

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

and Performance Information
Fiscal Year 2016

OFFICE OF INSULAR AFFAIRS

NOTICE: These budget justifications are prepared for the Interior, Environment and Related Agencies Appropriations Subcommittees.

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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).

Long-term national security interests of the United States in the Western Pacific and the Caribbean; and, the enduring economic challenges the insular areas face are the foundation of the 2016 budget request. The latest Bureau of Economic Analysis (BEA) data illustrate the economic challenges facing the insular areas. Insular economies are small, isolated and dependent on one or two main sources of income. In most areas, Federal programs constitute a major income source. In three of the four territories, a single industry, tourism, is a large income source that is influenced by regional and global economic and financial changes beyond their control.

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

In the face of physical and institutional realities of the insular areas, the financial assistance OIA provides is a critical element in stabilizing their economies and fiscal resources. 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 each of the four territorial economies and their particular issues and challenges.

American Samoa

In 2013, American Samoa's GDP shrank 2.4 percent. That drop followed a 2.7 percent loss in 2012. By contrast, real GDP for the United States (excluding the territories) increased 2.2 percent in 2013 and 2.8 percent in 2012.

American Samoa's economy is expected to return to growth with the opening of the TriMarine International (TMI) cannery in 2015. One of the two canneries that had operated in American Samoa since the early 1960s closed in 2009, causing large economic and fiscal contractions. Employing as many as 1,500 workers for the cannery, TMI will become the second largest fish processor in American Samoa after StarKist. With two canneries working again, American Samoa will have a larger economy with a

bigger fiscal impact. The implications of recent international tuna treaty negotiations, however, may adversely impact the success of the current canneries.

Federal programs and grants are a critical piece of the overall budget in American Samoa. In fiscal year 2013, Federal funds made up 65 percent of the territory's total revenues. Also in 2013, OIA's grants of \$35.3 million contributed 1,237 jobs (9 percent of the territory's total employment), \$29.1 million in employee compensation (17 percent of the total) and \$44.8 million in GDP (7 percent of the total).

CNMI

As measured by the annual rate of change, the CNMI's economy had its best year in 2013 since the beginning of official GDP data in 2002. The Commonwealth's real GDP increased 4.4 percent in 2013 that followed a 2.1 percent gain in 2012. For the period beginning in 2002 and ending in 2012, the CNMI's real GDP had dropped 52.7 percent, accompanied by a population loss of 29.8 percent and a per capita real GDP decrease of 32.6 percent. This unprecedented loss in economic activity and income in the Commonwealth resulted from the loss of its garment industry and weaknesses in tourism which relies on travelers from East Asia, including China. The turnaround led by tourism in 2012 and 2013 was a much needed and welcome break from a long period of economically and fiscally painful contraction.

Looking ahead, the CNMI is making a concerted effort to broaden its tourism by extending casino gambling from the small Island of Tinian to the main Island of Saipan, the Commonwealth's political and commercial center.

Federal funds totaling \$87.2 million in fiscal year 2013 accounted for 35.4 percent of the CNMI's total revenues. OIA's grants of \$14.9 million generated 709 jobs (3 percent of the total), \$14.4 million in employee compensation (3 percent of the total) and 22.3 million in GDP (3 percent of the total).

Guam

Guam's economy registered modest growth as real GDP grew only 0.6 percent in 2013. Despite slow growth in 2013, Guam's economy has been the most stable over the last decade. In 2003-2013 when every other territorial economy had major ups and downs and loss of economic activity and population, Guam was the only economy that was larger in 2013 than in 2003, with a larger population also in 2013 than in 2003. The main reason for Guam's economic stability is national defense spending which cushions the island's economy against fluctuations in its other major income source, tourism.

As an important base in the Western Pacific, Guam is home to thousands of Americans in uniform. When the relocation of U.S. Marines based on Okinawa to Guam occurs, thousands more Americans in uniform will be stationed on Guam. The economic and fiscal benefits of base expansion on Guam will outweigh costs, but the adverse impacts should not be ignored. Topping the list for future concerns would be the adequacy of Guam's civilian infrastructure, including roads, water and wastewater disposal.

Federal funds contributed to Guam's economic growth. They amounted to \$373.3 million, or 32.6 percent of Guam's total revenues in fiscal year 2013. OIA grants and fiscal payments of \$106.8 million supported 4,085 jobs (15 percent of the total), generated \$108.0 million in employee compensation (12 percent of the total) and \$133.0 million in GDP (three percent of the total).

USVI

The USVI was in economic distress in 2013 as well as the two previous years. According to the BEA, the USVI's real GDP decreased 5.4 percent in 2013 after declining 13.8 percent in 2012 and 7.5 percent in 2011. The decrease reflected the decline in refining oil that had played a dominant role in the economy for years. The HOVENSA refinery on St. Croix, one of the world's largest which processed 350,000 barrels of crude oil a day, shut down in February 2012 after 45 years of operations.

Excluding the refinery, GDP would have increased 0.6 percent in 2013, reflecting growth in tourism and rum exports. Visitor arrivals increased 2.2 percent; exports of rum increased approximately 22 percent. The USVI remains a relatively diversified economy because of rum exports which are expected to grow in the future. Along with a vibrant tourism industry, supported mainly by visitors from the U.S. mainland, increased rum exports and trade and services will be the USVI's major income sources in the years ahead. In September 2014, media reports emerged regarding the possible reopening of the refinery.

Recent economic difficulty in the USVI can also be seen in its population data. In 2013, the USVI's real GDP was 15.8 percent lower than a decade earlier. In the same decade, the USVI population was 5.2 percent smaller and its real per capita GDP 11.2 percent lower.

Federal programs and grants, totaling \$241.4 million in 2013, contributed to 19.7 percent of the territory's total revenues. OIA's grants and fiscal payments of \$268.6 million, including the cover-over of rum taxes, supported 8,012 jobs (21 percent of the territory's total), \$286.5 million in employee compensation (23 percent of total) and \$412.4 million in GDP (9 percent of total).

The Freely Associated States (FAS)

The BEA does not produce economic data for the FAS. OIA has engaged 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.

FSM

In 2013, total real GDP in the FSM declined 4 percent and declined in each of the four states for the first time since GDP was first recorded in 1996. The drop in real GDP stemmed from losses in both domestic fisheries and construction. There were also significant capacity issues with implementation of the Compact infrastructure grants.

The unfavorable result in 2013 emphasized the importance of building capacity in infrastructure management and overcoming administrative obstacles to stimulate economic activity at a scale to make a difference in the economies of the states. Employment dropped 2 percent in 2013, the result of a weak economy.

The overall fiscal balance recorded a 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. The FSM's external debt has remained low and debt service remains within the capacity of the government.

The FSM's Compact Trust Fund (CTF) performed strongly in 2013, reaching \$323.1 million by fiscal year's end. The CTF is a critical part of the amended Compact to which the United States contributes an agreed-upon amount every year, starting in 2004 and ending in 2023. The CTF was designed to accumulate, without any withdrawals during the accumulation period of 2004-2024, reach its maximum level at the end of 2023 and generate an income stream starting in fiscal year 2024 when annual Compact grants are set to end.

Federal contributions to the fiscal resources of the FSM national and four state governments amounted to \$119.2 million in 2013 accounting for 55.8 percent of their total revenues. OIA programs and grants of \$108.6 million contributed 7,880 jobs (52 percent of the total), \$56.3 million in total employee compensation (81 percent of the total) and \$186.0 million in GDP (56 percent of the total).

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.

The RMI's external debt is considered high. However, it has fallen as a share of GDP, dropping from 72 percent at the start of the amended Compact in 2004 to 51 percent in 2013. The tax reform initiative, although still on the RMI agenda appears to be stalled and is unlikely to proceed prior to general elections at the end of 2015.

Performance of the RMI's Compact Trust Fund (CTF) was strong in 2013. It reached \$206.2 million by the fiscal year's end. Just as with the FSM's CTF, the RMI's CTF is to accumulate, without withdrawals in 2004-2023, so it will provide an income stream for the RMI government starting in 2024. Unlike the FSM's CTF to which the United States alone contributes consistently, the RMI's CTF receives contributions from the Republic of China (Taiwan) with which the RMI has diplomatic ties.

Federal contributions amounted to \$67.7 million in 2013, 58 percent of the RMI's total revenues. OIA grants and payments of \$70.9 million contributed 3,598 jobs (34 percent of the total), \$36 million of total employee compensation (35 percent of the total) and \$77.8 million in GDP (44 percent of the total).

Palau

Following two years of growth in 2011 and 2012, GDP growth dropped to an estimated 0.3 percent in 2013. The slowdown was attributed to weaknesses in construction and tourism.

Palau has generally been prudent in its fiscal policy. Despite the slowdown in the economy in 2013, revenues were buoyant and a surplus was attained. While the fiscal position is generally favorable, the government accumulated a sizeable amount of short term debt, but the country maintains a favorable position.

Palau signed the Compact Review Agreement with the United States in fiscal year 2010. The Agreement was submitted to the U.S. Congress where it awaits approval. The key enhancements involve further economic aid including additional resources for the Compact Trust Fund (CTF), infrastructure and capital projects. Also included in the renewal is the creation of an advisory group comprising five members: two from each country and one by mutual agreement. The purpose of the advisory group is to contribute to the long-term economic sustainability of Palau by recommending economic, financial and management reforms.

Federal contributions to Palau's fiscal resources amounted to \$36.9 million or 32.7 percent of the government's total revenues in fiscal year 2013. OIA's grants of \$14.2 million contributed 742 jobs (8 percent of total), \$7.8 million in total employee compensation (9 percent of total) and \$32.8 million in GDP (14 percent of total).

2. Budget Highlights

The proposed 2016 OIA budget is \$643.6 million, an increase of \$46.8 million and 2 FTE from the 2015 enacted level.

Total 2016 Budget Request

(Dollars in Thousands)

Budget Authority	2014 Actual	2015 Enacted	2016 President's Budget	2016 Change from 2015
Current Discretionary	61,574	61,574	75,258	+13,684
Current Mandatory	40,867	40,867	27,720	-13,147
Total Current	102,441	102,441	102,978	+537
Permanent	556,102	494,395	540,626	+46,231
Total OIA	658,543	596,836	643,604	+46,768
<i>FTEs*</i>	33	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 2016, these commitments include an estimated \$282 million for fiscal payments to Guam and the U.S. Virgin Islands and \$258.6 million for payments under the Compacts of Free Association. Current appropriations of \$103 million are requested in 2016, an increase of \$537,000 from the 2015 level. The current appropriations request includes \$75.3 million in discretionary funding and \$27.7 million in mandatory funding.

Secretarial Initiatives

Strengthening Tribal Nations and Insular Communities

The Department empowers insular communities by improving the quality of life, creating economic opportunity, and promoting efficient and effective governance. The U.S.-affiliated insular areas include: the territories of American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands. Interior also administers and oversees Federal assistance provided to the three Freely Associated States: the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau. The Assistant Secretary for Insular Areas and the Office of Insular Affairs carry out these responsibilities on behalf of the Secretary.

Resilient Insular Areas

Among the most significant challenges of the changing climate is a projected increase in the frequency and intensity of extreme weather events – including severe storms, wildfire and drought. In 2016, the Department proposes investments to increase the resilience of both coastal and inland communities to the impacts of these events. These investments will focus on areas at high risk to climate challenges to address vulnerabilities to extreme events in these geographies in partnership with State, local, and tribal

governments and other stakeholders. Given this challenge, the 2016 request for OIA proposes the following investments in support of this effort.

The impacts of climate change 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, American Samoa, and the Virgin Islands; as well as the Freely Associated States of the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau. By their geography and remote mid-ocean location these island communities are on the ‘frontline’ of climate change, yet among the least able to adapt and to respond to the expected far-reaching effects on island infrastructure, economic development, food security, natural and cultural 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 the single greatest threat to their livelihoods, economies, security and well-being. Strengthening access to and management of climate change resources including technical and financial assistance to address the combined and cumulative effects are among their highest priorities for addressing climate change adaptation and resilience.

The 2016 request contains \$7 million and 2 FTE for a new Resilient Insular Areas program which will have primary responsibility for coordinating Federal policy and implementation of national and local strategies in the insular areas to help them plan and prepare for the impacts of climate change. As each Federal department and agency operates under its own set of authorities and responsibilities, and therefore addresses climate change in different ways, the program will help to identify and coordinate Department of the Interior and other Federal agency climate change programs, non-profit and private sector partners, and existing efforts that can help the insular areas develop a robust response to climate change.

Of the \$7 million requested, \$6.7 million 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. Through collaboration with Interior bureaus (USGS, FWS) and other Federal partners, the Pacific Island Climate Change Cooperative (PICCC), and the insular governments, OIA will identify the most efficient and effective projects to be funded through the Technical Assistance Program.

Examples of community, landscape and infrastructure adaptation and resilience projects which could be funded include (but are not limited to): grants to the seven insular areas to fund the creation of climate change impact plans, grants for the implementation of climate change policies and/or plans, grants to fund climate change preparedness studies and/or plans, public awareness and outreach efforts, capacity building grants to provide funding to cultivate the next generation of climate change experts in the insular areas, and funds for responding to the adaptation needs of the insular areas.

Palau Compact of Free Association

On June 27, 2013, S. 1268 was reintroduced to the Senate seeking to continue the U.S. Compact financial relationship with the Republic of Palau. Reaffirming the close partnership between the United States and the Republic of Palau, the bill represents a 15-year agreement that includes a \$250 million package of assistance through 2024. Bill S. 1268 has not been enacted by the U.S. Congress to date; and, OIA is not requesting current appropriations for Palau Compact assistance in 2016. However, the 2016 budget

assumes enactment of the Bill and thus includes permanent appropriations of \$40.8 million for the Palau Compact.

The President's Management Agenda

The Department of the Interior supports the President's Management Agenda to build a better government, one 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 2016 Budget at a Glance Office of Insular Affairs <i>(Dollars in Thousands)</i>					
	2014 Actual	2015 Enacted	Fixed Costs & Related Changes	Program Changes	2016 Request
<u>Assistance to Territories</u>					
American Samoa Operations	22,752	22,752	0	0	22,752
Covenant Grants	27,720	27,720	0	0	27,720
Territorial Assistance					
Office of Insular Affairs	9,448	9,448	+69	+667	10,184
Resilient Insular Areas				[+265]	
General Technical Assistance	14,504	14,504	0	+9,735	24,239
Resilient Insular Areas				[+6,735]	
Maintenance Assistance	1,081	1,081	0	+3,919	5,000
Brown Treesnake Control	3,500	3,500	0	-500	3,000
Coral Reef Initiative	1,000	1,000	0	0	1,000
Empowering Insular Communities	2,971	2,971	0	+1,450	4,421
Compact Impact Disc.	<u>3,000</u>	<u>3,000</u>	<u>0</u>	<u>-1,656</u>	<u>1,344</u>
Total, Assistance to Territories	85,976	85,976	+69	+13,615	99,660
<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	102,441	+69	+468	102,978
<u>Compact of Free Association</u>					
Marshall Islands Compact	71,526	74,336	0	+2,200	76,536
Federated States of Micronesia Compact	107,950	107,710	0	+3,192	110,902
Palau Compact (Legislative Proposal)	0	0	0	+40,829	40,829
<i>Federal Services Permanent</i>					[1,500]
Compact Impact	30,000	30,000	0	0	30,000
Judicial Training	<u>349</u>	<u>349</u>	<u>0</u>	<u>+10</u>	<u>359</u>
Total Compact (Permanent)	209,825	212,395	0	+46,231	258,626
<u>Fiscal Payments</u>					
Guam Section 30 Income Taxes	120,186	71,000	0	0	71,000
VI Rum Excise Taxes	<u>226,091</u>	<u>211,000</u>	<u>0</u>	<u>0</u>	<u>211,000</u>
Total, Fiscal Payments (Permanent)	346,277	282,000	0	0	282,000
Grand Total - Office of Insular Affairs	658,543	596,836	+69	+46,699	643,604

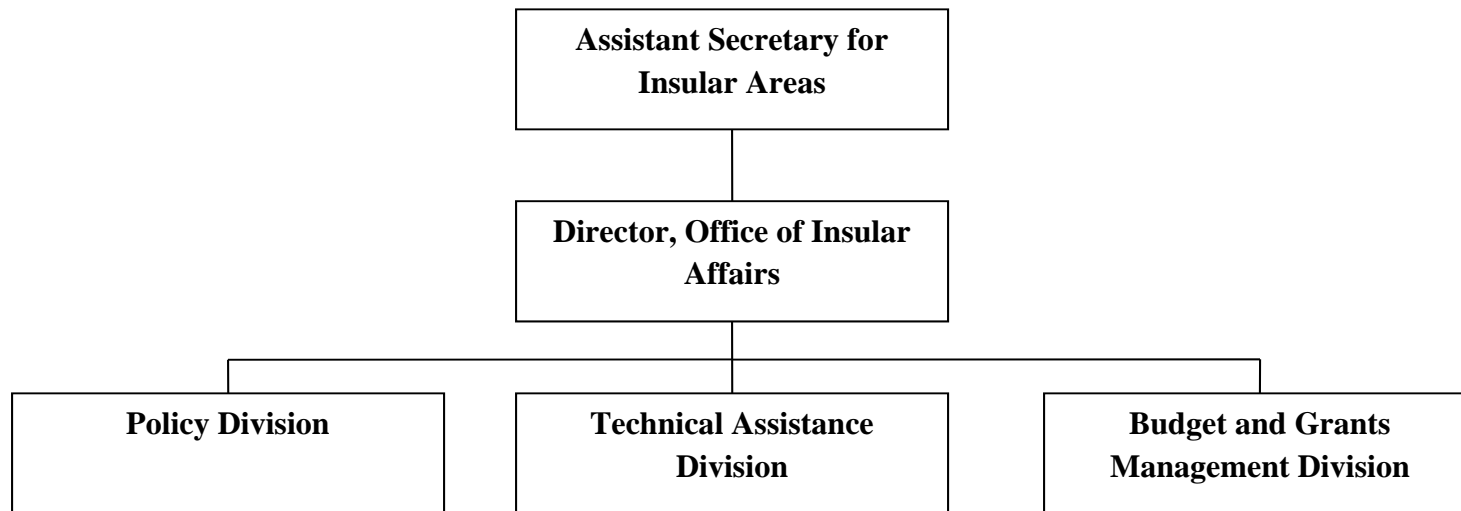
2.

Office of Insular Affairs
2014 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	10,047	8,815	5,878	2,980							27,720
Office of Insular Affairs	195	3			96	101		1,925	6,651	477	9,448
General Technical Assistance	900	1,736	1,380	745	632	1,279	905	4,957	365	1,605	14,504
Maintenance Assistance								1,081			1,081
Brown Treesnake Control		470	340					1,585		1,105	3,500
Coral Reef Initiative	121	294		313	83	35		43	20	91	1,000
Empowering Insular Communities	1,971	1,000									2,971
Compact Impact Discretionary	1	193	1,683					1,123			3,000
<i>Total, Assistance to Territories</i>	<i>35,987</i>	<i>12,511</i>	<i>9,281</i>	<i>4,038</i>	<i>811</i>	<i>1,415</i>	<i>905</i>	<i>10,714</i>	<i>7,036</i>	<i>3,278</i>	<i>85,976</i>
<u>Compact of Free Association - Current</u>											
Federal Services							613			2,205	2,818
Palau Program Grant Assistance							2,000				2,000
Enewetak						500					500
Palau Compact Extension							11,147				11,147
<i>Total, Compact of Free Association - Current</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>500</i>	<i>13,760</i>	<i>0</i>	<i>0</i>	<i>2,205</i>	<i>16,465</i>
Total Current Discretionary/Mandatory	35,987	12,511	9,281	4,038	811	1,915	14,665	10,714	7,036	5,483	102,441
<u>Compact of Free Association</u>											
Marshall Islands Compact						71,526					71,526
Federated States of Micronesia Compact					107,950						107,950
Palau Compact											0
Compact Impact	14	1,930	16,827					11,229			30,000
Judicial Training										349	349
<i>Total, Compact (Permanent)</i>	<i>14</i>	<i>1,930</i>	<i>16,827</i>	<i>0</i>	<i>107,950</i>	<i>71,526</i>	<i>0</i>	<i>11,229</i>	<i>0</i>	<i>349</i>	<i>209,825</i>
<u>Fiscal Payments</u>											
Guam Section 30 Income Taxes			120,186								120,186
VI Rum Excise Taxes				226,091							226,091
<i>Total, Fiscal Payments (Permanent)</i>	<i>0</i>	<i>0</i>	<i>120,186</i>	<i>226,091</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>346,277</i>
Total Permanent Mandatory	14	1,930	137,013	226,091	107,950	71,526	0	11,229	0	349	556,102
Grand Total - Office of Insular Affairs	36,001	14,441	146,294	230,129	108,761	73,441	14,665	21,943	7,036	5,832	658,543

3.

**Organization Chart
Office of Insular Affairs**



4. Goal Performance Table

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

Strategic Plan Performance Measures		2011 Actual	2012 Actual	2013 Actual	2014 Target	2014 Actual	2015 Target	2016 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%	9.9%	8.2%	9.9%	9.9%
	CWS In Violation	23	20	28	16	12	16	16
	Total CWS	155	148	148	161	147	161	161
Residential cost per kilowatt hour for power in the US territories compared to the national average		N/A	3.1X	3.1X	2.0X	3.1X	2.0X	2.0X
	Territories Avg Cost kWh	N/A	\$ 0.34	\$ 0.37	\$ 0.24	\$ 0.37	\$ 0.37	\$ 0.37
	National Avg Cost kWh	N/A	\$ 0.11	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12
Percent of schools in acceptable condition based on specified safety and functionality standards.		N/A	N/A	38%	60%	N/A	60%	60%
	Buildings In Acceptable Condition	N/A	N/A	701	1,120		1,120	1,120
	Total Buildings	N/A	N/A	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%	60.0%	40.6%	60.0%	60.0%
	Avg. Per Capita GDP Territories	\$ 22,430	\$ 21,627	\$ 20,483	\$ 25,942	\$ 19,972	\$ 25,942	\$ 25,942
	Avg. Per Capita GDP US	\$ 42,310	\$ 42,831	\$ 43,236	\$ 43,236	\$ 49,210	\$ 43,236	\$ 43,236
Strategy #3: Promote Efficient and Effective Governance								
Number of insular governments with on-time and unqualified single audits.		2	3	3	4	3	4	4

Water, Energy, GDP and Audit goals have a one year lag. For example 2013 data would be reported as the 2014 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

2016 Summary of Requirements

(Dollars in Thousands)

Activity/Subactivity	2014 Actual		2015 Enacted		Fixed Costs & Related Changes		Program Changes		2016 Request		Change from 2015 (+/-)	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
ASSISTANCE TO TERRITORIES												
1. American Samoa Operations	2	22,752	2	22,752	-	-	-	-	2	22,752	-	-
2. Covenant Grants - Mandatory												
Northern Mariana Islands Construction	-	8,815	-	9,565	-	-	-	41	-	9,606	-	41
American Samoa Construction	-	10,047	-	9,297	-	-	-	208	-	9,505	-	208
Guam Construction	-	5,878	-	5,795	-	-	-	(125)	-	5,670	-	(125)
Virgin Islands Construction	-	2,980	-	3,063	-	-	-	(124)	-	2,939	-	(124)
<i>Total, Covenant Grants</i>	-	27,720	-	27,720	-	-	-	-	-	27,720	-	-
3. Territorial Assistance												
Office of Insular Affairs	31	9,448	38	9,448	-	69	2	667	40	10,184	2	736
Resilient Insular Areas							[2]	[265]				
General Technical Assistance	-	14,504	-	14,504	-	-	-	9,735	-	24,239	-	9,735
Resilient Insular Areas								[6735]				
Maintenance Assistance Fund	-	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	-	1,000	-	1,000	-	-	-	-	-	1,000	-	-
Empowering Insular Communities	-	2,971	-	2,971	-	-	-	1,450	-	4,421	-	1,450
Compact Impact - Discretionary	-	3,000	-	3,000	-	-	-	(1,656)	-	1,344	-	(1,656)
<i>Total, Territorial Assistance</i>	31	35,504	38	35,504	-	69	2	13,615	40	49,188	2	13,684
TOTAL, ASSISTANCE TO TERRITORIES	33	85,976	40	85,976	-	69	2	13,615	42	99,660	2	13,684

2.

OFFICE OF INSULAR AFFAIRS
COMPACT OF FREE ASSOCIATION - CURRENT APPROPRIATION

2016 Summary of Requirements
(Dollars in Thousands)

	2014 Actual		2015 Enacted		Fixed Costs & Related Changes		Program Changes		2016 Request		Change from 2015 (+/-)	
	FTE	Amount	FTE	Amount	FTE	Amount	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, COMPACT - CURRENT		- 16,465		- 16,465		-		- (13,147)		- 3,318		- (13,147)

3.

OFFICE OF INSULAR AFFAIRS
COMPACT OF FREE ASSOCIATION - PERMANENT APPROPRIATION

2016 Summary of Requirements

(Dollars in Thousands)

Activity/Subactivity	2014 Actual		2015 Enacted		Fixed Costs and Related Changes		Program Changes		2016 Request		Change from 2015 (+/-)	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
COMPACT OF FREE ASSOCIATION - PERMANENT												
<u>Assistance to the Marshall Islands:</u>												
Sector Grants		37,526		36,860		0		499		37,359		499
Audit		500		500		0		0		500		0
Trust Fund		13,985		14,534		0		1,032		15,566		1,032
Rongelap Resettlement		0		0		0		0		0		0
Kwajalein Lease Payment		18,000		20,930		0		623		21,553		623
Enewetak		<u>1,515</u>		<u>1,512</u>		<u>0</u>		<u>46</u>		<u>1,558</u>		<u>46</u>
Subtotal, Marshall Islands Assistance	-	71,526	-	74,336	-	0	-	2,200	-	76,536	-	2,200
<u>Assistance to the Federated States of Micronesia (FSM)</u>												
Sector Grants		81,345		80,233		0		1,430		81,663		1,430
Trust Fund		26,105		26,977		0		1,762		28,739		1,762
Audit		<u>500</u>		<u>500</u>		<u>0</u>		<u>0</u>		<u>500</u>		<u>0</u>
Subtotal, FSM Assistance	-	107,950	-	107,710	-	0	-	3,192	-	110,902	-	3,192
Compact Impact		30,000		30,000		0		0		30,000		0
Judicial Training		349		349		0		10		359		10
<u>Total, FSM/Marshalls Compact (Permanent)</u>	-	<u>209,825</u>	-	<u>212,395</u>	-	<u>0</u>	-	<u>5,402</u>	-	<u>217,797</u>	-	<u>5,402</u>
<u>Assistance to the Republic of Palau</u>												
Section 211 (Government Operations)		0		0		0		0		0		0
Section 215 (Inflation Adjustment)		0		0		0		0		0		0
Palau Legislative Proposal*		<u>0</u>		<u>0</u>		<u>0</u>		<u>40,829</u>		<u>40,829</u>		<u>40,829</u>
Subtotal, Assistance to the Republic of Palau	-	0	-	0	-	0	-	40,829	-	40,829	-	40,829
TOTAL, COMPACT, Permanent	-	209,825	-	212,395	-	0	-	46,231	-	258,626	-	46,231

*Assumes enactment of the amended Palau Compact in 2016.

B. Fixed Costs and Related Changes

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

Fixed Cost Changes and Projections	2015 Total or Change	2015 to 2016 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 2015 and 2016.	+0	+23
Pay Raise The change reflects the salary impact of programmed pay raise increases.	+58	+72
Seasonal Federal Health Benefit Increase The change reflects changes in the fixed cost portion of the Seasonal Health Benefits Model.	+0	+0
Employer Contribution to FERS The change reflects the directed increase of 0.5% in employer's contribution to the Federal Employee Retirement System.	+0	+2
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.	-49	+74
Departmental Working Capital Fund ITT The change reflects expected changes in the charges for centrally billed Department services through the Working Capital Fund.	+0	+0
Worker's Compensation Payments The adjustment is for changes in the costs of compensating injured employees and dependents of employees who suffer accidental deaths while on duty. Costs for the 2016 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 adjustment is for projected changes in the costs of unemployment compensation claims to be paid to the Department of Labor, Federal Employees Compensation Account, in the Unemployment Trust Fund, pursuant to Public Law 96-499.	+0	+0
Rental Payments The adjustment is for changes in the costs payable to General Services Administration (GSA) and others resulting from changes in rates for office and non-office space as estimated by GSA, as well as the rental costs of other currently occupied space. These costs include building security; in the case of GSA space, these are paid to Department of Homeland Security (DHS). Costs of mandatory office relocations, i.e. relocations in cases where due to external events there is no alternative but to vacate the currently occupied space, are also included.	+5	-102
O&M Increases from Moves out of GSA-Space into Bureau Space 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	+14	+69

C. Language Citations

1. Appropriation Changes

ASSISTANCE TO TERRITORIES

For expenses necessary for assistance to territories under the jurisdiction of the Department of the Interior and other jurisdictions identified in section 104(e) of Public Law 108-188, [\$85,976,000]\$99,660,000, of which: (1) [\$76,528,000]\$89,476,000 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]\$10,184,000 shall be available until September 30, [2016]2017, 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)						
			2016			Change from 2015 (+/-)
			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 15 percent of ASG’s General Fund revenue and 13 percent of the LBJ Hospital’s revenue.

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

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

2016 PROGRAM PERFORMANCE

American Samoa plans to accomplish the following in 2016:

- Provide financial reports for quarter ending September 30, 2015.
- Provide financial reports for quarter ending December 31, 2015.
- Provide financial reports for quarter ending March 31, 2016.
- Provide financial reports for quarter ending June 30, 2016.

The following chart reflects the ASG's operations funding priorities for 2014, 2015 and 2016:

Funding Category	2014	2015	2016
	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						
	2014 Actual	2015 Enacted	2016			Change from 2015 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
CNMI Construction	8,815	9,565	0	+41	9,606	+41
American Samoa Construction	10,047	9,297	0	+208	9,505	+208
Guam Construction	5,878	5,795	0	-125	5,670	-125
Virgin Islands Construction	2,980	3,063	0	-124	2,939	-124
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. The territories are asked to submit capital improvement requests within a range of \$2 million both above and below base (target) level funding.

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

FY 2012 Baseline CIP Funding

(\$000)

CNMI	10,648
American Samoa	10,047
Guam	4,545
U.S. Virgin Islands	<u>2,480</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 2015 request for Guam increased \$1,250,000 over the baseline funding in the competitive process because it scored above the average of the insular areas on the ten criteria.

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

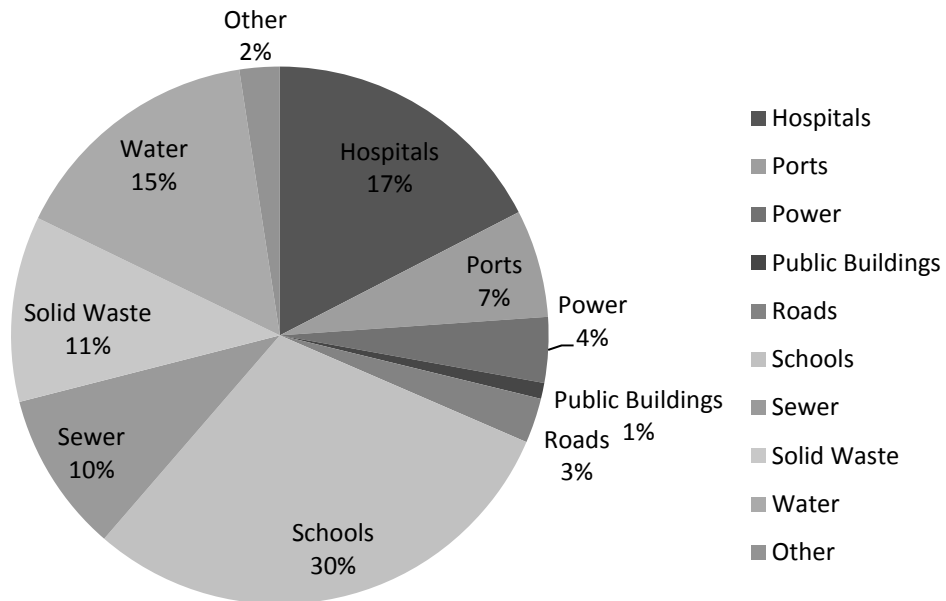
The following chart reflects the baseline distribution along with adjustments made to 2015 and 2016 requests based on each insular government's score on the competitive criteria.

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

Territory	Baseline Funding	FY 2015 +/- Baseline	FY 2016 +/- Baseline	Total FY 2015	Total FY 2016	Diff +/- 2015
CNMI	10,648	-1,083	-1,042	9,565	9,606	+41
American Samoa	10,047	-750	-542	9,297	9,505	+208
Guam	4,545	+1,250	+1,125	5,795	5,670	-125
Virgin Islands	<u>2,480</u>	<u>+583</u>	<u>+459</u>	<u>3,063</u>	<u>2,939</u>	<u>-124</u>
Total	27,720	0	0	27,720	27,720	0

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

2014 Breakdown of CIP Expenditures



1.

Activity: Capital Improvement Project Grants						
Subactivity: CNMI Construction \$(000)						
	2014 Actual	2015 Enacted	2016			Change from 2015 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	8,815	9,565	0	+41	9,606	+41
FTEs	0	0	0	0	0	0

SUMMARY OF 2016 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
CNMI Construction	+41	0

JUSTIFICATION OF 2016 PROGRAM CHANGES

The 2016 budget request for CNMI Construction is \$9.6 million, a program increase of \$41,000 with no change in FTE from the 2015 enacted level. The budget request was calculated utilizing the CIP selection criteria and methods below. The process is further described in the beginning of this section (see Activity: CIP Grants summary section).

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 improvement 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. The territories are asked to submit capital improvement requests within a range of \$2 million both above and below base (target) level funding.

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

CNMI Baseline Funding.....	\$10,648,000
Results from Competitive Process.....	- \$ 1,042,000
Programmed funding for 2016.....	\$ 9,606,000

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.

2016 PROGRAM PERFORMANCE

The past year saw progress on several CIP funded infrastructure projects in the CNMI. The HVAC Replacement project has begun at the Commonwealth Health Center. The redesign of the Puerto Rico Dump Closure project was completed with construction pending. The Water Task Force, thru its ongoing Leak Detection and Repair project, continued to improve the Saipan water system with nearly 100 percent of the residents receiving 24 hour water. The Northern Mariana College Facilities Improvement project was completed along with several CNMI Government Facilities Maintenance projects. The Commonwealth Utilities Corporation (CUC) completed two Waste Water Treatment projects in addition to making progress on numerous Stipulated Order II Power related projects, as required by the U.S. EPA and the U.S. Justice Department. And finally, CUC has begun preliminary work on the Geothermal Exploratory Drilling project.

The requested \$9.6 million for 2016 will be used to continue meeting critical infrastructure needs in the CNMI similar to previous years. Funds will be used for improvements to economic development, solid waste, maintenance, and education infrastructure. The proposed projects to be funded in 2016 are briefly explained below.

The CNMI has put an emphasis on developing solid waste infrastructure in recent years. In 2016, the Marpi Landfill, Tinian Solid Waste Transfer Station and Rota Solid Waste projects were each allocated \$1 million in order to provide environmentally compliant disposal facilities for the islands' residents.

\$2 million would be allocated for completion of the ongoing Garapan Revitalization Drainage project and \$1.5 million for the Commonwealth Health Center HVAC. \$1 million would be used for maintenance of CNMI Public Schools as a follow up to OIA's Insular Assessment of Buildings and Classrooms (ABCs) initiative.

The following chart reflects the CNMI's funding priorities for 2014, 2015 and 2016:

Funding Category	2014	2015	2016
	Award	Proposed Award	Proposed Award
Economic Development	\$2,000,000	\$6,065,000	\$4,606,000
Solid Waste	\$4,300,000	\$2,000,000	\$3,500,000
Maintenance	\$515,000	\$500,000	\$500,000
Education	\$2,000,000	\$1,000,000	\$1,000,000
Total	\$8,815,000	\$9,565,000	\$9,606,000

2.

Activity: Capital Improvement Project Grants						
Subactivity: American Samoa Construction \$(000)						
	2014 Actual	2015 Enacted	2016			Change from 2015 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	10,047	9,297	0	+208	9,505	+208
FTEs	0	0	0	0	0	0

SUMMARY OF 2016 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
American Samoa Construction	+208	0

JUSTIFICATION OF 2016 PROGRAM CHANGES

The 2016 budget request for American Samoa Construction is \$9.5 million, a program increase of \$208,000 with no change in FTE from the 2015 enacted level.

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 improvement 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. The territories are asked to submit capital improvement requests within a range of \$2 million both above and below base (target) level funding.

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

American Samoa Baseline Funding.....	\$ 10,047,000
Results from competitive process.....	<u>-\$ 542,000</u>
Proposed funding for 2016.....	\$ 9,505,000

The 2016 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.

2016 PROGRAM PERFORMANCE

Over the past year, several important CIP projects in American Samoa made significant progress. The LBJ Tropical Medical Center made steady progress on the renovation and expansion of the dialysis unit and the forensic psychiatric unit while the American Samoa Power Authority continued connecting homes to the main sewer system in Tualauta.

In addition, the Department of Public Safety broke ground 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 2015.

The requested \$9.5 million for 2016 will be used to continue meeting critical infrastructure needs in American Samoa similar to previous years. A total of \$1.7 million of the 2016 request will be utilized to design and renovate the Labor Delivery, Nursery, and Operating Suites at the LBJ Tropical Medical Center. The new facility will improve patient services and help the Medical Center meet life safety code

requirements and requirements of the Centers for Medicare and Medicaid Services. The governor has requested that an additional \$1.2 million be set aside for the purchase of new school buses to help minimize the overcrowded buses that currently force students to stand while in transit.

The 2016 request includes a total of \$500,000 for the purchase of heavy equipment for the Department of Public Works. The department is in need of a new backhoe, two dump trucks, and a street sweeper to provide proper maintenance to territorial roads.

Approximately \$350,000 of the 2016 request will help the airport provide a 5 percent local match to grant funding awarded by the Federal Aviation Administration (FAA). The FAA annually awards approximately \$9 to \$11 million to American Samoa approximately for continued improvements to its airport. FAA grants are used for a wide variety of purposes, but mainly to construct and enlarge runways, provide necessary equipment, and build airport facilities.

The 2016 request sets aside 1 percent of the CIP grant to help fund the CIP Administration Office within the American Samoa Government. The CIP Office will be responsible for overseeing and managing the CIP Program by ensuring that all projects comply with federal grant requirements.

The following chart reflects the ASG's funding priorities for 2014, 2015 and 2016:

Funding Category	2014	2015	2016
	Award	Award	Proposed Award
Health	\$2,500,000	\$1,000,000	\$2,604,180
Education	\$3,600,000	\$3,500,000	\$2,500,000
Econ. Development	\$1,544,180	\$1,939,180	-
Water	-	\$1,000,000	\$250,000
Port	\$1,800,000	\$1,300,000	2,080,520
Roads	-	-	\$500,000
Public Buildings	-	-	\$1,000,000
Administration	\$100,470	\$92,970	\$95,050
O&M Set-Aside	\$502,350	\$464,850	\$475,250
Total	\$10,047,000	\$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)						
			2016			
	2014 Actual	2015 Enacted	Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	Change from 2015 (+/-)
	5,878	5,795	0	-125	5,670	-125
FTEs	0	0	0	0	0	0

SUMMARY OF 2016 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Guam Construction	-125	0

JUSTIFICATION OF 2016 PROGRAM CHANGES

The 2016 budget request for Guam Construction is \$5.7 million, a program decrease of \$125,000 with no change in FTE from the 2015 enacted level. The request amount was calculated utilizing the CIP selection criteria and methods below. The process is further described in the beginning of this section (see Activity: CIP Grants summary section).

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 improvement 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. The territories are asked to submit capital improvement requests within a range of \$2 million both above and below base (target) level funding.

Base level funding was established on the basis of historic trends in 2005 when the competitive allocation system was implemented. It was adjusted for 2012 based upon the performance of each of the U.S.

territories over the past five years as required by the 2004 Section 702 Funding Agreement between OIA and the CNMI.

Guam Baseline Funding.....	\$4,545,000
Results from competitive process.....	<u>+ \$1,125,000</u>
Proposed funding for 2016.....	\$5,670,000

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 subactivity will be utilized for priority capital improvement projects in Guam and are in addition to Guam's allocated share of impact aid.

2016 PROGRAM PERFORMANCE

CIP funded infrastructure projects on Guam made substantial progress this past year. Construction of the Central Guam Water Reservoir project was completed along with the School Bus procurement and the Gregorio D. Perez Marina Renovation project. The Wind Turbine project should be completed in 2015 while University of Guam construction and renovation projects continue.

In 2016, Guam currently proposes to use its allocation of \$5.7 million in CIP funding to address infrastructure needs in public health renovations and public safety communication system upgrades. \$4 million would be allocated for repairs and renovations to the labor and delivery unit at the Guam Memorial Hospital Authority. In addition, \$1.6 million would be allocated to the Guam Police Department for a communication system upgrade

The chart below reflects Guam's funding priorities for 2014, 2015 and 2016:

Funding Category	2014	2015	2016
	Award	Proposed Award	Proposed Award
Education	\$2,278,000	\$2,795,000	
Public Health		\$1,500,000	\$4,000,000
Public Safety	\$2,300,000	\$500,000	\$1,670,000
Parks	\$1,300,000	\$1,000,000	
Total	\$5,878,000	\$5,795,000	\$5,670,000

4.

Activity: Capital Improvement Project Grants						
Subactivity: Virgin Islands Construction \$(000)						
			2016			Change from 2015 (+/-)
	2014 Actual	2015 Enacted	Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	2,980	3,063	0	-124	2,939	-124
FTEs	0	0	0	0	0	0

SUMMARY OF 2016 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Virgin Islands Construction	-124	0

JUSTIFICATION OF 2016 PROGRAM CHANGES

The 2016 budget request for Virgin Islands Construction is \$2.9 million, a program decrease of \$124,000 with no change in FTE from the 2015 enacted level.

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 improvement 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. The territories are asked to submit capital improvement requests within a range of \$2 million both above and below base (target) level funding.

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

U.S. Virgin Islands Baseline Funding.....	\$2,480,000
Results from competitive process.....	+\$ 459,000
Proposed funding for 2016.....	\$2,939,000

The 2016 allocation for the U.S. Virgin Islands was calculated utilizing the CIP selection criteria and methods which are discussed further in the beginning of this section (see Activity: CIP Grants Summary Table section).

PROGRAM OVERVIEW

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

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

2016 PROGRAM PERFORMANCE

CIP-funded infrastructure project in the U.S. Virgin Islands made substantial progress this past year. The Virgin Islands Waste Management Authority completed the repair of the LBJ Force Main Wastewater Line on St. Croix. The force main is severely deteriorated and they replaced approximately 2,000 linear feet of piping thereby preventing breaks and subsequent leaks into nearby rivers and the ocean. The Virgin Islands Waste Management Authority also made significant progress on the Scrap Tire Removal project. The work is part of a U.S. Environmental Protection Agency consent decree and involves the collection, transportation, cleaning, treatment, processing, and shipment of thousands of scrap tires from all three islands.

Over the past year the U.S. Virgin Islands Public Works Department completed the rehabilitation of the Christiansted Boardwalk on St. Croix. The boardwalk had deteriorated and many of the structural lumbers were splintered and rotten. The Department of Public Works replaced 20,430 square feet of wood decking to restore the boardwalk to its original condition and make a safe passageway for pedestrians visiting the nearby restaurants and businesses.

In 2016, the U.S. Virgin Islands proposes to use approximately \$2 million to address Health and Safety Deferred Maintenance items identified in OIA's Insular Assessment of Buildings and Classroom (Insular ABCs) initiative. The U.S. Virgin Islands also proposes to use \$1,000,000 in 2016 CIP funding for

structural renovations and equipment upgrades at a variety of public libraries on St. Thomas, St. Croix, and St. John. The necessary repairs and upgrades will help provide a safe, secure, and comfortable location for citizens to use library archives and public resources.

The following chart summarizes the U.S. Virgin Islands' funding priorities for 2014, 2015 and 2016:

Funding Category	2014	2015	2016
	Award	Award	Proposed Award
Power	\$500,000	-	-
Public Safety	\$465,000	-	-
Health	\$1,562,750	-	-
Transportation	\$52,250	-	-
Education	\$400,000	\$2,479,999	\$1,939,000
Public Buildings	-	\$583,001	\$1,000,000
Total	\$2,980,000	\$3,063,000	\$2,939,000

C. Territorial Assistance

Activity: Territorial Assistance \$(000)						
SUMMARY TABLE						
	2014 Actual	2015 Enacted	2016			Change From 2015 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
Office of Insular Affairs	9,448	9,448	+69	+667	10,184	+736
Resilient Insular Areas (OIA S&E)				[+265]		
Technical Assistance	14,504	14,504	0	+9,735	24,239	+9,735
Resilient Insular Areas (Technical Assistance)				[+6,735]		
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	1,000	1,000	0	0	1,000	0
Empowering Insular Communities	2,971	2,971	0	+1,450	4,421	+1,450
Compact Impact Disc.	3,000	3,000	0	-1,656	1,344	-1,656
Total	35,504	35,504	+69	+13,615	49,188	+13,684
FTEs	31	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)						
	2014 Actual	2015 Enacted	2016			Change from 2015 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	9,448	9,448	+69	+667	10,184	+736
FTEs	31	38	0	+2	40	+2

SUMMARY OF 2016 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Office of Insular Affairs	+667	+2

JUSTIFICATION OF 2016 PROGRAM CHANGES

The 2016 budget request for the Office of Insular Affairs (OIA) is \$10.2 million and 40 FTE, a net increase of \$736,000 and 2 FTE from the 2015 enacted level. The 2016 budget request for the Office of Insular Affairs includes \$69,000 for fixed costs and related changes as well as a general program increase of \$667,000. Both OIG and GAO reports have stressed that the Office of Insular Affairs needs additional resources to provide adequate oversight for the Office's financial assistance resources.

The Office of Insular Affairs (OIA) request creates two new positions to manage Resilient Insular Areas activities; the first position is a program coordinator and the second a financial assistance specialist. The coordinator will have primary responsibility for coordinating Federal policy and implementation of national and local strategies in the insular areas to help them plan and prepare for the impacts of climate change. As each Federal department and agency operates under its own set of authorities and responsibilities, and therefore addresses climate change in different ways, the coordinator will help to identify and coordinate Department of the Interior and other Federal agency climate change programs, non-profit and private sector partners and existing efforts that can help the insular areas develop a robust response to climate change.

The financial assistance specialist will support the coordinator by creating and executing necessary grants or reimbursable agreements.

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.

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

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

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

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

2016 PROGRAM PERFORMANCE

In 2016, OIA will continue to pursue the Department's mission of empowering insular communities by executing activities which improve quality of life, create economic opportunity, and promote efficient and effective governance. Improvements to quality of life and economic opportunity are achieved in a variety of ways, including funding critical infrastructure such as schools, hospitals, roads, and environmental facilities. OIA also provides assistance to help the islands identify reforms to improve their business climates. Technical assistance is provided to help the insular areas become better stewards of Federal funds, and a number of grants are now awarded according to criteria that reward good fiscal management.

With financial assistance programs exceeding \$600 million per year, OIA requires sufficient personnel resources to provide oversight of grants, including Compact and mandatory CIP funding. At the 2016 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:

	2016
External Administrative Costs	
WCF Centralized Billings	\$757,700
WCF Direct Billings/Fee for Service	\$353,100

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

(Total Employment)*

	2014 Actual	2015 Estimate	2016 Estimate
SES	1	1	1
SL-0	1	1	1
GS-15	5	5	5
GS-14	6	6	6
GS-13	13	13	14
GS-12	4	7	9
GS-11	1	4	2
GS-10	0	0	0
GS-9	1	0	3
GS-8	0	0	0
GS-7	0	3	1
GS-6	1	0	0
GS-5	0	0	0
GS-4	0	0	0
GS-3	0	0	0
GS-2	0	0	0
Total Employment (actual/projected) at the end of the Fiscal Year	33	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 \$(000)						
	2014 Actual	2015 Enacted	2016			Change from 2015 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
Technical Assistance	14,504	14,504	0	+9,735	24,239	+9,735
Resilient Insular Areas					[6,735]	
FTEs	0	0	0	0	0	0

SUMMARY OF 2016 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Technical Assistance	+9,735	0

JUSTIFICATION OF 2016 PROGRAM CHANGES

The 2016 budget provides \$24.2 million for Technical Assistance. Technical Assistance increases \$9.7 million from the 2015 enacted level of \$14.5 million. Of the \$9.7 million increase, \$3.0 million will provide additional funding for much needed direct grants in the seven insular areas. The remaining \$6.7 million increase will provide support for community, landscape and infrastructure adaptation and resilience initiatives which address climate change impacts in the insular areas.

Resilient Insular Areas - \$6.7 million increase

The impacts of climate change 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, American Samoa, and the Virgin Islands; as well as the Freely Associated States of the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau. By their geography and remote mid-ocean location, these island communities are on the 'frontline' of climate change, yet among the least able to adapt and to respond to the expected far-reaching effects on island infrastructure, economic

development, food security, natural and cultural 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 the single greatest threat to their livelihoods, economies, security and well-being. Strengthening access to and management of climate change resources including technical and financial assistance to address the combined and cumulative effects are among their highest priorities for addressing climate change adaptation and resilience.

The \$6.7 million is being requested as an increase to the Office of Insular Affairs' 2016 Technical Assistance sub-activity. This 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. Through collaboration with Interior bureaus (USGS, FWS) and other Federal partners, the Pacific Island Climate Change Cooperative (PICCC), and the insular governments, OIA's Resilient Insular Areas program coordinator will identify the most efficient and effective projects to be funded through the Technical Assistance Program.

Examples of community, landscape and infrastructure adaptation and resilience projects which could be funded include (but are not limited to): grants to the seven insular areas to fund the creation of climate change impact plans, grants for the implementation of climate change policies and/or plans, grants to fund climate change preparedness studies and/or plans, public awareness and outreach efforts, capacity building grants to provide funding to cultivate the next generation of climate change experts in the insular areas, and funds for responding to the adaptation needs of the insular areas. OIA will utilize grants, reimbursable support agreements, contracts, and or other means necessary for implementation of climate change projects for the insular areas.

PROGRAM OVERVIEW

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

The Secretary of the Interior is authorized to extend to the governments of American Samoa, Guam, the Northern Mariana Islands, the Virgin Islands, and the Trust Territory of the Pacific Islands, and their agencies and instrumentalities, with or without reimbursement, technical assistance on subjects within the responsibility of the respective territorial governments. Such assistance may be provided by the Secretary of the Interior through members of his staff, reimbursements to other departments or agencies of the Federal Government under sections 1535 and 1536 of Title 31, grants to or cooperative agreements with such governments, agreements with Federal agencies or agencies of State or local governments, or the employment of private individuals, partnerships, or corporations. Technical assistance may include research, planning assistance, studies, and demonstration projects.

The purpose of the technical assistance program is to fund priority projects for which there are little to no funds available from other Federal agencies. The program provides the flexibility needed to respond to

urgent, immediate needs in the insular areas. This flexibility is not available in any other Federal budget due to the nature of the appropriations process.

The Administration has recognized that some programs are necessary on an ongoing basis for the insular areas; including, but not limited to: ongoing financial management, management, and audit training for all insular areas. The ongoing programs were incorporated into the technical assistance program because there was no other source of funds in the Federal budget for these projects. For example, Close-Up Foundation grants, RMI 4 Atoll Healthcare Program, and Prior Service Benefits program are all funded through technical assistance each year.

The General Technical Assistance program provides support not otherwise available to the insular areas to meet immediate needs and to combat deteriorating economic and fiscal conditions and to maintain the momentum needed to make and sustain meaningful systemic changes. The program allows each government to identify pressing issues and priorities, and develop action plans to mitigate these problems. Direct grants and reimbursable agreements with technical assistance providers, both within and outside the Federal government, are key to implementation. Funded projects are focused to meet immediate needs in the short term and assist the governments in developing longer term solutions.

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

2016 PROGRAM PERFORMANCE

In 2016, it is anticipated that approximately \$18.7 million of the TAP funds will be utilized for grants provided directly to each insular area including \$6.7 million for Resilient Insular Areas projects. In 2014, OIA considered technical assistance requests totaling approximately \$69 million. OIA technical assistance funds were not sufficient to meet these requests; approximately \$14.9 million was awarded. Please see the table on the following page.

Technical Assistance
Grant Awards 2014/Estimate for 2015 & 2016
(Dollars in Thousands)

Recipient	2014 Awards	2015 Estimate	2016 Estimate
Direct Grants to Insular Areas			
American Samoa	875	TBD	TBD
Northern Mariana Islands (CNMI)	1,019	TBD	TBD
Guam	1,064	TBD	TBD
U.S. Virgin Islands	827	TBD	TBD
Federated States of Micronesia (FSM)	468	TBD	TBD
Republic of the Marshall Islands (RMI) (includes \$1.2 m for 4 Atoll Healthcare)	1,543	TBD	TBD
Republic of Palau	929	TBD	TBD
Total, Direct Grants to Insular Areas	\$6,725	\$8,719	\$18,774
Other TAP (Provides Benefits to Multiple Insular Areas)	2014 Awards	2015 Estimate	2016 Estimate
Grad. School PITI VITI www.pitiviti.org -Includes FAS Compact area support projects	\$2,574	\$2,500	\$2,500
U.S. Bureau of Commerce, BEA (for GDP data)	\$0	\$750	\$750
Close Up Foundation	\$1,125	\$1,100	\$1,100
NEPA review and Compliance for OIA grants	\$315	\$315	\$315
Junior Statesman	\$494	TBD	TBD
Pacific Basin Development Council	\$190	TBD	TBD
Prior Service Benefits Program	\$800	\$800	\$800
Judicial Training	\$320	\$320	TBD
ABC Schools Initiative	\$1,300	TBD	TBD
Other crosscutting grants	\$1,021		
Total, Multiple Jurisdiction Programs	\$8,139	\$5,785	\$5,465
Total, Technical Assistance	\$14,864	\$14,504	\$24,239

Total TAP 2014 Appropriations:	\$14,504
Grants funded through grant closures:	360
Total Technical Assistance Awards 2014:	\$14,864

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

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

General Technical Assistance funding priorities include, but are not limited to projects which foster the development of the insular areas in the following categories: accountability, financial management, tax systems and procedures, insular management controls, economic development, training and education, energy, public safety, capacity building, climate change, cultural preservation, health, and outdoor youth initiatives.

Direct Grants to Insular Areas

In 2014, \$6.7 million in Technical Assistance funds was provided to directly benefit the seven insular areas. Examples of awarded financial assistance include:

- Provided \$473,000 to the CNMI public school system for improvements in teaching methods;
- Provided \$256,000 to the Government of Guam to implement an electronic public health records project;
- Provided \$300,000 to American Samoa for eradication of the invasive Tamaligi tree;
- Provided \$500,000 to US Virgin Islands Water and Power Authority for an integrated energy and water resource plan;
- Provided \$169,000 to FSM for development of early childhood teaching standards; and
- Provided \$66,000 to the RMI for anti-fraud, anti-corruption, and the reporting of public funds training.

Examples of TAP crosscutting grants:

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

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. General Technical Assistance provides for the primary health care needs of the Enewetak, Bikini, Rongelap and Utrik communities in the Republic of the Marshall Islands. In 2014, the Technical Assistance program funded \$1.2 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 2014 to support the Prior Service Trust Fund Administration (PSTFA).

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

The CNMI Initiative on Labor, Immigration and Law Enforcement was established by Congress 1995 to address immigration, labor, and related law enforcement problems in the Commonwealth of the Northern Mariana Islands. It was subsequently funded through the Covenant through 2004. Beginning in 2005, activities in support of the CNMI Initiative have been funded under General Technical Assistance due to the fact that the 2005 House of Representatives Report #108-542 requests that OIA continue the CNMI immigration initiative and the labor ombudsman office out of technical assistance funds. The CNMI Initiative addresses immigration, labor and related law enforcement problems through a variety of means including reimbursable agreements with other Federal Agencies and grants funding labor, immigration, and law enforcement personnel within the Commonwealth's Office of the Attorney General and the Department of Labor. In 2013, the Department closed OIA's Ombudsman's Office in Saipan, CNMI.

In 2014, \$150,000 in total was requested and provided to continue support for an Assistant U.S. Attorney (AUSA) positions in the Saipan Field Office. These AUSA positions are devoted entirely to enforcement of federal laws addressing the labor, immigration and law enforcement initiative.

Close Up Program

The Close Up Foundation has conducted the Close Up Insular Areas Program under a grant from the General Technical Assistance program since 1988. Close Up was provided \$1.1 million in funds in 2014 and conducted civic education work with students, teachers and administrators from American Samoa, the

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

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

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

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

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

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

Junior Statesman Foundation

OIA awarded a technical assistance grant in the amount of \$494,000 in 2014 for Junior Statesmen Foundation (JSF) scholarships for twenty-eight high school students from the insular areas to attend the 2014 Junior Statesmen Summer Schools. That was the 24th year that the Junior Statesmen Foundation has worked in partnership with the Office of Insular Affairs to identify, educate and train outstanding insular-area high school students for active, effective and ethical participation in public affairs.

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

At the month-long summer schools, students take a Political Science college level course, along with high level instruction in debate and leadership. Seven insular areas will participate in the scholarship program: American Samoa, the Northern Mariana Islands, the Federated States of Micronesia, Guam, Palau, the U.S. Virgin Islands and the Marshall Islands.

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

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

Pacific Basin Development Council (PBDC)

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

- The Governors' and Islands' staffs play an integral role in PBDC. Formal policy and project decisions are determined by the PBDC Board of Directors. The Pacific Way generally requires decisions by Board consensus, rather than majority rule.
- Each Governor appoints key aides to PBDC's Technical Advisory Committee (TAC). TAC offers alternatives (for action by the Governors); provides local coordination and follow-ups; and gives the staff guidance on day-to-day activities.
- In 2014, PBDC was granted \$190,000 from OIA for continued support of the targeted areas.

Judicial Training

Training programs are also conducted to help the Pacific Islands face burgeoning populations and judicial systems that are not fully developed. The Pacific Islands Committee of the Ninth Circuit Judicial Council oversees, designs, arranges and ensures the delivery of these training programs and actively participates in the programs to guarantee training is provided that is responsive to educational needs. This training program was a result of an assessment that was conducted of the court systems in the American territories and the freely associated states which identified specific training needs for the non-lawyer judges, legally trained judges, and court staff in these islands. \$320,000 was provided for this program in 2014 (a detailed report is available upon request).

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 \$2.5 million to this effort in fiscal year 2014.

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 DOI-OIA and PITI-VITI. PITI-VITI continues to provide technical support to improve the timeliness and quality of the insular areas' single audits, building on prior successes. The number of financial statement audit qualifications within the insular areas have decreased dramatically. Timeliness has improved as well. The number of audit reports which were significantly 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 improvement, or lack of improvement, well before the audit is issued. The finance offices prepare a performance measurement status report for presentation to their colleagues during their biannual meetings, allowing the group the opportunity to share successes and best practices.

B. Executive Leadership Development Program

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

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

Approximately twenty-four (24) participants from the Pacific region and the US 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) & US-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 US, FSM and RMI JEMCO and JEMFAC members to provide background analysis prior to annual meetings. This activity was expanded to include Palau as of 2012, including fielding a long-term regional advisor in Palau to provide regular support to the three governments for eight months of the calendar year. Outputs include:

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

3.

Activity: Territorial Assistance Subactivity: Maintenance Assistance \$(000)						
			2016			Change from 2015 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	2014 Actual	2015 Enacted				
	1,081	1,081	0	+3,919	5,000	+3,919
FTEs	0	0	0	0	0	0

SUMMARY OF 2016 PROGRAM CHANGES

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

JUSTIFICATION OF 2016 PROGRAM CHANGES

The 2016 budget request for Maintenance Assistance is \$5.0 million, a general program increase of \$3.9 million from the 2015 enacted level. The requested program increase will bolster OIA's partnership with the US Army Corps of Engineers and insular school systems to improve school facility conditions. Thus far, the Insular ABCs initiative has assessed the conditions of every school building in the territories. The assessments identified \$177.4 million in deferred maintenance, of which, \$16.7 million are considered health and safety items that must be rectified to provide a safe learning environment. Additional funds under this activity will be used to begin addressing deferred maintenance items with priority 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.

2016 PROGRAM PERFORMANCE

In 2014, the Maintenance Assistance program funding was devoted entirely to support the Insular ABCs school initiative project.

4.

Activity: Territorial Assistance Subactivity: Brown Treesnake Control \$(000)						
	2014 Actual	2015 Enacted	2016			Change from 2015 (+/-)
			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 2016 PROGRAM CHANGES

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

JUSTIFICATION OF 2016 PROGRAM CHANGES

The 2016 budget request for Brown Treesnake Control is \$3 million, a program decrease of \$500,000 from the 2015 enacted level. The manufacture and testing of an automated bait delivery system for the Toxicant Bait Drop Project on Guam should be completed in 2015 allowing the \$500,000 program decrease in 2016.

PROGRAM OVERVIEW

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

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

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

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

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

Since Guam is a major transportation hub in the Pacific, numerous opportunities exist for this invasive species to be inadvertently introduced to other areas in the Pacific. The BTS has already been accidentally transported from Guam to other sites worldwide through infested civilian and military vessels and cargo. Documented sites include: Hawaii, the CNMI, Corpus Christi, Texas; McAlester, Oklahoma; Japan; Anchorage, Alaska; Wake Island; Taiwan; Kwajalein; Diego Garcia; Darwin, Australia; and Rota, Spain. 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 Treesnake Control is a combination research and operational program designed to prevent the dispersal of BTS from Guam to other vulnerable geographic areas and to ultimately eradicate existing or newly established BTS populations in U.S. areas. Research is conducted to improve existing BTS control tools, such as barriers, traps and baits as well as to develop better control techniques such as toxins, repellents and attractants. Research is also intended to improve our understanding of the basic biology of the BTS and to develop methods enabling large-scale suppression of BTS. It is largely accepted that severe population suppression must be achieved before eradication can be pursued. The operational program utilizes the control tools and techniques developed via the research effort to reduce the risk of BTS dispersal to other Pacific islands, the U.S. mainland, and other vulnerable locations.

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

Governments of Hawaii, Guam, and the Commonwealth of the Northern Mariana Islands (restoration of native species on Guam, control, management and prevention).

2016 PROGRAM PERFORMANCE

It is anticipated that the 2015 and 2016 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 dependent upon the availability of funding. Examples of projects likely be continued in 2015 and 2016 include:

- The U.S. Department of Agriculture's Animal and Plant Health Inspection Service, Wildlife Services (WS), will continue its Guam-based operational BTS control program on and around commercial facilities operated by the Government of Guam and private entities. Current operations will be maintained at A.B. Won Pat International Airport, Commercial Port of Guam and commercial transportation and cargo facilities, aimed at reducing the risk of BTS dispersal to other Pacific islands, the U.S. mainland, and other locations at risk. WS will incorporate an integrated wildlife damage management approach to BTS containment using the following types of activities: detector dogs, traps, nighttime fence searches, oral toxicants, barriers, prey reduction, and public outreach activities. WS staff will ensure inspection of at least 90 percent of commercial cargo and aircraft departing Guam.
- The CNMI Department of Lands and Natural Resources, Division of Fish and Wildlife (DFW), will continue to operate a BTS interdiction program on the islands of Saipan, Tinian and Rota and ensure that, at the minimum, a 90 percent canine inspection rate of Guam-based cargo arrivals is reached and subsequently maintained. DFW will also maintain BTS traps at CNMI ports of entry and conduct public outreach.
- The Hawaii Department of Agriculture, Plant Quarantine Branch, will continue its BTS interdiction program (currently consisting of visual searches of flights and cargo by trained inspection staff). The Plant Quarantine Branch also plans to increase its rapid response capacity, readiness and capabilities for snake sightings in Hawaii.
- The U.S. Department of Agriculture's Animal and Plant Health Inspection Service, Wildlife Services, National Wildlife Research Center (NWRC) will continue conducting research designed to improve existing BTS control techniques as well as develop new ones. NWRC will continue the development of an aerial bait suppression system intended to reduce BTS populations on a landscape scale.
- USGS researchers will continue the development and testing of tools intended to improve BTS interdiction, control, and management. Research will focus on developing better methods for the control and capture of juvenile snakes, as well as landscape-level snake control. The USGS Rapid Response Team will continue to respond to snake sightings and will conduct site response training to snake searchers in the Pacific region.
- USFWS will continue to provide overall BTS program coordination on a regional and national level to ensure continued forward progress. USFWS will also continue to provide technical assistance to program partners and develop a strategic planning document for the program.

5.

Activity: Territorial Assistance						
Subactivity: Coral Reef Initiative (CRI) \$(000)						
	2014 Actual	2015 Enacted	2016			Change from 2015 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	1,000	1,000	0	0	1,000	0
FTEs	0	0	0	0	0	0

PROGRAM OVERVIEW

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

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

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

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

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

2016 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.

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

Through financial and technical assistance, OIA has supported the development of several new initiatives. Among these is the Micronesia Challenge, launched at the 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 Guam and the CNMI develop significant plans to restore three watersheds, two on Guam and one on Saipan that will alleviate the effects of run-off and other threats to the adjacent coral reefs. OIA has also supported development and management of marine protected areas in the insular areas, education and internship opportunities for students in the insular areas, conservation

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

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

Specific ongoing outputs for the Coral Reef program include:

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

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

6.

Activity: Territorial Assistance Subactivity: Empowering Insular Communities \$(000)						
	2014 Actual	2015 Enacted	2016			Change From 2015 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
Empowering Insular Communities	2,971	2,971	0	+1,450	4,421	+1,450
FTEs	0	0	0	0	0	0

SUMMARY OF 2016 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Empowering Insular Communities	+1,450	0

JUSTIFICATION OF 2016 PROGRAM CHANGES

The 2016 budget request for Empowering Insular Communities is \$4.4 million, a program increase of \$1.5 million from the 2015 enacted level. With sustainable energy plans completed for each of the territories, a program increase is necessary to test these strategies through sustainable energy pilot projects. Expected areas of emphasis include power transmission and consumer efficiency, geothermal test drilling, solar installations, test wind turbines and grid integration studies. This activity impacts 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 attempting to strengthen the foundations for economic development by addressing energy needs through building sustainable energy strategies that are not reliant on oil.

2016 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 to 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 the territorial governments.

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

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

The Guam Power Authority is making progress on its wind turbine (275kW) pilot project in the Cotal area of Guam. OIA completed the formal consultation process with the U.S. Fish & Wildlife Service in accordance with Section 7 of the Endangered Species Act of 1973, as amended. OIA anticipates the consultation process will be completed by the end of March 2014. In August 2014, OIA issued Authorization to Proceed with the project and the Guam Power Authority selected a contractor for construction. The project is expected to be completed in 2015.

In April 2014, the Commonwealth Utilities Corporation (CUC) in the Northern Mariana Islands selected a contractor to conduct geothermal exploratory drilling. The contractor is currently working to comply with the permitting and documentation requirements of the National Environmental Policy Act before the drilling begins. 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.

In June 2014, the Commonwealth Utilities Corporation selected a consultant to develop an Integrated Resource Plan to identify the optimal mix of demand, supply, and transmission resources to ensure system adequacy and reliability at reasonable cost over a multi-year planning horizon. The Integrated Resource Plan, to be completed within 17 months, will describe the CNMI's projected need for electricity and the resources necessary to meet that need while balancing reliability, environmental responsibility, efficiency and cost.

Using a fiscal year 2011 EIC grant totaling \$180,250, the American Samoa Power Authority (ASPA) 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.

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 support the decision to begin an exploratory geothermal slim hole drilling program.

This past year the American Samoa Power Authority also completed a comprehensive wind resource modeling and mapping study using a \$225,000 fiscal year 2013 EIC grant. The study produced high-quality maps and gridded data sets characterizing the wind resource of American Samoa in support of renewable energy planning efforts. The wind resource maps are crucial for attracting private sector investment and identifying the best potential sites for the installation of wind turbines.

In 2014, OIA awarded a \$800,000 EIC grant to the American Samoa Power Authority 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. The first phase of this project will add solar panels and a battery backup system to the existing diesel generators on the island of Ofu. The expected direct cost savings in avoided diesel fuel is about \$238,000 per year. The American Samoa Power Authority has already selected a contractor for the project and is hoping to start in early 2015.

7.

Activity: Territorial Assistance						
Subactivity: Compact Impact - Discretionary \$(000)						
	2014 Actual	2015 Enacted	2016			Change from 2015 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	3,000	3,000	0	-1,656	1,344	-1,656
FTEs	0	0	0	0	0	0

SUMMARY OF 2016 PROGRAM CHANGES

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

JUSTIFICATION OF 2016 PROGRAM CHANGES

The 2016 budget request for discretionary Compact Impact funding is \$1.3 million, a program decrease of \$1.7 million, and 0 FTE, from the 2015 enacted amount. Compact Impact grant funds will be awarded in conjunction with other currently authorized mandatory grants to help offset costs incurred by jurisdictions that are affected by Compact migration, as authorized by section 104(e) of Public Law 108-188.

PROGRAM OVERVIEW

Discretionary Compact Impact grants supplement the \$30.0 million permanently appropriated for Compact Impact as authorized by Section 104(e) of Title One of the amended Compacts of Free Association. 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. Beginning in 2015, OIA will 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 2010. This allocation is in accordance with the provision in Section 104(e)(5) of Title One of the amended Compacts of Free Association.

2016 PROGRAM PERFORMANCE

Like permanently appropriated Compact Impact, discretionary Compact Impact funding will be distributed amongst the affected jurisdictions based on a ratio allocation to the government of each affected jurisdiction on the basis of the results of the most recent enumeration, that of 2013. 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 2014 allocation of \$1,123,000 to provide educational and educational-related services for Compact of Free Association migrants. The State of Hawaii will likely elect to use its 2015 allocation of \$1,276,000 in a similar manner.

American Samoa received \$1,500 in discretionary Compact Impact funding in 2014 for the Adopt a School Initiative. Under the Adopt a School Initiative, government agencies and its partners have been successful with the cleanup and maintenance of school buildings. The next phase of the Adopt a School Initiative is the implementation of an after school on-the-job training program for high school students. American Samoa has proposed to use its 2015 discretionary Compact Impact grant of \$2,000 as an operational offset for the American Samoa Department of Education operations budget.

The CNMI received an additional \$193,000 in 2014 for discretionary Compact Impact funding and applied it to educational services at the Public School System and the Northern Marianas College. In 2015, the CNMI will receive \$231,000.

In 2014, Guam received an additional \$1,683,000 in discretionary Compact Impact funding for the Guam Department of Education operations. In 2015, Guam will receive \$1,491,000.

D. Compacts of Free Association

1.

Activity: Compact of Free Association (Current Appropriation)						
Subactivity: Federal Services Assistance \$(000)						
			2016			
	2014 Actual	2015 Enacted	Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	Change from 2015 (+/-)
	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.

2016 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)						
	2014 Actual	2015 Enacted	2016			Change from 2015 (+/-)
			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.

2016 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 2016 to continue these activities.

3.

Activity: Compact of Free Association (Current Appropriation)						
Subactivity: Palau Compact Extension \$(000)						
			2016			
	2014 Actual	2015 Enacted	Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	Change from 2015 (+/-)
	13,147	13,147	0	-13,147	0	-13,147
FTEs	0	0	0	0	0	0

SUMMARY OF 2016 PROGRAM CHANGES

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

JUSTIFICATION OF 2016 PROGRAM CHANGES

The 2016 budget request does not fund another Palau Compact Extension, a decrease of \$13.1 million and no change in FTE from the 2015 enacted level.

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

On February 14, 2011, S. 343 was introduced in the Senate (S. 1268 in the 113th Congress) seeking to continue the U.S. Compact financial relationship with the Republic of Palau. The original package of assistance provided \$250 million through 2024. The bill has not been enacted by the U.S. Congress to date; however, continued appropriations by the Congress have been offset against the cost of the bill reducing its cost to \$160.6 million in 2016. The goals of the continued funding are to maintain the viability of Palau's trust fund and to keep government spending stable while Palau enacts policy reforms to strengthen its economy, while affirming the important national security relationship between the Republic of Palau and the U.S.

As a result of the Senate introducing S. 1268, OIA is not seeking current funds for the Palau Compact Extension in 2016.

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.

2016 PROGRAM PERFORMANCE

2015 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)						
	2014 Actual	2015 Enacted	2016			Change from 2015 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
RMI	71,526	74,336	0	+2,200	76,536	+2,200
FSM	107,950	107,710	0	+3,192	110,902	+3,192
Judicial Training	349	349	0	+10	359	+10
Total	179,825	182,395	0	+5,402	187,797	+5,402
FTEs	0	0	0	0	0	0

SUMMARY OF 2016 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
RMI	+2,200	0
FSM	+3,192	0
Judicial Training	+10	0

JUSTIFICATION OF 2016 PROGRAM CHANGES

The 2016 budget request for Compact of Free Association - Economic Assistance to the Marshall Islands and Federated States of Micronesia is \$187.8 million, an increase of \$5.4 million with no additional FTEs from the 2015 enacted level. The program changes in this account are required inflation adjustments under the amended Compact of Free Association. The increases are based on changes in the United States Gross Domestic Product Implicit Price Deflator but may not exceed 5 percent annually.

PROGRAM OVERVIEW

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

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

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

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

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

standards similar to those which apply domestically to grant agreements between the Federal Government and State and local governments have been implemented.

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

2016 PROGRAM PERFORMANCE

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

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

Specific information for 2016 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 2016 are not submitted by the FSM and RMI until 90 days before the start of the fiscal year. However, a brief summary of 2015 program performance information for the FSM and RMI sector grants is provided on the next few pages.

i. Fiscal Year 2015 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 2015 through Section 211 of Public Law 108-88 was \$69,000,000. This amount is adjusted annually by 2/3 of the Gross Domestic Product Implicit Price Deflator. The inflation adjustment for 2015 was \$11,233,200. 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 \$80,233,200. From this total, an amount of \$232,450 was also provided for the FSM's Disaster Assistance Emergency Fund and the Single Audit.

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

The following is a breakdown of 2015 grant allocations for the FSM made by the Joint Economic Management Committee (JEMCO) by sector.

Education	Health	Capacity Building	Private Sector	Environment	Enhanced Reporting & Accountability	Infrastructure	Section 211 Sector Grant Allocations
\$24,395,576	\$20,111,540	\$2,381,286	\$1,988,599	\$1,520,544	\$1,200,471	\$0	\$51,598,016

\$24,000,192 was reserved for the Public Infrastructure Sector but remained unallocated due to the FSM's inability sufficiently organize itself to ensure proper implementation of infrastructure projects. Approximately \$4.6 million remained unallocated by JEMCO for 2015 pending the completion, submission, and acceptance of the FSM's "Long Term Fiscal Framework" (LTFF). This framework was required by the JEMCO in order to assist guide fiscal budgeting and planning within the FSM over the remaining 10 years of direct financial grant assistance under the Amended Compacts Act.

Long Term Fiscal Planning Efforts by the FSM

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

The second provision, although less familiar, is simply a different and larger-in-magnitude version of what was done during the initial Compact period. This is the so-called decrement, whereby from 2007 to 2023 the nominal value of the grants available for award to the FSM is reduced by \$800,000 per year. During the initial Compact period, reductions were done at Year 6 and Year 11 (the so-called "first

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

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

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

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

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

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

balanced fiscal adjustment is likely to be preferred—with a mix of expenditure cuts and revenue increases.

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

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

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

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

- Population trends and the impact of outmigration;

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

Finally, the LTFF and the embedded commitments herein for the FSM were to be reflected in the budgets and policy/planning priorities from 2015 onward. A clear demonstration of this commitment was presented in the monitoring matrix as part of the annual budget preparation process and in budget consultations with OIA staff.

Education

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

1. Improve the quality of instructional services to early childhood, elementary and secondary education;
2. Improve the quality of education services and programs;
3. Meet the manpower needs of the nation; and,
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 2015 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 2015, the FSM received a Compact health sector grant of \$20.11 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 (decrement) in available financial assistance for the Compact's six sectors has had a profound effect on health care delivery. Although health continues to be second only to education as a priority for Compact support, allocations for all four FSM state health departments have flat-lined or declined. The resulting trend of budget decline, congestion, and ad hoc cuts will continue unabated until the states find workable alternatives to offset the loss of Compact dollars and the health departments earnestly implement programs that trim inefficient and ineffective activities and raise fees for service.

The 2015 JEMCO Request

The proposed amount for 2015 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 2015 for MDR TB/TB prevention and control, leprosy elimination, and the reduction of recurring diabetes-related hospitalizations. The resolution ensures that Pohnpei and Chuuk continue the important activities begun in the current fiscal year and enjoins Kosrae and Yap to improve their prevention and management efforts as well.

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

Health Budgets in Jeopardy

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

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

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

Sustaining improvements and the status quo is difficult enough but the biggest challenge that the states will face in 2015 and onward is the deterioration in the quality, not the quantity of basic health programs and services.

Public Infrastructure

Approximately \$274 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 \$126 million remains unobligated under the Infrastructure sector.

The FSM National Government's Infrastructure Program Management Unit (PMU) currently has approximately 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 has been halted by the FSM due to a contractual dispute between the FSM and its contractor. It is currently unclear when this project will be completed. Construction of early childhood education and post-secondary facilities continued in Yap State. Two elementary school buildings have been completed in Kosrae State.

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

Public Sector Capacity Building

In 2015, the FSM received \$2.3 million for the capacity building sector. Fiscal year 2015 continued the articulation regarding the uses of funding started in 2013. Clear deliverables and activities are specified in program-oriented proposals. The FSM has not yet developed a medium-term plan to guide how the sector grant may be optimally utilized in order to achieve measurable public sector capacity building gains.

Environment

In 2015, the FSM received an allocation of approximately \$1.52 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 2015, the FSM received an allocation of \$1.98 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 2015, the FSM received a grant of \$1.2 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.

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

ii. Fiscal Year 2015 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	\$11,323,914
Health	\$7,327,425
Infrastructure	\$0
Environment	\$325,000
Ebeye Special Needs	\$4,304,902
Kwajalein Environmental Impact	\$232,553
RMI Trust Fund (Section 216)	\$ 14,534,573
Kwajalein Landowner Payments (Sec 216)	\$20,929,320
Disaster Assistance Emergency Fund	\$232,553
RMI Single Audit (Section 212)	\$ 500,000
Kwajalein Impact Fund	\$0
Total	\$59,477,687

Education

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

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

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

Lack of credentialed teachers and low student achievement continue to be associated and persistent problems. About 40 percent of RMI's teachers still possess only a high school degree. Over the past five years, the RMI has allocated over \$2.5 million dollars to upgrade its teachers' credentials. Despite this significant investment, the percentage of teachers with only a high school degree has remained roughly the same due to high turnover rates. Many teachers leave for higher paying government jobs once they have received a college degree. As more teachers receive college degrees and a commensurate increase in their salary, personnel costs will rise to unsustainable levels if there is no contribution of additional resources to MOE's budget.

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

1. Achieve an annual 5 percent improvement in student performance and in student and teacher attendance levels for every school.
2. Have all students able to read in both English and Marshallese by third grade.
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 2015, the Ministry of Health identified adequate resources for the three special initiatives required by JEMFAC; that is, the continuation of leprosy elimination and MDR TB prevention and management activities, and the institution of steps to reduce recurring diabetes-related hospitalizations.

The Ministry of Health combined a number of revenue resources in developing its global budget. The proposed level of Compact financial assistance in 2015 represents 37 percent of the total budget. A third of the Ministry's annual budget comes from two special revolving accounts allotted to the Ministry by law. The general fund contributes only 13 percent.

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

Public Infrastructure

The RMI allocated reserved \$10.99 million for infrastructure improvements and maintenance in 2015. 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 2015, the RMI received an allocation of \$232,553 for Kwajalein Environmental Impact. This amount is used to support the RMI Environmental Protection Agency (EPA) activities and programs on Ebeye. The RMI also received \$325,000 to support capital needs for the Majuro Atoll Waste Corporation.

JEMFAC Policy – Oriented Resolutions Adopted August 29, 2014

<u>Resolution</u>	<u>JEMFAC</u>	<u>2014-1</u>
Use of Compact/SEG funds –Linkage to Accreditation Status		

JEMFAC resolves, effective in Fiscal Year 2016, Compact Sector Grant and Supplemental Education Grant assistance may only be obligated for expenditure in support of schools that are accredited according to the Ministry of Education (MOE) Accreditation Policy or have completed an accreditation visit and are working toward full accreditation based on that same policy. Schools recommended for closure by the Minister of Education may not be funded by Compact Sector Grant or Supplemental Education Grant assistance.

JEMFAC further resolves, effective in Fiscal Year 2017, any school that fails the standards pertaining to potable drinking water and sanitary bathrooms will not receive Compact Sector Grant or Supplemental Education Grant assistance until it resolves this citation.

<u>Resolution</u>	<u>JEMFAC</u>	<u>2014-2</u>
<i>(DEFERRED TO MIDYEAR MEETING)</i>		
<i>Personnel Leave Policies for Compact/SEG Supported Personnel</i>		

JEMFAC resolves, effective in Fiscal Year 2016, that Compact Sector Grant and Supplemental Education Grant assistance may not be used to compensate Ministry of Education personnel for more than 24 hours (3 days) of annual leave and 80 hours (10 days) of sick leave during the school year (5 days before school starts until 5 days after school finishes).

5.

Account: Compact of Free Association (Permanent and Indefinite)						
Activity: Compact Impact \$(000)						
	2014 Actual	2015 Enacted	2016			Change from 2015 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
Hawaii	11,229	12,762	0	0	12,762	0
Guam	16,827	14,907	0	0	14,907	0
CNMI	1,930	2,309	0	0	2,309	0
American Samoa	14	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 2009 by the U.S. Census Bureau and the results were used to determine the distribution of the \$30.0 million beginning in 2010. This allocation is in accordance with the provision in Section 104(e)(5) of Title One of the amended Compacts of Free Association.

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

2016 PROGRAM PERFORMANCE

The following 2015 grants will be made to each eligible jurisdiction based on the population of qualified migrants:

- Hawaii: \$11,228,742
- Guam: \$14,906,671
- CNMI: \$ 2,309,362
- American Samoa: \$ 22,000

Compact Impact grant assistance may be used only for health, educational, social, or public safety services, or infrastructure related to such services, specifically affected by qualified nonimmigrants. Each jurisdiction is to provide a spending plan to the Office of Insular Affairs (OIA) for the use of the funds prior to the awarding of the grant. The 2015 spending plans follow:

The State of Hawaii is expected to use the full 2015 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 2015 Compact Impact grant of \$14.9 million in the following manner:

- DOE/DPW Schools Leaseback \$7,100,000
- DOE/DPW Operations Offset \$ 606,671
- DPHSS Operations Offset \$4,200,000
- GMHA Operations Offset \$3,000,000
- DOE/DPW Operations Offset \$ 606,671

The CNMI has proposed to use its 2015 Compact Impact grant of \$2.3 million in the following manner:

- Department of Public Health Operations Offset \$1,110,700
- Division of Youth Services Operations Offset \$ 45,714
- Division of Public Safety Operations Offset \$ 733,814
- Department of Corrections Operations Offset \$ 122,083
- Office of Public Defender Operations Offset \$ 16,678
- Northern Marianas College Operations Offset \$ 52,720
- Public School System Operations Offset \$ 126,155
- Karidat Operations Offset \$ 37,498
- Judiciary Operations Offset \$ 64,000

American Samoa has proposed to use its 2015 Compact Impact grant of \$22,000 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)						
	2014 Actual	2015 Enacted	2016			Inc (+) Dec(-) From 2015
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
Palau Compact*	0	0	0	+40,829	40,829	+40,829
FTEs	0	0	0	0	0	0

* Republic of Palau Legislative Proposal

SUMMARY OF 2016 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Palau Compact	+40,829	0

JUSTIFICATION OF 2016 PROGRAM CHANGES

The 2016 budget request includes \$40.8 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. The results of the review were introduced by the U.S. Senate as S. 343.

PROGRAM OVERVIEW

On June 27, 2013, S. 1268 was reintroduced to the Senate seeking to continue the U.S. Compact financial relationship with the Republic of Palau. The original package of assistance provided \$250 million through 2024. The bill has not been enacted by the U.S. Congress to date; however, continued appropriations by the Congress have been offset against the cost of the bill reducing its cost to \$160.6 million in 2016. The goals of the continued funding are to maintain the viability of Palau's trust fund and to keep government spending stable while Palau enacts policy reforms to strengthen its economy, while affirming the important national security relationship between the Republic of Palau and the U.S.

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IV. Miscellaneous Schedules

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Assistance to Territories

PB2016

MASTER

2014-12-3009.30.54

Line Title	Line	2013 Act	2014 Act	2015 CY	2016 BY
Combined Schedule (X)					
Obligations by program activity:					
Office of Insular Affairs	0009		10	10	10
Technical assistance	0010		15	15	24
Coral reef initiative	0015		1	1	1
Maintenance assistance fund	0017		2	1	5
American Samoa operations grants	0018		23	23	23
Brown Treesnake	0019		4	4	3
Empowering Insular Communities	0021		3	3	4
Compact Impact Discretionary	0031		3	3	2
Direct subtotal, discretionary	0091		61	60	72
Covenant grants, mandatory	0101		35	28	28
Total new obligations	0900		96	88	100
Budgetary resources:					
Unobligated balance:					
Unobligated balance brought forward, Oct 1	1000		9	7	13
Discretionary unobligated balance brought fwd, Oct 1	1001		3	3	
Recoveries of prior year unpaid obligations	1021		8	8	8
Unobligated balance (total)	1050		17	15	21
Budget authority:					
Appropriations, discretionary:					
Appropriation	1100		58	58	72
Appropriation, discretionary (total)	1160		58	58	72
Appropriation, discretionary - Computed Totals	1160-20		58	58	72
Appropriation [Text]	1160-40		58	58	72
Baseline Civilian Pay	1160-50			5	5
Baseline Non-Pay	1160-50			53	54
Policy Outlays:					
New Authority	1160-61		33	38	47
Balances (excl of EOY PY Bal)	1160-62		25	0	14
End of PY Balances	1160-63			63	11
Subtotal, outlays	1160-64		58	101	72
Baseline Outlays:					
New Authority	1160-81			38	38
Balances (excl of EOY PY Bal)	1160-82			0	14
End of PY Balances	1160-83			63	11
Subtotal, outlays	1160-84			101	63

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	26	0	7
End of PY Balances	1260-63		26	20
Subtotal, outlays	1260-64	26	27	28
Baseline Outlays:				
New Authority	1260-81		1	1
Balances (excl of EOY PY Bal)	1260-82		0	7
End of PY Balances	1260-83		26	20
Subtotal, outlays	1260-84		27	28
Appropriation [Text]	1260-40	1	0	0
Baseline Non-Pay	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	1260-40	-1	0	0
Baseline Non-Pay	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
Spending authority from offsetting collections, discretionary:				
Spending auth from offsetting collections, disc (total)	1750	0	0	0
Budget authority (total)	1900	86	86	100
Total budgetary resources available	1930	103	101	121
Memorandum (non-add) entries:				
Unexpired unobligated balance, end of year	1941	7	13	21

Change in obligated balance:

Unpaid obligations:

Unpaid obligations, brought forward, Oct 1	3000	169	173	125
Obligations incurred, unexpired accounts	3010	96	88	100
Outlays (gross)	3020	-84	-128	-100
Recoveries of prior year unpaid obligations, unexpired	3040	-8	-8	-8

Unpaid obligations, end of year	3050	173	125	117
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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	168	172	124
Obligated balance, end of year	3200	172	124	116

Budget authority and outlays, net:

Discretionary:

Budget authority, gross	4000	58	58	72
Outlays, gross:				
Outlays from new discretionary authority	4010	33	38	47
Outlays from discretionary balances	4011	25	63	25
Outlays, gross (total)	4020	58	101	72

Offsets against gross budget authority and outlays:

Offsetting collections (collected) from:

Policy Program [Text]	4030-41	0	0	0
Baseline Program [Text]	4030-71		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	58	72
Outlays, net (discretionary)	4080	58	101	72

Mandatory:

Budget authority, gross	4090	28	28	28
Outlays, gross:				
Outlays from new mandatory authority	4100	0	1	1
Outlays from mandatory balances	4101	26	26	27
Outlays, gross (total)	4110	26	27	28
Budget authority, net (mandatory)	4160	28	28	28
Outlays, net (mandatory)	4170	26	27	28
Budget authority, net (total)	4180	86	86	100
Outlays, net (total)	4190	84	128	100

01085140415 0
 Compact of Free Association
 PB2016
 MASTER
 2014-12-1013.32.41

Line Title	Line	2013 Act	2014 Act	2015 CY	2016 BY
Combined Schedule (X)					
Obligations by program activity:					
Federal services assistance	0001		4	3	3
Palau Compact Extension, mandatory	0101		13	13	0
Subtotal	0192		17	16	3
Assistance to the Marshall Islands	0201		58	74	77
Assistance to the Federated States of Micronesia	0202		93	108	111
Compact Impact	0204		19	30	30
Judical Training/FEMA	0205		1	0	0
Subtotal, permanent indefinite	0291		171	212	218
Total direct obligations	0799		188	228	221
Compact of Free Association (Reimbursable)	0801		17	17	17
Total new obligations	0900		205	245	238
Budgetary resources:					
Unobligated balance:					
Unobligated balance brought forward, Oct 1	1000		115	155	156
Discretionary unobligated balance brought fwd, Oct 1	1001		1	0	
Recoveries of prior year unpaid obligations	1021		2	0	0
Unobligated balance (total)	1050		117	155	156
Budget authority:					
Appropriations, discretionary:					
Appropriation	1100		3	3	3
Appropriation, discretionary (total)	1160		3	3	3
Appropriation, discretionary - Computed Totals	1160-20		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		2	0	0
End of PY Balances	1160-63			0	0
Subtotal, outlays	1160-64		5	3	3
Baseline Outlays:					
New Authority	1160-81			3	3
Balances (excl of EOY PY Bal)	1160-82			0	0
End of PY Balances	1160-83			0	0
Subtotal, outlays	1160-84			3	3
Appropriation [Palau]	1160-40		0	0	0
Baseline Non-Pay	1160-50			0	0

Policy Outlays:				
New Authority	1160-61	0	0	0
Balances (excl of EOY PY Bal)	1160-62	0	0	0
End of PY Balances	1160-63		0	0
Subtotal, outlays	1160-64	0	0	0
Baseline Outlays:				
New Authority	1160-81		0	0
Balances (excl of EOY PY Bal)	1160-82		0	0
End of PY Balances	1160-83		0	0
Subtotal, outlays	1160-84		0	0
Appropriations, mandatory:				
Appropriation	1200	223	226	218
Appropriations, mandatory (total)	1260	223	226	218
Appropriations, mandatory - Computed Totals	1260-20	223	226	218
Appropriation [Text]	1260-40	223	226	218
Baseline Non-Pay	1260-50		226	218
Policy Outlays:				
New Authority	1260-61	98	192	185
Balances (excl of EOY PY Bal)	1260-62	83	0	11
End of PY Balances	1260-63		32	22
Subtotal, outlays	1260-64	181	224	218
Baseline Outlays:				
New Authority	1260-81		192	185
Balances (excl of EOY PY Bal)	1260-82		0	11
End of PY Balances	1260-83		32	22
Subtotal, outlays	1260-84		224	218
Spending authority from offsetting collections, discretionary:				
Collected	1700	17	17	17
Spending auth from offsetting collections, disc (total)	1750	17	17	17
Spending auth from offsetting collections, disc - Computed Totals	1750-20	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	15	0	15
End of PY Balances	1750-63		15	1
Subtotal, outlays	1750-64	15	17	18
Baseline Outlays:				
New Authority	1750-81		2	2
Balances (excl of EOY PY Bal)	1750-82		0	15
End of PY Balances	1750-83		15	1
Subtotal, outlays	1750-84		17	18
Budget authority (total)	1900	243	246	238
Total budgetary resources available	1930	360	401	394
Memorandum (non-add) entries:				
Unexpired unobligated balance, end of year	1941	155	156	156

Change in obligated balance:

Unpaid obligations:

Unpaid obligations, brought forward, Oct 1	3000	99	100	101
Obligations incurred, unexpired accounts	3010	205	245	238
Outlays (gross)	3020	-201	-244	-239
Recoveries of prior year unpaid obligations, unexpired	3040	-2	0	0
Recoveries of prior year unpaid obligations, expired	3041	-1	0	0

Unpaid obligations, end of year	3050	100	101	100
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Uncollected payments:

Uncollected pymts, Fed sources, brought forward, Oct 1	3060	-2	0	0
Change in uncollected pymts, Fed sources, expired	3071	2	0	0
Uncollected pymts, Fed sources, end of year	3090	0	0	0

Memorandum (non-add) entries:

Obligated balance, start of year	3100	97	100	101
Obligated balance, end of year	3200	100	101	100

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	15	16
Outlays, gross (total)	4020	20	20	21

Offsets against gross budget authority and outlays:

Offsetting collections (collected) from:

Federal sources	4030	-17	-17	-17
Federal sources (total)	4030-10	-17	-17	-17
Policy Program [Text]	4030-41	-17	-17	-17
Baseline Program [Text]	4030-71		-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	3	4

Mandatory:

Budget authority, gross	4090	223	226	218
Outlays, gross:				
Outlays from new mandatory authority	4100	98	192	185
Outlays from mandatory balances	4101	83	32	33
Outlays, gross (total)	4110	181	224	218
Budget authority, net (mandatory)	4160	223	226	218
Outlays, net (mandatory)	4170	181	224	218
Budget authority, net (total)	4180	226	229	221
Outlays, net (total)	4190	184	227	222

01085140418 0

Payments to the United States Territories, Fiscal Assistance

PB2016

MASTER

2014-12-1012.26.59

Line Title	Line	2013 Act	2014 Act	2015 CY	2016 BY
Combined Schedule (X)					
Obligations by program activity:					
Advance payments to Guam of estimated U.S. income tax collections	0001		119	71	71
Advance payments to the Virgin Islands of estimated U.S. excise tax collections	0002		227	211	211
Total new obligations (object class 41.0)	0900		346	282	282
Budgetary resources:					
Budget authority:					
Appropriations, mandatory:					
Appropriation	1200		346	282	282
Appropriations, mandatory (total)	1260		346	282	282
Appropriations, mandatory - Computed Totals	1260-20		346	282	282
Appropriation [Text]	1260-40		346	282	282
Baseline Non-Pay	1260-50			282	282
Policy Outlays:					
New Authority	1260-61		346	282	282
Balances (excl of EOY PY Bal)	1260-62		0	0	0
End of PY Balances	1260-63			0	0
Subtotal, outlays	1260-64		346	282	282
Baseline Outlays:					
New Authority	1260-81			282	282
Balances (excl of EOY PY Bal)	1260-82			0	0
End of PY Balances	1260-83			0	0
Subtotal, outlays	1260-84			282	282
Total budgetary resources available	1930		346	282	282
Change in obligated balance:					
Unpaid obligations:					
Unpaid obligations, brought forward, Oct 1	3000		0	0	0
Obligations incurred, unexpired accounts	3010		346	282	282
Outlays (gross)	3020		-346	-282	-282
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		346	282	282
Outlays, gross:					
Outlays from new mandatory authority	4100		346	282	282
Budget authority, net (mandatory)	4160		346	282	282
Outlays, net (mandatory)	4170		346	282	282
Budget authority, net (total)	4180		346	282	282
Outlays, net (total)	4190		346	282	282

01085144163 0
 Assistance to American Samoa Direct Loan Financing Account
 PB2016
 MASTER
 2014-12-1012.28.05

Line Title	Line	2013 Act	2014 Act	2015 CY	2016 BY
Combined Schedule (X)					
Obligations by program activity:					
Credit program obligations:					
Payment of interest to Treasury	0713		1	1	1
Interest on downward reestimates	0743		1	0	0
Total new obligations	0900		2	1	1
Budgetary resources:					
Financing authority:					
Borrowing authority, mandatory:					
Borrowing authority	1400		1	0	0
Borrowing authority, mandatory (total)	1440		1	0	0
Spending authority from offsetting collections, mandatory:					
Collected	1800		1	1	1
Spending auth from offsetting collections, mand (total)	1850		1	1	1
Financing authority (total)	1900		2	1	1
Total budgetary resources available	1930		2	1	1
Change in obligated balance:					
Unpaid obligations:					
Unpaid obligations, brought forward, Oct 1	3000		0	1	2
Obligations incurred, unexpired accounts	3010		2	1	1
Financing disbursements (gross)	3020		-1	0	0
Unpaid obligations, end of year	3050		1	2	3
Memorandum (non-add) entries:					
Obligated balance, start of year	3100		0	1	2
Obligated balance, end of year	3200		1	2	3
Financing authority and disbursements, net:					
Mandatory:					
Financing authority, gross	4090		2	1	1
Financing disbursements:					
Financing disbursements, gross	4110		1	0	0
Offsets against gross financing authority and disbursements:					
Offsetting collections (collected) from:					
Non-Federal sources - interest payments fr. Am. Samoa	4123		-1	-1	-1
Non-Federal sources (total)	4123-10		-1	-1	-1
Financing authority, net (mandatory)	4160		1	0	0
Financing disbursements, net (mandatory)	4170		0	-1	-1
Financing authority, net (total)	4180		1	0	0
Financing disbursements, net (total)	4190		0	-1	-1

01085140414 0
 Trust Territory of the Pacific Islands
 PB2016
 MASTER
 2014-12-1012.28.45

Line Title	Line	2013 Act	2014 Act	2015 CY	2016 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		1	0	0
End of PY Balances	1160-63			0	0
Subtotal, outlays	1160-64		1	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		1	0	0
Outlays (gross)	3020		-1	0	0
Unpaid obligations, end of year	3050		0	0	0
Memorandum (non-add) entries:					
Obligated balance, start of year	3100		1	0	0
Obligated balance, end of year	3200		0	0	0
Budget authority and outlays, net:					
Discretionary:					
Outlays, gross:					
Outlays from discretionary balances	4011		1	0	0
Outlays, net (discretionary)	4080		1	0	0
Budget authority, net (total)	4180		0	0	0
Outlays, net (total)	4190		1	0	0

Historical Table

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

	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	FY	TOTALS	FY	FY
<u>Republic of Marshall Islands (RMI)</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>		<u>2002</u>	<u>2003</u>
S.211 Capital and Current	26,100	26,100	26,100	26,100	26,100	22,100	22,460	22,460	22,100	22,100	19,100	19,100	19,100	19,100	19,100	337,220	22,433	22,433
S.217 Inflation	6,468	6,816	7,668	8,520	9,656	9,272	10,004	10,736	11,224	11,712	10,700	11,342	11,342	11,556	11,984	149,000	14,384	14,384
S.213 Kwajalein Impact	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	28,500	1,900	1,900
S.214 Energy Production	0	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	28,000	1,867	1,867
S.215 Communications O&M	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	4,500	300	300
S.215 Communications Hardware	3,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,000	200	200
S.111 Tax & Trade Compensation	0	6,000	0	4,000	0	0	0	0	0	0	0	0	0	0	0	10,000	0	0
S.216 Maritime Surveillance/ Med. Ref./ S	2,367	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	26,167	1,744	1,744
Subtotal	40,135	44,816	39,668	44,520	41,656	37,272	38,364	39,096	39,224	39,712	35,700	36,342	36,342	36,556	36,984	586,387	42,828	42,828
S.221 Health & Ed. Block Grant	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	45,000	3,000	3,000
Military Use and Operating Rights G	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,500	0
Enewetak Operations	900	1,100	1,100	1,100	1,094	1,094	1,091	1,091	1,089	1,091	1,091	1,191	1,576	1,191	1,388	17,187	1,391	1,620
Rongelap Resettlement	0	0	0	0	0	1,975	1,983	1,983	6,979	0	24,020	0	0	0	0	36,940	0	0
Enjebi	5,000	2,500	2,500	0	0	0	0	0	0	0	0	0	0	0	0	10,000	0	0
Bikini Resettlement	0	2,300	5,000	22,000	21,000	21,000	21,000	0	0	0	0	0	0	0	0	92,300	0	0
Section 177 (Nuclear Claims)	150,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	150,000	0	0
Other Construction	0	400	1,000	2,000	1,989	0	0	1,000	499	0	0	0	0	0	0	6,888	0	0
<u>TOTAL - RMI</u>	<u>199,035</u>	<u>54,116</u>	<u>52,268</u>	<u>72,620</u>	<u>68,739</u>	<u>64,341</u>	<u>65,438</u>	<u>46,170</u>	<u>50,791</u>	<u>43,803</u>	<u>63,811</u>	<u>40,533</u>	<u>40,918</u>	<u>40,747</u>	<u>41,372</u>	<u>944,702</u>	<u>49,719</u>	<u>47,448</u>
<u>Federated States of Micronesia (FSM)</u>																		
S.211 Capital and Current	60,000	60,000	60,000	60,000	60,000	51,000	51,000	51,000	51,000	51,000	40,000	40,000	40,000	40,000	40,000	755,000	50,333	50,333
S.217 Inflation	14,652	15,504	17,442	19,380	21,964	21,128	22,797	24,464	25,576	26,688	22,300	23,638	23,638	24,084	24,976	328,231	31,940	31,939
S.214 Energy Production	0	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	42,000	2,800	2,800
S.215 Communications O&M	600	600	600	600	600	600	600	600	600	600	600	600	600	600	600	9,000	600	600
S.215 Communications Hardware	6,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6,000	400	400
S.213 Yap Impact	160	0	0	0	0	0	0	0	0	0	0	0	0	0	0	160	11	11
S.111 Tax & Trade Compensation	0	12,000	0	8,000	0	0	0	0	0	0	0	0	0	0	0	20,000	0	0
S.216 Maritime/Med. Ref./Scholarships	4,335	3,669	3,669	3,669	3,669	3,669	3,669	3,669	3,669	3,669	3,669	3,669	3,669	3,669	3,669	55,701	3,713	3,713
S.212 Civic Action Teams	0	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	14,000	933	933
Other Construction	0	0	0	0	3,979	3,950	0	500	1,497	0	0	0	0	0	0	9,926	0	0
Subtotal, permanent (FSM)	85,747	95,773	85,711	95,649	94,212	84,347	82,066	84,233	86,342	85,957	70,569	71,907	71,907	72,353	73,245	1,240,018	90,730	90,729
S.221 Health & Ed. Block Grant	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	105,000	7,000	7,000
<u>TOTAL - FSM</u>	<u>92,747</u>	<u>102,773</u>	<u>92,711</u>	<u>102,649</u>	<u>101,212</u>	<u>91,347</u>	<u>89,066</u>	<u>91,233</u>	<u>93,342</u>	<u>92,957</u>	<u>77,569</u>	<u>78,907</u>	<u>78,907</u>	<u>79,353</u>	<u>80,245</u>	<u>1,345,018</u>	<u>97,730</u>	<u>97,729</u>
<u>Federal Services - FSM/RMI/Palau</u>	18,750	17,320	12,760	10,160	7,660	7,810	7,294	7,528	6,514	6,964	6,964	7,354	7,354	7,120	7,338	138,890	7,354	7,306
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 1.99%	Total	Base	Inflation 4.33%	Total	Base	Inflation 6.63%	Total	Base	Inflation 8.56%	Total	
<u>Federated States of Micronesia</u>																
Annual Grant Section 211	76,200	-	76,200	76,200	1,514	77,714	76,200	3,296	79,496	75,400	5,002	80,402	74,600	6,387	80,987	394,800
Audit Grant Section 212 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500	2,500
Trust Fund Section 215	16,000	-	16,000	16,000	318	16,318	16,000	692	16,692	16,800	1,114	17,914	17,600	1,507	19,107	86,031
<i>Total FSM Compact</i>	<u>92,700</u>	<u>-</u>	<u>92,700</u>	<u>92,700</u>	<u>1,832</u>	<u>94,532</u>	<u>92,700</u>	<u>3,988</u>	<u>96,688</u>	<u>92,700</u>	<u>6,116</u>	<u>98,816</u>	<u>92,700</u>	<u>7,894</u>	<u>100,594</u>	<u>483,331</u>
<u>Republic of the Marshall Islands</u>																
Annual Grant Section 211	35,200	-	35,200	34,700	690	35,390	34,200	1,479	35,679	33,700	2,236	35,936	33,200	2,843	36,043	178,247
Audit Grant Section 213 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500	2,500
Trust Fund Section 216 (a&c)	7,000	-	7,000	7,500	149	7,649	8,000	346	8,346	8,500	564	9,064	9,000	771	9,771	41,830
Kwajalein Impact Section 212	15,000	-	15,000	15,000	298	15,298	15,000	649	15,649	15,000	995	15,995	15,000	1,284	16,284	78,226
Rongelap Resettlement Section 103 (f)(4)	-	-	-	1,780	-	1,780	1,760	-	1,760	1,760	-	1,760	-	-	-	5,300
Enewetak Section 103 (f)(2)(c)(i)	1,300	-	1,300	1,300	26	1,326	1,300	56	1,356	1,300	86	1,386	1,300	111	1,411	6,780
<i>Total RMI Compact</i>	<u>59,000</u>	<u>-</u>	<u>59,000</u>	<u>60,780</u>	<u>1,163</u>	<u>61,943</u>	<u>60,760</u>	<u>2,530</u>	<u>63,290</u>	<u>60,760</u>	<u>3,881</u>	<u>64,641</u>	<u>59,000</u>	<u>5,009</u>	<u>64,009</u>	<u>312,883</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	(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	3,001	186,781	183,760	6,532	190,292	183,760	10,017	193,777	182,000	12,929	194,929	947,778

FSM-RMI Compact Payment Projections

2009-2013

(In thousands of dollars)

	2009 Inflation			2010 Inflation			2011 Inflation			2012 Inflation			2013 Inflation			Subtotal 2009-2013
	Base	10.48%	Total	Base	10.83%	Total	Base	11.89%	Total	Base	13.78%	Total	Base	15.71%	Total	
<u>Federated States of Micronesia</u>																
Annual Grant Section 211	73,800	7,732	81,532	73,000	7,904	80,904	72,200	8,582	80,782	71,400	9,839	81,239	70,600	11,092	81,691.50	406,147
Audit Grant Section 212 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500.00	2,500
Trust Fund Section 215	18,400	1,928	20,328	19,200	2,079	21,279	20,000	2,377	22,377	20,800	2,866	23,666	21,600	3,393	24,993.43	112,643
<i>Total FSM Compact</i>	<u>92,700</u>	<u>9,659</u>	<u>102,359</u>	<u>92,700</u>	<u>9,983</u>	<u>102,683</u>	<u>92,700</u>	<u>10,959</u>	<u>103,659</u>	<u>92,700</u>	<u>12,705</u>	<u>105,405</u>	<u>92,700</u>	<u>14,485</u>	<u>107,185</u>	<u>521,291</u>
<u>Republic of the Marshall Islands</u>																
Annual Grant Section 211	32,700	3,426	36,126	32,200	3,486	35,686	31,700	3,768	35,468	31,200	4,299	35,499	30,700	4,823	35,523	178,302
Audit Grant Section 213 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500	2,500
Trust Fund Section 216 (a&c)	9,500	995	10,495	10,000	1,083	11,083	10,500	1,248	11,748	11,000	1,516	12,516	11,500	1,807	13,307	59,148
Kwajalein Impact Section 212	15,000	1,571	16,571	15,000	1,624	16,624	15,000	1,783	16,783	15,000	2,067	17,067	15,000	2,357	17,357	84,402
Rongelap Resettlement Section 103 (f)(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Enewetak Section 103 (f)(2)(c)(i)	1,300	136	1,436	1,300	141	1,441	1,300	155	1,455	1,300	179	1,479	1,300	204	1,504	7,315
<i>Total RMI Compact</i>	<u>59,000</u>	<u>6,129</u>	<u>65,129</u>	<u>59,000</u>	<u>6,334</u>	<u>65,334</u>	<u>59,000</u>	<u>6,953</u>	<u>65,953</u>	<u>59,000</u>	<u>8,061</u>	<u>67,061</u>	<u>59,000</u>	<u>9,191</u>	<u>68,191</u>	<u>331,668</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	(47)	29,653	149,653
Compact Impact Enumeration Section 104 (e)(4)	-	-	-	-	-	-	-	-	-	-	-	-	300	47	347	347
Judicial Training	300	31	331	300	32	332	300	36	336	300	41	341	300	47	347	1,688
<i>Total Compact-Other</i>	<u>30,300</u>	<u>31</u>	<u>30,331</u>	<u>30,300</u>	<u>32</u>	<u>30,332</u>	<u>30,300</u>	<u>36</u>	<u>30,336</u>	<u>30,300</u>	<u>41</u>	<u>30,341</u>	<u>30,300</u>	<u>47</u>	<u>30,347</u>	<u>151,688</u>
GRAND TOTAL	182,000	15,820	197,820	182,000	16,349	198,349	182,000	17,947	199,947	182,000	20,807	202,807	182,000	23,723	205,723	1,004,646

FSM-RMI Compact Payment Projections

2014-2018

(In thousands of dollars)

	2014 Inflation			2015 Inflation			2016 Inflation			2017 Inflation			2018 Inflation			Subtotal
	Base	16.54%	Total	Base	16.28%	Total	Base	19.74%	Total	Base	21.38%	Total	Base	23.05%	Total	2014-2018
<u>Federated States of Micronesia</u>																
Annual Grant Section 211	69,800	11,546	81,346	69,000	11,234	80,234	68,200	13,464	81,663.64	67,400	14,411	81,811	66,600	15,352	81,952	407,007
Audit Grant Section 212 (b)	500	-	500	500	-	500	500	-	500.00	500	-	500	500	-	500	2,500
Trust Fund Section 215	22,400	3,705	26,105	23,200	3,777	26,977	24,000	4,738	28,737.94	24,800	5,303	30,103	25,600	5,901	31,501	143,424
<i>Total FSM Compact</i>	<i>92,700</i>	<i>15,251</i>	<i>107,951</i>	<i>92,700</i>	<i>15,011</i>	<i>107,711</i>	<i>92,700</i>	<i>18,202</i>	<i>110,901.58</i>	<i>92,700</i>	<i>19,714</i>	<i>112,414</i>	<i>92,700</i>	<i>21,253</i>	<i>113,953</i>	<i>552,931</i>
<u>Republic of the Marshall Islands</u>																
Annual Grant Section 211	32,200	5,326	37,526	31,700	5,161	36,861	31,200	6,159	37,359.32	30,700	6,564	37,264	30,200	6,962	37,162	186,172
Audit Grant Section 213 (b)	500	-	500	500	-	500	500	-	500.00	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	2,566	15,566.38	13,500	2,886	16,386	14,000	3,227	17,227	77,700
Kwajalein Impact Section 212	18,000	-	18,000	18,000	2,931	20,931	18,000	3,553	21,553.45	18,000	3,849	21,849	18,000	4,149	22,149	104,482
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	257	1,556.64	1,300	278	1,578	1,300	300	1,600	7,761
<i>Total RMI Compact</i>	<i>64,000</i>	<i>7,526</i>	<i>71,526</i>	<i>64,000</i>	<i>10,339</i>	<i>74,339</i>	<i>64,000</i>	<i>12,536</i>	<i>76,535.79</i>	<i>64,000</i>	<i>13,577</i>	<i>77,577</i>	<i>64,000</i>	<i>14,638</i>	<i>78,638</i>	<i>378,616</i>
<u>Compact-Other</u>																
Compact Impact Section 104 (e)	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000.00	30,000	-	30,000	29,700	(69)	29,631	149,631
Compact Impact Enumeration Section 104 (e)(4)	-	-	-	-	-	-	-	-	-	-	-	-	300	69	369	369
Judicial Training	300	50	350	300	49	349	300	59	359.22	300	64	364	300	69	369	1,791
<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>59</i>	<i>30,359.22</i>	<i>30,300</i>	<i>64</i>	<i>30,364</i>	<i>30,300</i>	<i>69</i>	<i>30,369</i>	<i>151,791</i>
GRAND TOTAL	187,000	22,827	209,827	187,000	25,399	212,399	187,000	30,797	217,797	187,000	33,355	220,355	187,000	35,960	222,960	1,083,338

FSM-RMI Compact Payment Projections

2019-2023

(In thousands of dollars)

	2019 Inflation Base 24.75% Total			2020 Inflation Base 26.49% Total			2021 Inflation Base 28.26% Total			2022 Inflation Base 30.06% Total			2023 Inflation Base 31.90% Total			Subtotal 2019-2023	Total 2004- 2023
<u>Federated States of Micronesia</u>																	
Annual Grant Section 211	65,800	16,286	82,086	65,000	17,219	82,219	64,200	18,144	82,344	63,400	19,059	82,459	62,600	19,970	82,570	411,679	1,619,633
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	6,534	32,934	27,200	7,206	34,406	28,000	7,913	35,913	28,800	8,658	37,458	29,600	9,443	39,043	179,754	521,853
<i>Total FSM Compact</i>	92,700	22,821	115,521	92,700	24,425	117,125	92,700	26,057	118,757	92,700	27,717	120,417	92,700	29,413	122,113	593,933	2,151,485
<u>Republic of the Marshall Islands</u>																	
Annual Grant Section 211	29,700	7,351	37,051	29,200	7,735	36,935	28,700	8,111	36,811	28,200	8,477	36,677	27,700	8,837	36,537	184,012	726,734
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	3,589	18,089	15,000	3,974	18,974	15,500	4,381	19,881	16,000	4,810	20,810	16,500	5,264	21,764	99,517	278,195
Kwajalein Impact Section 212	18,000	4,455	22,455	18,000	4,768	22,768	18,000	5,087	23,087	18,000	5,411	23,411	18,000	5,742	23,742	115,464	382,574
Rongelap Resettlement Section 103 (f)(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,300
Enewetak Section 103 (f)(2)(c)(i)	1,300	322	1,622	1,300	344	1,644	1,300	367	1,667	1,300	391	1,691	1,300	415	1,715	8,339	30,194
<i>Total RMI Compact</i>	64,000	15,717	79,717	64,000	16,822	80,822	64,000	17,946	81,946	64,000	19,089	83,089	64,000	20,257	84,257	409,832	1,432,997
<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	(96)	29,604	149,604	598,562
Compact Impact Enumeration Section 104 (e)(4)	-	-	-	-	-	-	-	-	-	-	-	-	300	96	396	396	1,438
Judicial Training	300	74	374	300	79	379	300	85	385	300	90	390	300	96	396	1,924	6,968
<i>Total Compact-Other</i>	30,300	74	30,374	30,300	79	30,379	30,300	85	30,385	30,300	90	30,390	30,300	96	30,396	151,924	606,968
GRAND TOTAL	187,000	38,612	225,612	187,000	41,327	228,327	187,000	44,088	231,088	187,000	46,896	233,896	187,000	49,766	236,766	1,155,689	4,191,451

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

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

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

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

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							17,000	3,000	2,000	2,000	2,000	2,000	2,000	250	0	30,250	
2a Infrastructure Maintenance Fund 2/							3,111	3,111	3,111	3,111	3,111	3,111	3,111	3,111	3,112	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										78,882	
Economic Assistance -Mandatory							6,218	8,500	7,250	6,000	5,000	4,000	3,000	1,900		41,868	
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										78,882	
Direct Assistance to Palau - Mandatory	0	0	0	0	0	0	39,329	27,611	20,361	17,111	15,111	14,111	8,111	5,261	3,112	150,118	
Total, Direct Assistance to Palau	13,147	13,147	13,147	13,147	13,147	13,147	39,329	27,611	20,361	17,111	15,111	14,111	8,111	5,261	3,112	229,000	
Postal Service Subsidy							1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	13,500	
ANNUAL FUNDING, PALAU COMPACT	13,147	13,147	13,147	13,147	13,147	13,147	40,829	29,111	21,861	18,611	16,611	15,611	9,611	6,761	4,612	242,500	
FUNDING STREAM							40,829	29,111	21,861	18,611	16,611	15,611	9,611	6,761	4,612	163,618	
							Score	41	29	22	19	17	16	10	7	5	166
PALAU ANNUAL WITHDRAWAL FROM TRUST FUND 3/	5,000	5,000	5,000	5,000	5,250	5,500	6,750	8,000	9,000	10,000	10,500	11,000	12,000	13,000	15,000	126,000	

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