of Planning and Natural Resources (U.S. Virgin Islands) - \$131,088** to develop a strategic plan to improve the enforcement capacity and effectiveness of the Division of Environmental Enforcement; and to evaluate the connectivity of coral reef species between managed and unmanaged areas to strengthen local management of the 43 Marine Protected Areas in the U.S. Virgin Islands and Puerto Rico.

- **Palau International Coral Reef Center (Republic of Palau) - \$110,000** to characterize and manage the recovery of Palauan coral reefs following recent catastrophic damage from super-typhoons Bopha and Haiyan.
- **Micronesia Conservation Trust (Pohnpei, Federated States of Micronesia)- \$150,000** to work with local governments, non-governmental organizations, and communities to conduct a vulnerability assessment on Pohnpei's 5,500 hectares of mangrove forest to identify threats and specific adaptation actions; assess the feasibility of funding habitat conservation by marketing carbon credits; and share project results to catalyze similar projects throughout Micronesia and help achieve the goals of the Micronesia Challenge.
- **College of the Marshall Islands (Republic of the Marshall Islands) - \$121,572** to establish a national, publicly-accessible, spatial analytics facility on the campus of the College of the Marshall Islands (CMI); to build capacity in participatory Geographic Information System (GIS) management by training CMI and government staff on building a national geospatial clearinghouse; to compile and augment the conservation database; and to conduct a short-course on GIS for use in sustainable coastal management.
- **Nova Southeastern University's National Coral Reef Institute - \$200,000** for Coral Fellows Program to fill current capacity gaps in the territories as well as build longer-term capacity by placing qualified young professionals where their education and work experience will meet each jurisdiction's specific needs.
- **Micronesia Islands Nature Alliance - \$133,776** for Tasi-Watch Program which trains unemployed recent high school graduates to become community conservation rangers; Commonwealth of the Northern Mariana Islands Summer Eco-Camps for teachers and students focused on conserving Saipan's watersheds; the Managaha Pride Campaign to educate citizens about the importance of Saipan's Marine Protected Area network.
- **Micronesia Conservation Trust - \$175,000** to implement the goals of the 2013 -2016 Strategic Action Plan of the Pacific Islands Managed and Protected Areas Community such as addressing vulnerability and adaption to climate change; conducting on-the-ground, community-based conservation projects; and training youth in marine resource management.
- **American Samoa - \$135,169** to assess water quality and identify likely sources of nutrient loads in American Samoa's watersheds; install rain gardens to reduce land-based sources of pollution in targeted watersheds; continue efforts to eradicate the crown of thorns starfish invasion; and monitor the bleaching event of 2015.

6.

Activity: Territorial Assistance						
Subactivity: Empowering Insular Communities \$(000)						
	2015 Actual	2016 Enacted	2017			Change From 2016 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
Empowering Insular Communities	2,971	2,971	0	+2,029	5,000	+2,029
FTEs	0	0	0	0	0	0

SUMMARY OF 2017 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Empowering Insular Communities	+2,029	0

JUSTIFICATION OF 2017 PROGRAM CHANGES

The 2017 budget request for Empowering Insular Communities is \$5.0 million, a program increase of \$2.0 million from the 2016 enacted level. With sustainable energy plans completed in Guam, the Commonwealth of the Northern Mariana Islands, American Samoa, and the U.S. Virgin Islands, a program increase is necessary for the implementation of these energy plans and carrying out sustainable energy projects. Expected areas of emphasis include power transmission and consumer efficiency, geothermal test drilling, solar installations, test wind turbines and grid integration studies. In addition, a program increase is necessary for the establishment of a team of technical, policy, and financial experts to facilitate the development and implementation of an energy plan in Puerto Rico. All of these activities impact OIA's strategic plan goal of improving quality of life by working to reduce the cost of residential power in the insular areas.

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 working to strengthen the foundations for economic

development by addressing energy needs through building sustainable energy strategies that are not reliant on oil.

2017 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 plans select a handful of specific strategies that are achievable in the short term (1-3 years), detail the strategies in feasible incremental steps, identify the stakeholders and desired outcomes, identify the organizations and individuals responsible for implementing the actions, and set a timeline for each step. The action plans are also considered to be living documents that will be regularly updated by the task forces.

OIA's Empowering Insular Communities (EIC) grant program plays a crucial role in helping the territories implement the actions identified in the strategic energy plans and action plans. Each year OIA releases a call letter containing grant application instructions and set criteria for selecting the best submissions. The greatest weight is given to proposals that reduce a territory's dependence on imported fossil fuels, are identified in the territory's strategic energy plan or energy action plan, and propose to expend the funds within 24 months. Review meetings are held with OIA senior staff, the Budget and

Grants Management Division, and others to review and discuss each submission. Projects are selected for funding based on the results of these meetings and information provided by territorial governments.

This past year saw substantial progress on several EIC-funded energy projects in the territories. The Guam Power Authority recently completed the installation of a wind turbine (275kW) pilot project in the Cotal area of Guam. The utility is carrying out performance testing in January 2016 and the turbine is expected to be fully operational and producing power by February 2016.

This past year the Marianas High School in the CNMI made progress on its design of a 100 kW solar system. The high school is the largest in the territory with an enrollment of over 1,500 students. In early 2016 the Department of Education will be releasing a request for proposals for a qualified company to complete the installation by the end of 2016. The solar power peak production time from 9:00 a.m. to 3:00 p.m. coincides with school hours and will help the school system reduce its large utility bill.

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

Over multiple fiscal years OIA has awarded a total of \$1.5 million in EIC funding to the American Samoa Power Authority (ASPA) to install a hybrid renewable energy system in the Manu'a Islands. A major goal of the American Samoa energy action plan is to help the Manu'a Islands obtain 100 percent of its electrical power from renewable energy by the end of 2016. This phase of this project will integrate a 341 kW solar system, battery backup system, and diesel generators on the island of Ofu. The expected direct cost savings in avoided diesel fuel is about \$238,000 per year. OIA issued Authorization to Proceed with the project in September 2015 and American Samoa Power Authority's contractor is currently mobilizing to start construction. Once the hybrid system is installed later this year, Ofu will receive up to 85 percent of its energy from solar power. ASPA is also utilizing local funding to initiate Phase II of the project on the island of Ta'u. In August 2015 ASPA selected Solar City as its contractor to install the hybrid system on Ta'u with 1.41 MW of solar panels and 4.2 MWh of Tesla energy storage batteries. This phase of the project will also be finished later this year resulting in an 85 percent offset in diesel fuel consumption on Ta'u.

Using a fiscal year 2011 EIC grant totaling \$180,250, the American Samoa Power Authority recently completed a comprehensive 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. Now that the integration study is completed, ASPA released in

November 2015 a request for proposals to partner with independent power producers to supply up to 8 MW of utility-scale and distributed solar power for the island. Given the territory's small size, this amount of renewable energy will represent a significant portion of its power generating capacity given that ASPA's peak load has historically been about 23 MW.

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's contractor finalized a report in November 2014 which evaluates, in detail, the geothermal resource potential of Tutuila Island. The results of the report were promising and supported the decision to begin an exploratory geothermal slim hole drilling program. In 2014 and 2015, OIA awarded EIC grants for \$1.2 million and \$1.1 million respectively for the implementation of the slim hole drilling program to fully assess the existence of commercially viable geothermal reservoirs. The drilling is currently ongoing and will be completed in the first half of 2016.

In April 2014, the Commonwealth Utilities Corporation (CUC) in the Northern Mariana Islands selected a contractor to conduct geothermal exploratory drilling. The contractor recently completed the permitting and documentation requirements for the National Environmental Policy Act. Available information suggests that the geothermal gradient beneath Saipan may be sufficiently steep to develop geothermal energy to generate electricity. This effort is funded by a 2011 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. The drilling is expected to be completed by the summer of 2016.

In June 2014, the Commonwealth Utilities Corporation (CUC) used a 2013 EIC grant for \$500,000 to select 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 consultant helped CUC throughout the process in addressing complex issues in a structured, inclusive, and transparent manner. The planning process also provided an opportunity for interested parties and stakeholders to review, understand, and provide input to planning decisions. Much of the work has been completed and CUC plans to present the Integrated Resource Plan in early 2016 and begin implementation immediately.

7.

Activity: Territorial Assistance						
Subactivity: Compact Impact - Discretionary \$(000)						
	2015 Actual	2016 Enacted	2017			Change from 2016 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	3,000	3,000	0	0	3,000	0
FTEs	0	0	0	0	0	0

PROGRAM OVERVIEW

Discretionary Compact Impact grants supplement the \$30.0 million permanently appropriated for Compact Impact as authorized by Section 104(e) of Title One of the amended Compacts of Free Association. In fiscal years 2012 through 2014, discretionary Compact Impact funding has been 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. In 2015 OIA began to engage policymakers and stakeholders to expand utilization of these funds to include community development priorities such as job training and other social services for FAS citizens.

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 2013 by the U.S. Census Bureau and the results were used to determine the distribution of the \$30.0 million beginning in 2015. This allocation is in accordance with the provision in Section 104(e)(5) of Title One of the amended Compacts of Free Association.

2017 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 each government on the basis of the results of the most recent enumeration from 2013. In fiscal years 2012 through 2014, discretionary Compact Impact funding has been 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 2015 allocation of \$1,276,000 to provide educational and educational-related services for Compact of Free Association migrants. The State of Hawaii will likely elect to use its 2016 allocation of \$1,276,000 in a similar manner.

American Samoa received \$2,000 in discretionary Compact Impact funding in 2015 for an operational offset for the American Samoa Department of Education operations budget.

The CNMI received an additional \$231,000 in 2015 for discretionary Compact Impact funding and applied it to educational services at the Public School System and the Northern Marianas College. In 2016, the CNMI will again receive \$231,000.

In 2015, Guam received an additional \$1,491,000 in discretionary Compact Impact funding for the Guam Department of Education operations. In 2016, Guam will again receive \$1,491,000.

D. Compacts of Free Association

1.

Activity: Compact of Free Association (Current Appropriation)						
Subactivity: Federal Services Assistance \$(000)						
	2015 Actual	2016 Enacted	2017			Change from 2016 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	2,818	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.

2017 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 Actual	2016 Enacted	2017			Change from 2016 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	500	500	0	0	500	0
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.

2017 PROGRAM PERFORMANCE

The Enewetak program currently uses approximately 40 percent of its funding for operations of the agriculture field station and the agriculture rehabilitation program. Approximately 31 percent of the funding is used to purchase food and commodities for the residents of the atoll. The remaining funds are used to operate the atoll's new vessel and support office in Majuro. OIA will provide grants for Enewetak in 2017 to continue these activities.

3.

Activity: Compact of Free Association (Current Appropriation)						
Subactivity: Palau Compact Extension \$(000)						
	2015 Actual	2016 Enacted	2017			Change from 2016 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	13,147	13,147	0	-13,147	0	-13,147
FTEs	0	0	0	0	0	0

SUMMARY OF 2017 PROGRAM CHANGES

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

JUSTIFICATION OF 2017 PROGRAM CHANGES

The 2017 budget request does not fund another Palau Compact Extension, a decrease of \$13.1 million and no change in FTE from the 2016 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.

Palau signed the Compact Review Agreement with the United States in fiscal year 2010. The Administration is submitting a legislative proposal to continue the Compact's financial relationship with Palau for congressional consideration during this session. The 2017 budget assumes enactment of the proposed legislation and thus includes permanent appropriations of \$149 million for the Palau Compact through 2024. OIA is not requesting current appropriations for Palau Compact assistance in 2017 assuming enactment of the Bill.

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.

2017 PROGRAM PERFORMANCE

2016 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 Actual	2016 Enacted	2017			Change from 2016 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
RMI	74,336	74,598	0	+1,410	76,008	+1,410
FSM	107,710	109,176	0	+959	110,135	+959
Judicial Training	349	365	0	-8	357	-8
Total	182,395	184,139	0	+2,361	186,500	+2,361
FTEs	0	0	0	0	0	0

SUMMARY OF 2017 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
RMI	+1,410	0
FSM	+959	0
Judicial Training	-8	0

JUSTIFICATION OF 2017 PROGRAM CHANGES

The 2017 budget request for Compact of Free Association - Economic Assistance to the Marshall Islands and Federated States of Micronesia is \$186.5 million, an increase of \$2.4 million with no additional FTEs from the 2016 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.

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.

2017 PROGRAM PERFORMANCE

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

- Conduct a minimum of 200 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 2017 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 2017 are not submitted by the FSM and RMI until 90 days before the start of the fiscal year. However, a brief summary of 2016 program performance information for the FSM and RMI sector grants is provided on the next few pages.

i. Fiscal Year 2016 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 2016 through Section 211 of Public Law 108-88 was \$68,200,000. This amount is adjusted annually by 2/3 of the Gross Domestic Product Implicit Price Deflator. The inflation adjustment for 2016 was \$12,187,340. Combining the base amount and inflation adjustment, the total amount of Section 211 Compact of Free Association financial assistance made available to the FSM was \$80,387,340. From this total, an amount of \$232,450 was provided to the FSM's Disaster Assistance Emergency Fund.

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

The following is a breakdown of 2016 grant allocations for the FSM made by the Joint Economic Management Committee (JEMCO) by sector.

Sector	Funds Allocated
Education	\$24,213,497
Health	\$20,492,187
Infrastructure	\$16,000,000
Environment	\$1,440,408
Capacity Building	\$2,108,425
Private Sector	\$1,208,725
Enhanced Reporting & Accountability	\$1,372,173
Section 211 Sector Grant Allocations	\$66,835,415

\$24,045,480 was reserved for the Public Infrastructure Sector and only partially allocated due to the FSM's inability to sufficiently organize itself to ensure proper implementation of infrastructure projects. Approximately \$5.5 million remained unallocated by JEMCO for 2016.

Long Term Fiscal Planning Efforts by the FSM

The Compact of Free Association, as amended, included two provisions that lead to annual reductions in the real value of the grants made available to the FSM. 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 2005 to 2023. The baseline for this annual calculation is established as the index value at the end of the third quarter of 2003 as the beginning of the amended Compact twenty-year period.

The second provision reduces the nominal value of the grants available for award to the FSM by \$800,000 per year through 2023. This annual reduction in operating grants does not actually represent a

decrease in total funding from the U.S., but rather, represents a redirection of the same \$800,000 as an annual increase in U.S. contributions to the Compact Trust Fund.

Taken together the partial inflation adjustment and the \$800,000 reduction result in a 2 percent loss in the real value of grants each year. Since Compact funds are an important component of revenues for 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 made possible by economic growth. Such remains the goal of the FSM.

By 2009, the cumulative impact of the annual reduction and partial inflation adjustment came to the forefront. In particular, concerned observers noted that the standard response to the declining real value of Compact sector grants was dominated by incremental cuts in operational spending that did not result from focused deliberations and did not tend to reflect sensible priorities. The across-the-board cuts tended to “dilute” all government activities, when what was needed was a comprehensive appraisal of the level of desired and affordable government services.

As a result of this observed common pattern of behavior throughout the FSM, the Joint Economic Management Planning Committee (JEMCO), comprised of three U.S. and two FSM members, adopted a series of increasingly specific and binding resolutions which 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 was developed state-by-state with the FSM National Government, to allow it to become an FSM-wide fiscal planning commitment.

The LTFF development process in the FSM state governments included policymakers 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 credibly adjust to projected levels of sustainable support after 2023.

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

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

Finally, the LTFF commitments for the FSM were to be reflected in the budgets and policy/planning priorities from 2014 onward. A clear demonstration of this commitment was presented in the monitoring matrix as part of the annual budget preparation process and in budget consultations with OIA staff. An update to the LTFF is due prior to 2017.

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 2016 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 2016, the FSM received a Compact health sector grant of \$20.49 million. As has been the case historically, health sector grant funding primarily supported regular recurring operations of the four state in-patient facilities.

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 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 2016 JEMCO Request

The proposed amount for fiscal year 2016 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 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 2016 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 Compact finances nearly 100 percent of the operating budget of the FSM states. 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, fuel cost, 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. Sustaining improvements and the status quo is difficult enough but the biggest challenge that the states will face in 2017 and onward is the deterioration in the quality, not the quantity of basic health programs and services.

Public Infrastructure

Approximately \$298 million of Compact Public Sector Infrastructure assistance has been made available to the FSM from October 2003 to present. To-date, \$148 million has been obligated for project construction and construction administration and management. Approximately \$150 million remains unobligated under the Infrastructure sector.

The FSM National Government's Infrastructure Program Management Unit (PMU) currently has 3 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 was halted by the FSM due to a contractual dispute between the FSM and its contractor. This project is scheduled for completion in April of 2016. Construction of early childhood

education and post-secondary facilities were completed in Yap State. Two elementary school buildings have been completed in Kosrae State.

The main obstacle to steady implementation of the infrastructure sector is the delay in establishing professional management and oversight of the \$24 million per year program on an ongoing basis.

Public Sector Capacity Building

In 2016, the FSM received \$2.1 million for the capacity building sector. 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 2016, the FSM received an allocation of approximately \$1.44 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 2016, the FSM received an allocation of \$1.2 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 2016, the FSM received a grant of \$1.37 million for the sector entitled “Enhanced Reporting and Accountability.” This sector is intended to address the additional complexities and costs of compliance inherent in the Compact, as amended, specifically those related to budgeting, financial accountability, and expanded financial and performance reporting requirements.

Priorities are given to achieving and maintaining full 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 2016 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	\$11,176,914
Health	\$7,230,142
Infrastructure	\$26,773,500
Environment	\$320,760
Ebeye Special Needs	\$4,655,334
Kwajalein Environmental Impact	\$235,740
RMI Trust Fund (Section 216)	\$15,323,100
Kwajalein Landowner Payments (Sec 216)	\$21,216,600
Disaster Assistance Emergency Fund	\$235,740
RMI Single Audit (Section 212)	\$500,000
Kwajalein Impact Fund	\$1,253,170
Total	\$88,921,000

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 U.S. Department of Education fund 75 percent of RMI's education system. In School Year 2014-2015, 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 \$3 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.
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 2016, the Ministry of Health identified adequate resources for the three special initiatives required by JEMFAC; that is, the continuation of leprosy elimination and multiple drug resistant tuberculosis prevention and management activities, and the institution of steps to reduce recurring diabetes-related hospitalizations.

The Ministry of Health combined a number of revenue resources in developing its global budget. The proposed level of Compact financial assistance in 2016 represents 37 percent of the total budget. A third of the Ministry's annual budget comes from two special revolving accounts allotted to the Ministry by law. The general fund contributes 16 percent.

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

Public Infrastructure

The RMI allocated reserved \$26.7 million for infrastructure improvements and maintenance in 2016. This helps in clearing a backlog of over two years of public infrastructure assistance as the RMI reorganized its oversight and management of its infrastructure program. 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 is updating its comprehensive Infrastructure Development and Maintenance Program (IDMP) with complete project descriptions, timelines, financial requirements and measurable project indicators.

Environment

In 2016, the RMI received an allocation of \$235,740 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 \$326,760 to support capital needs for the Majuro Atoll Waste Corporation.

JEMFAC Resolutions Adopted August 31, 2015:

Resolution JEMFAC-2015-1

RESOLVED, that JEMFAC allocates the following amounts for use of 2016 Compact sector grant assistance:

\$11,176,743	Education
\$ 7,230,142	Health
\$ 2,697,699	Ebeye Special Needs (Education)
\$ 1,957,635	Ebeye Special Needs (Health)
\$ 50,000	Ebeye Special Needs Capital (Ebeye Causeway)
\$ 320,760	Environment Sector
\$ 235,740	Disaster Assistance Emergency Fund
\$ 26,773,500	Public Sector Infrastructure
<u>\$ 1,253,170</u>	<u>Kwajalein Development Fund</u>
\$51,695,389	Total

Resolution JEMFAC-2015-2

JEMFAC resolves that, effective in 2016, it will encourage budget proposals that support efforts to prioritize or implement climate change adaptation policies, plans, assessments, and projects, as well as to mainstream climate change consideration in development planning processes and programs.

5.

Account: Compact of Free Association (Permanent and Indefinite)						
Activity: Compact Impact \$(000)						
	2015 Actual	2016 Enacted	2017			Change from 2016 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
Hawaii	12,762	12,762	0	0	12,762	0
Guam	14,907	14,907	0	0	14,907	0
CNMI	2,309	2,309	0	0	2,309	0
American Samoa	22	22	0	0	22	0
Census	0	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 safety services, or infrastructure related to such services, due to the residence of qualified nonimmigrants from the Republic of the Marshall Islands, the Federated States of Micronesia, or the Republic of Palau.

The \$30.0 million distribution is based on a ratio allocation to the government of each affected jurisdiction on the basis of the results of the most recent enumeration. At a minimum, enumerations will be conducted every five years. The most recent enumeration was completed in 2013 by the U.S. Census Bureau and the results were used to determine the distribution of the \$30.0 million beginning in 2015. This allocation is in accordance with the provision in Section 104(e)(5) of Title One of the amended Compacts of Free Association.

2017 PROGRAM PERFORMANCE

The following 2016 grants will be made to each eligible jurisdiction based on the population of qualified migrants:

- Hawaii: \$12,762,262
- Guam: \$14,906,671
- CNMI: \$ 2,309,362
- American Samoa: \$ 21,705

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 2016 spending plans follow:

The State of Hawaii is expected to use the full 2016 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 2016 Compact Impact grant of \$14.9 million in the following manner:

- DOE/DPW Schools Leaseback \$7,100,000
- DOC Operations Offset \$5,349,234
- GMHA Operations Offset \$2,257,437
- GMHA Operations Assessment \$ 200,000

The CNMI has proposed to use its 2016 Compact Impact grant of \$2.3 million in the following manner:

- Department of Public Health Operations Offset \$ 671,238
- Division of Youth Services Operations Offset \$ 62,875
- Division of Public Safety Operations Offset \$ 491,800
- Department of Corrections Operations Offset \$ 217,249
- Office of Public Defender Operations Offset \$ 30,510
- Northern Marianas College Operations Offset \$ 129,069
- Public School System Operations Offset \$ 270,035
- Karidat Operations Offset \$ 73,388
- Judiciary Operations Offset \$ 171,579

American Samoa has proposed to use its 2016 Compact Impact grant of \$21,705 as an operational offset for the American Samoa Department of Education operations budget.

6.

Account: Compact of Free Association (Permanent and Indefinite)						
Activity: Economic Assistance						
Subactivity: Republic of Palau Compact \$(000)						
			2017			
	2015 Actual	2016 Enacted	Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	Inc (+) Dec(-) From 2016
Palau Compact*	0	0	0	+45,500	45,500	+45,500
FTEs	0	0	0	0	0	0

* Republic of Palau Legislative Proposal

SUMMARY OF 2017 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Palau Compact	+45,500	0

JUSTIFICATION OF 2017 PROGRAM CHANGES

The 2017 budget request includes \$45.5 million and 0 FTE in recognition of the completed review of the relationship between the United States (U.S.) and the Republic of Palau (ROP) concluded on September 3, 2010.

PROGRAM OVERVIEW

Palau signed the Compact Review Agreement with the United States in fiscal year 2010. The Administration is submitting a legislative proposal to continue the Compact's financial relationship with Palau for congressional consideration during this session. The 2017 budget assumes enactment of the proposed legislation and thus includes permanent appropriations of \$149 million for the Palau Compact through 2024. OIA is not requesting current appropriations for Palau Compact assistance in 2017 assuming enactment of the Bill.

IV. Miscellaneous Schedules

01085140412 0
 Assistance to Territories
 PB2017
 MASTER
 2015-12-1810.01.44

Line Title	Line	2015 Act	2016 CY	2017 BY
Combined Schedule (X)				
Obligations by program activity:				
Office of Insular Affairs	0009	10	9	10
Technical assistance	0010	16	16	21
Coral reef initiative	0015	2	1	2
Maintenance assistance fund	0017	1	1	5
American Samoa operations grants	0018	23	23	23
Brown Treesnake	0019	3	4	3
Empowering Insular Communities	0021	3	3	5
Compact Impact Discretionary	0031	2	3	3
Direct subtotal, discretionary	0091	60	60	72
Covenant grants, mandatory	0101	35	28	28
Total new obligations	0900	95	88	100
Budgetary resources:				
Unobligated balance:				
Unobligated balance brought forward, Oct 1	1000	6	7	14
Discretionary unobligated balance brought fwd, Oct 1	1001	4	4	
Recoveries of prior year unpaid obligations	1021	10	8	8
Unobligated balance (total)	1050	16	15	22
Budget authority:				
Appropriations, discretionary:				
Appropriation	1100	58	59	72
Appropriation, discretionary (total)	1160	58	59	72
Appropriation, discretionary - Computed Totals	1160-20	58	59	72
Appropriation [Text]	1160-40	58	59	72
Baseline Civilian Pay	1160-50		5	5
Baseline Non-Pay	1160-50		54	55
Policy Outlays:				
New Authority	1160-61	34	38	47
Balances (excl of EOY PY Bal)	1160-62	21	0	15
End of PY Balances	1160-63		21	11
Subtotal, outlays	1160-64	55	59	73
Baseline Outlays:				
New Authority	1160-81		38	39
Balances (excl of EOY PY Bal)	1160-82		0	15
End of PY Balances	1160-83		21	11
Subtotal, outlays	1160-84		59	65
Appropriations, mandatory:				
Appropriation	1200	28	28	28
Appropriations, mandatory (total)	1260	28	28	28
Appropriations, mandatory - Computed Totals	1260-20	28	28	28
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	37	0	7
End of PY Balances	1260-63		27	20

Subtotal, outlays	1260-64	37	28	28
Baseline Outlays:				
New Authority	1260-81		1	1
Balances (excl of EOY PY Bal)	1260-82			7
End of PY Balances	1260-83		27	20
Subtotal, outlays	1260-84		28	28
Appropriation [Text]				
Baseline Non-Pay	1260-40	0	0	0
	1260-50		0	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				
Baseline Non-Pay	1260-40	0	0	0
	1260-50		0	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
Budget authority (total)	1900	86	87	100
Total budgetary resources available	1930	102	102	122
Memorandum (non-add) entries:				
Unexpired unobligated balance, end of year	1941	7	14	22
Change in obligated balance:				
Unpaid obligations:				
Unpaid obligations, brought forward, Oct 1	3000	173	166	159
Obligations incurred, unexpired accounts	3010	95	88	100
Outlays (gross)	3020	-92	-87	-101
Recoveries of prior year unpaid obligations, unexpired	3040	-10	-8	-8
Unpaid obligations, end of year	3050	166	159	150
Uncollected payments:				
Uncollected pymts, Fed sources, brought forward, Oct 1	3060	-1	-1	-1
Uncollected pymts, Fed sources, end of year	3090	-1	-1	-1
Memorandum (non-add) entries:				
Obligated balance, start of year	3100	172	165	158
Obligated balance, end of year	3200	165	158	149
Budget authority and outlays, net:				
Discretionary:				
Budget authority, gross	4000	58	59	72
Outlays, gross:				
Outlays from new discretionary authority	4010	34	38	47
Outlays from discretionary balances	4011	21	21	26
Outlays, gross (total)	4020	55	59	73

Offsets against gross budget authority and outlays:

Offsetting collections (collected) from:

Federal sources:	4030	0	0	0
Federal sources (total)	4030-10	0	0	0
Policy Program [Text]	4030-41	0	0	0
Baseline Program [Text]	4030-71	0	0	0

Additional offsets against gross budget authority only:

Policy Program [Text]	4050-41	0	0	0
Baseline Program [Text]	4050-71		0	0
Budget authority, net (discretionary)	4070	58	59	72
Outlays, net (discretionary)	4080	55	59	73

Mandatory:

Budget authority, gross	4090	28	28	28
Outlays, gross:				
Outlays from new mandatory authority	4100	0	1	1
Outlays from mandatory balances	4101	37	27	27
Outlays, gross (total)	4110	37	28	28
Budget authority, net (mandatory)	4160	28	28	28
Outlays, net (mandatory)	4170	37	28	28
Budget authority, net (total)	4180	86	87	100
Outlays, net (total)	4190	92	87	101

01085140414 0

Trust Territory of the Pacific Islands

PB2017

MASTER

2015-11-0510.14.15

Line Title	Line	2015 Act	2016 CY	2017 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
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	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
Change in obligated balance:				
Unpaid obligations:				
Unpaid obligations, brought forward, Oct 1	3000	0	0	0

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, net (total)	4180	0	0	0
Outlays, net (total)	4190	0	0	0

01085140415 X
Compact of Free Association
PB2017
MASTER

Line Title	Line	2015 Act	2016 CY	2017 BY
Combined Schedule (X)				
Obligations by program activity:				
Federal services assistance	0001	3	3	3
Enewetak	0002	1	1	1
Direct program activities, subtotal	0091	4	4	4
Palau Compact Extension, mandatory	0101	13	13	0
Subtotal	0192	17	17	4
Assistance to the Marshall Islands	0201	68	75	76
Assistance to the Federated States of Micronesia	0202	90	109	110
Palau Compact	0203	0	0	46
Compact Impact	0204	41	30	30
Judicial Training/FEMA	0205	1	0	0
Subtotal, permanent indefinite	0291	200	214	216
Total direct obligations	0799	217	231	220
Compact of Free Association (Reimbursable)	0801	17	17	17
Total new obligations	0900	234	248	283
Budgetary resources:				
Unobligated balance:				
Unobligated balance brought forward, Oct 1	1000	155	180	192
Discretionary unobligated balance brought fwd, Oct 1	1001	0	180	
Recoveries of prior year unpaid obligations	1021	13	13	13
Unobligated balance (total)	1050	168	193	205
Budget authority:				
Appropriations, discretionary:				
Appropriation	1100	3	3	3
Appropriation, discretionary (total)	1160	3	3	3
Appropriation [see below for \$2m]	1160-40	3	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	0	0	0
End of PY Balances	1160-63		0	0
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

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
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
Appropriations, mandatory:				
Appropriation	1200	226	227	263
Appropriations, mandatory (total)	1260	226	227	263
Appropriation [Text]	1260-40	226	227	263
Baseline Non-Pay	1260-50		227	217
Policy Outlays:				
New Authority	1260-61	83	193	230
Balances (excl of EOY PY Bal)	1260-62	137	0	11
End of PY Balances	1260-63		33	23
Baseline Outlays:				
New Authority	1260-81		193	184
Balances (excl of EOY PY Bal)	1260-82			11
End of PY Balances	1260-83		33	23
Spending authority from offsetting collections, discretionary:				
Collected	1700	17	17	17
Spending auth from offsetting collections, disc (total)	1750	17	17	17
Spending authority from offsetting collections [Text]	1750-40	17	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	17	0	15
End of PY Balances	1750-63		16	1
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	1
Budget authority (total)	1900	246	247	237
Total budgetary resources available	1930	414	440	488
Memorandum (non-add) entries:				
Unexpired unobligated balance, end of year	1941	180	192	205
Change in obligated balance:				
Unpaid obligations:				
Unpaid obligations, brought forward, Oct 1	3000	100	81	69
Obligations incurred, unexpired accounts	3010	234	248	283
Obligations incurred, expired accounts	3011	1	0	0
Outlays (gross)	3020	-240	-247	-285
Recoveries of prior year unpaid obligations, unexpired	3040	-13	-13	-13
Recoveries of prior year unpaid obligations, expired	3041	-1	0	0

Unpaid obligations, end of year	3050	81	69	54	
Uncollected payments:					
Uncollected pymts, Fed sources, brought forward, Oct 1	3060	0	0	0	
Change in uncollected pymts, Fed sources, expired	3071	0	0	0	
Memorandum (non-add) entries:					
Obligated balance, start of year	3100	100	81	69	
Obligated balance, end of year	3200	81	69	54	
Budget authority and outlays, net:					
Discretionary:					
Budget authority, gross	4000	20	20	20	
Outlays, gross:					
Outlays from new discretionary authority	4010	3	5	5	
Outlays from discretionary balances	4011	17	16	16	
Outlays, gross (total)	4020	20	21	21	
Offsets against gross budget authority and outlays:					
Offsetting collections (collected) from:					
Federal sources	4030	-16	-17	-17	
Policy Program [Text]	4030-41	-16	-17	-17	
Baseline Program [Text]	4030-71	0	-17	-17	
Non-Federal sources	4033	-1	0	0	
Policy Program [Text]	4033-41	-1	0	0	
Baseline Program [Text]	4033-71	0	0	0	
Offsets against gross budget authority and outlays (total)	4040	-17	-17	-17	
Additional offsets against gross budget authority only:					
Policy Program [Text]	4050-41	0	0	0	
Baseline Program [Text]	4050-71		0	0	
Budget authority, net (discretionary)	4070	3	3	3	
Outlays, net (discretionary)	4080	3	4	4	
Mandatory:					
Budget authority, gross	4090	226	227	263	
Outlays, gross:					
Outlays from new mandatory authority	4100	83	193	230	
Outlays from mandatory balances	4101	137	33	34	
Outlays, gross (total)	4110	220	226	218	
Budget authority, net (mandatory)	4160	226	227	263	
Outlays, net (mandatory)	4170	220	226	264	
Budget authority, net (total)	4180	229	230	266	
Outlays, net (total)	4190	223	230	268	
01085140418 0					
Payments to the United States Territories, Fiscal Assistance					
PB2017					
MASTER					
2015-12-0310.35.39					
	Line Title	Line	2015 Act	2016 CY	2017 BY
Combined Schedule (X)					
Obligations by program activity:					
Advance payments to Guam of estimated U.S. income tax collections	0001		79	79	79

Advance payments to the Virgin Islands of estimated U.S. excise tax collections	0002	220	209	209
Total new obligations (object class 41.0)	0900	299	288	288
Budgetary resources:				
Unobligated balance:				
Unobligated balance brought forward, Oct 1	1000	0	0	0
Budget authority:				
Appropriations, mandatory:				
Appropriation	1200	299	288	288
Appropriations, mandatory (total)	1260	299	288	288
Appropriations, mandatory - Computed Totals	1260-20	299	288	288
Appropriation [Text]	1260-40	299	288	288
Baseline Non-Pay	1260-50		288	288
Policy Outlays:				
New Authority	1260-61	299	288	288
Balances (excl of EOY PY Bal)	1260-62	0	0	0
End of PY Balances	1260-63		0	0
Subtotal, outlays	1260-64	299	288	288
Baseline Outlays:				
New Authority	1260-81		288	288
Balances (excl of EOY PY Bal)	1260-82			0
End of PY Balances	1260-83		0	0
Subtotal, outlays	1260-84		288	288
Total budgetary resources available	1930	299	288	288
Change in obligated balance:				
Unpaid obligations:				
Unpaid obligations, brought forward, Oct 1	3000	0	0	0
Obligations incurred, unexpired accounts	3010	299	288	288
Outlays (gross)	3020	-299	-288	-288
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	299	288	288
Outlays, gross:				
Outlays from new mandatory authority	4100	299	288	288
Budget authority, net (mandatory)	4160	299	288	288
Outlays, net (mandatory)	4170	299	288	288
Budget authority, net (total)	4180	299	288	288
Outlays, net (total)	4190	299	288	288

01085144163 0

Assistance to American Samoa Direct Loan Financing Account

PB2017

MASTER

2015-12-0809.29.04

Line Title	Line	2015 Act	2016 CY	2017 BY
Combined Schedule (X)				
Obligations by program activity:				
Credit program obligations:				
Payment of interest to Treasury	0713	1	0	1
Total new obligations	0900	1	0	1
Budgetary resources:				
Unobligated balance:				
Unobligated balance brought forward, Oct 1	1000	0	0	0
Financing authority:				
Borrowing authority, mandatory:				
Borrowing authority	1400	0	0	0
Borrowing authority, mandatory (total)	1440	0	0	0
Spending authority from offsetting collections, mandatory:				
Collected	1800	1	1	1
Spending authority from offsetting collections applied to repay debt	1825	0	-1	0
Spending auth from offsetting collections, mand (total)	1850	1	0	1
Budget authority (total)	1900	1	0	1
Total budgetary resources available	1930	1	0	1
Change in obligated balance:				
Unpaid obligations:				
Unpaid obligations, brought forward, Oct 1	3000	0	0	0
Obligations incurred, unexpired accounts	3010	1	0	1
Outlays (gross)	3020	-1	0	0
Unpaid obligations, end of year	3050	0	0	1
Memorandum (non-add) entries:				
Obligated balance, start of year	3100	0	0	0
Obligated balance, end of year	3200	0	0	1
Financing authority and disbursements, net:				
Mandatory:				
Budget authority, gross	4090	1	0	1
Financing disbursements:				
Outlays, gross (total)	4110	1	0	0
Offsets against gross financing authority and disbursements:				
Offsetting collections (collected) from:				
Non-Federal sources - interest payments fr. Am. Samoa	4123	-1	-1	-1
Non-Federal sources (total)	4123-10	-1	-1	-1
Budget authority, net (mandatory)	4160	0	-1	0
Outlays, net (mandatory)	4170	0	-1	-1
Budget authority, net (total)	4180	0	-1	0
Outlays, net (total)	4190	0	-1	-1

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

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

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

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

(In thousands of dollars)

	2014			2015			2016			2017			2018			Subtotal 2014-2018
	Base	Inflation 16.54%	Total	Base	Inflation 16.28%	Total	Base	Inflation 17.87%	Total	Base	Inflation 18.91%	Total	Base	Inflation 20.91%	Total	
Federated States of Micronesia																
Annual Grant Section 211	69,800	11,545	81,345	69,000	11,233	80,233	68,200	12,187	80,387	67,400	12,745	80,145	66,600	13,926	80,526	402,637
Audit Grant Section 212 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500	2,500
Trust Fund Section 215	22,400	3,705	26,105	23,200	3,777	26,977	24,000	4,289	28,289	24,800	4,690	29,490	25,600	5,353	30,953	141,813
<i>Total FSM Compact</i>	<i>92,700</i>	<i>15,250</i>	<i>107,950</i>	<i>92,700</i>	<i>15,010</i>	<i>107,710</i>	<i>92,700</i>	<i>16,476</i>	<i>109,176</i>	<i>92,700</i>	<i>17,435</i>	<i>110,135</i>	<i>92,700</i>	<i>19,279</i>	<i>111,979</i>	<i>546,950</i>
Republic of the Marshall Islands																
Annual Grant Section 211	32,200	5,326	37,526	31,700	5,161	36,861	31,200	5,575	36,775	30,700	5,805	36,505	30,200	6,315	36,515	184,182
Audit Grant Section 213 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500	2,500
Trust Fund Section 216 (a&c)	12,000	1,985	13,985	12,500	2,035	14,535	13,000	2,323	15,323	13,500	2,553	16,053	14,000	2,927	16,927	76,823
Kwajalein Impact Section 212	18,000	-	18,000	18,000	2,930	20,930	18,000	3,217	21,217	18,000	3,404	21,404	18,000	3,764	21,764	103,315
Rongelap Resettlement Section 103 (f)(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Enewetak Section 103 (f)(2)(c)(i)	1,300	215	1,515	1,300	212	1,512	1,300	232	1,532	1,300	246	1,546	1,300	272	1,572	7,677
<i>Total RMI Compact</i>	<i>64,000</i>	<i>7,526</i>	<i>71,526</i>	<i>64,000</i>	<i>10,338</i>	<i>74,338</i>	<i>64,000</i>	<i>11,347</i>	<i>75,347</i>	<i>64,000</i>	<i>12,008</i>	<i>76,008</i>	<i>64,000</i>	<i>13,278</i>	<i>77,278</i>	<i>374,497</i>
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	(63)	29,637	149,637
Compact Impact Enumeration Section 104 (e)(4)	-	-	-	-	-	-	-	-	-	-	-	-	300	63	363	363
Judicial Training	300	50	350	300	49	349	300	54	354	300	57	357	300	63	363	1,772
<i>Total Compact-Other</i>	<i>30,300</i>	<i>50</i>	<i>30,350</i>	<i>30,300</i>	<i>49</i>	<i>30,349</i>	<i>30,300</i>	<i>54</i>	<i>30,354</i>	<i>30,300</i>	<i>57</i>	<i>30,357</i>	<i>30,300</i>	<i>63</i>	<i>30,363</i>	<i>151,772</i>
GRAND TOTAL	187,000	22,825	209,825	187,000	25,397	212,397	187,000	27,877	214,877	187,000	29,500	216,500	187,000	32,620	219,620	1,073,218

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

	2019			2020			2021			2022			2023			Subtotal 2019-2023	Total 2004- 2023
	Base	Inflation 22.91%	Total	Base	Inflation 24.91%	Total	Base	Inflation 26.91%	Total	Base	Inflation 28.91%	Total	Base	Inflation 30.91%	Total		
<u>Federated States of Micronesia</u>																	
Annual Grant Section 211	65,800	15,075	80,875	65,000	16,192	81,192	64,200	17,276	81,476	63,400	18,329	81,729	62,600	19,350	81,950	407,221	1,610,778
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	6,048	32,448	27,200	6,776	33,976	28,000	7,535	35,535	28,800	8,326	37,126	29,600	9,149	38,749	177,834	518,305
<i>Total FSM Compact</i>	<u>92,700</u>	<u>21,123</u>	<u>113,823</u>	<u>92,700</u>	<u>22,967</u>	<u>115,667</u>	<u>92,700</u>	<u>24,811</u>	<u>117,511</u>	<u>92,700</u>	<u>26,655</u>	<u>119,355</u>	<u>92,700</u>	<u>28,499</u>	<u>121,199</u>	<u>587,555</u>	<u>2,139,082</u>
<u>Republic of the Marshall Islands</u>																	
Annual Grant Section 211	29,700	6,804	36,504	29,200	7,274	36,474	28,700	7,723	36,423	28,200	8,153	36,353	27,700	8,562	36,262	182,016	722,737
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	3,322	17,822	15,000	3,737	18,737	15,500	4,171	19,671	16,000	4,626	20,626	16,500	5,100	21,600	98,455	276,246
Kwajalein Impact Section 212	18,000	4,124	22,124	18,000	4,484	22,484	18,000	4,844	22,844	18,000	5,204	23,204	18,000	5,564	23,564	114,219	380,155
Rongelap Resettlement Section 103 (f)(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,300
Enewetak Section 103 (f)(2)(c)(i)	1,300	298	1,598	1,300	324	1,624	1,300	350	1,650	1,300	376	1,676	1,300	402	1,702	8,249	30,020
<i>Total RMI Compact</i>	<u>64,000</u>	<u>14,548</u>	<u>78,548</u>	<u>64,000</u>	<u>15,818</u>	<u>79,818</u>	<u>64,000</u>	<u>17,088</u>	<u>81,088</u>	<u>64,000</u>	<u>18,358</u>	<u>82,358</u>	<u>64,000</u>	<u>19,628</u>	<u>83,628</u>	<u>405,439</u>	<u>1,424,458</u>
<u>Compact-Other</u>																	
Compact Impact Section 104 (e)	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	29,700	(93)	29,607	149,607	598,572
Compact Impact Enumeration Section 104 (e)(4)	-	-	-	-	-	-	-	-	-	-	-	-	300	93	393	393	1,428
Judicial Training	300	69	369	300	75	375	300	81	381	300	87	387	300	93	393	1,904	6,928
<i>Total Compact-Other</i>	<u>30,300</u>	<u>69</u>	<u>30,369</u>	<u>30,300</u>	<u>75</u>	<u>30,375</u>	<u>30,300</u>	<u>81</u>	<u>30,381</u>	<u>30,300</u>	<u>87</u>	<u>30,387</u>	<u>30,300</u>	<u>93</u>	<u>30,393</u>	<u>151,904</u>	<u>606,928</u>
GRAND TOTAL	187,000	35,740	222,740	187,000	38,860	225,860	187,000	41,980	228,980	187,000	45,100	232,100	187,000	48,220	235,220	1,144,898	4,170,468

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

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	TOTALS
ACTIVITY (P.L. 99-658)																
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.

2017 Enactment

U.S. DEPARTMENT OF THE INTERIOR
OFFICE OF INSULAR AFFAIRS
COMPACT OF FREE ASSOCIATION
REPUBLIC OF PALAU
Estimated Payments 2010-2024

Dollars in thousands

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 - Discretionary																-
Trust Fund Contributions - Mandatory								20,000	2,000	2,000	2,000	2,000	2,000	250	0	30,250
2a Infrastructure Maintenance Fund 2/								3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	28,000
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	13,147	13,147									92,029
Economic Assistance -Mandatory								7,500	6,250	5,000	4,000	3,000	2,000	971		28,721
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	13,147	13,147									92,029
Direct Assistance to Palau - Mandatory	0	0	0	0	0	0	0	44,000	24,750	18,500	15,500	13,500	12,500	4,721	3,500	136,971
Total, Direct Assistance to Palau	13,147	13,147	13,147	13,147	13,147	13,147	13,147	44,000	24,750	18,500	15,500	13,500	12,500	4,721	3,500	229,000
Postal Service Subsidy								1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	12,000
ANNUAL FUNDING, PALAU COMPACT	13,147	13,147	13,147	13,147	13,147	13,147	13,147	45,500	26,250	20,000	17,000	15,000	14,000	6,221	5,000	241,000
FUNDING STREAM								45,500	26,250	20,000	17,000	15,000	14,000	6,221	5,000	148,971
									46	26	20	17	15	14	6	5
																149
PALAU ANNUAL WITHDRAWAL FROM TRUST FUND 3/	5,000	5,000	5,000	5,000	5,000	5,000	5,000	8,000	9,000	10,000	10,500	11,000	12,000	13,000	15,000	123,500

1/Discretionary appropriations provided by the Congress in 2010-2016 italicized

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

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