



BUDGET The United States
Department of the Interior
JUSTIFICATIONS

and Performance Information
Fiscal Year 2021

**OFFICE OF
INSULAR AFFAIRS**

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



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General Statement

The Assistant Secretary - Insular and International Affairs and the Office of Insular Affairs (OIA) carry out the Secretary's responsibilities for U.S.-affiliated insular areas. These include the territories of American Samoa, the Commonwealth of the Northern Mariana Islands (CNMI), Guam, and the U.S. Virgin Islands (USVI). Residents of these U.S. territories are U.S. citizens or U.S. nationals. Additionally, OIA administers and oversees Federal assistance to three freely associated states (FAS): the Federated States of Micronesia (FSM), the Republic of the Marshall Islands (RMI), and the Republic of Palau (Palau).

The 2021 budget request achieves the Department's mission of Fulfilling Our Trust and Insular Responsibilities by supporting the Office of Insular Affairs' efforts to strengthen economic and health capacities in the U.S. territories while fulfilling obligations to the freely associated states under the Compacts of Free Association.

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

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

OIA programs are purposely designed to offer the flexibility needed to respond to urgent, immediate needs in the insular areas. In 2021, technical assistance will be provided to address pressing issues and priorities and develop action plans to mitigate any challenges the insular areas are facing. Direct grants, reimbursable agreements, and contracts with technical assistance providers, both within and outside the Federal government, support these efforts. As an example, in response to a measles outbreak in the Pacific, a \$490,000 grant was awarded to American Samoa in October 2019 to prevent the spread of measles and to help bolster efforts to vaccinate the entire population with the Measles, Mumps, Rubella (MMR) vaccination. In addition, Capital Improvement Project (CIP) funds not only address a variety of infrastructure needs in the U.S. territories, including critical infrastructure such as hospitals, schools, wastewater, and solid waste systems to promote economic development; but, can also be leveraged as local matching funds for other Federal grant programs to assist in disaster recovery as is being done in the wake of typhoons Mangkhut and Yutu, which hit the CNMI in 2018.

Most of OIA's annual budget consists of mandatory funding, including an estimated \$228.0 million for 2021, to fulfill U.S. obligations under the Compacts of Free Association. Financial assistance under the Compacts of Free Association is scheduled to end after 2023 for the Federated States of Micronesia and the Republic of the Marshall Islands and in 2024 for Palau. On August 5, 2019, U.S. Secretary of State Michael Pompeo made an historic visit to Pohnpei, Federated States of Micronesia, to meet with the leaders of the freely associated states. During his visit, Secretary of State Pompeo announced the United

States' intent to begin negotiations on expiring provisions of the Compact of Free Association with the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau, underscoring the importance of each of the bilateral relationships. The Assistant Secretary – Insular and International Affairs and the Office of Insular Affairs are actively working to ensure that the U.S. relationship with each of the freely associate states remains robust and mutually beneficial.

The 2021 Office of Insular Affairs' budget request strengthens insular economies through strategic investments in infrastructure, public services, and technical assistance, which attracts private sector investment. The Office will also promote policies and work to improve Federal coordination on issues impacting insular economies while restoring trust with territorial communities and ensuring sovereignty means something in supporting and working with the freely associated states.

Modernizing Government

President Trump signed an Executive Order to modernize and reform the executive branch and Interior is leading the way, developing and executing a program that will streamline processes and better serve the American people. To build a better and more efficient executive branch we must foster a culture of ethics and respect amongst colleagues.

The 2021 budget supports needed reforms to strengthen the culture of ethics within Interior. Over the last two years, Interior has taken several steps to enhance the emphasis on ethics in the Department, including increasing the number of ethics officers and vigilance regarding the obligation of the Department's leaders and employees to hold themselves and their colleagues accountable for ethical conduct. Ethics is a top priority in all decision making and operations.

This past summer, Secretary Bernhardt advanced his commitment to transform Interior's ethics program by signing Secretarial Order 3375, which restructures the ethics program by unifying disparate bureau ethics programs into a centrally-managed office under the Solicitor. The Order streamlines the reporting structure for ethics personnel, establishes the Departmental Ethics Office, and clarifies roles and responsibilities for the Department's employees. The FY 2021 budget implements this reorganization to restructure the ethics program by transferring bureau ethics funding and FTEs to the Departmental Ethics Office in the Office of the Solicitor budget.

The budget request supports the President's Management Agenda Workforce Cross-Agency Priority Goal #3, Developing a Workforce for the 21st Century. The Department will support strategic recognition throughout the year, address workforce challenges, and recognize high performing employees and those employees with talent critical to mission achievement. The budget assumes agency pay for performance efforts increase one percentage point for non-Senior Executive Service (SES)/Senior Leader (SL)/Scientific or Professional (ST) salary spending.

The budget request supports the allocated share of operating costs for the GrantSolutions enterprise system to improve the processing and transparency of grants and cooperative agreements across Interior. Cost allocations are based on an algorithm of use factors.

The Good Accounting Obligation in Government Act (GAO-IG Act, P.L. 115-414) enacted January 3, 2019, requires that Agencies report the status of each open audit recommendation issued more than one

year prior to the submission of the Agency's annual budget justification to Congress. The Act requires Agencies to include the current target completion date, implementation status, and any discrepancies on closure determinations.

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

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

Budget Highlights

The proposed 2021 OIA budget for current appropriations is \$89.2 million. All permanent amounts 2020-2021 in the table below are estimates.

Total 2021 Budget Request

(Dollars in Thousands)

Budget Authority	2019 Actual	2020 Enacted	2021 Request
Current Discretionary	78,381	83,624	61,479
Current Mandatory	27,720	27,720	27,720
Total Current	106,101	111,344	89,199
Permanent	552,056	526,908	530,029
Total OIA	658,157	638,252	619,228
<i>FTEs</i>	<i>31</i>	<i>36</i>	<i>36</i>

OIA's budget is divided into two major categories of funding – current and permanent appropriations. Most of OIA's budget reflects mandatory commitments to U.S.-affiliated insular areas and is permanently appropriated. For 2021, these commitments were estimated at \$302.0 million for fiscal payments to Guam and the U.S. Virgin Islands and \$228.0 million for payments under the Compacts of Free Association.

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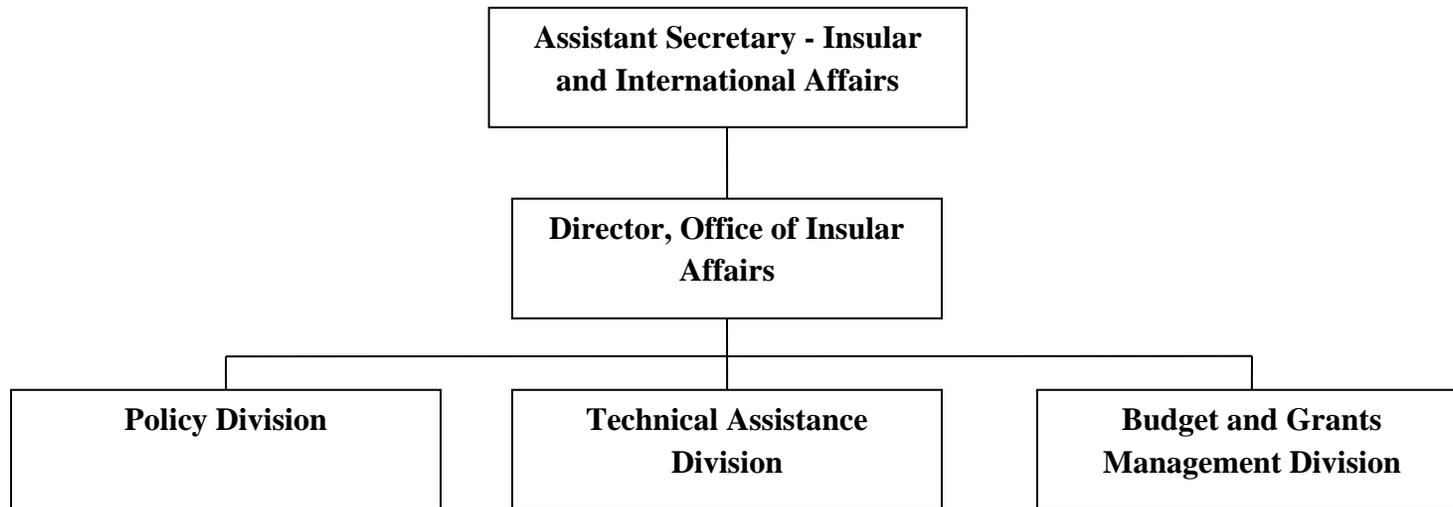
Bureau-Level Tables

FY 2021 Budget at a Glance						
Office of Insular Affairs						
<i>(Dollars in Thousands)</i>						
	2019 Actual	2020 Enacted	Fixed Costs & Related Changes	Internal Transfers (+/-)	Program Changes	2021 Request
Assistance to Territories						
American Samoa Operations	23,720	24,120	0	0	-2,591	21,529
Capital Improvement Projects	27,720	27,720	0	0	0	27,720
Territorial Assistance						
Office of Insular Affairs	9,448	9,491	+166	0	-104	9,553
Technical Assistance	20,800	20,800	0	0	-6,129	14,671
Maintenance Assistance	4,000	4,375	0	0	-3,352	1,023
Brown Tree Snake Control	3,500	3,500	0	0	-663	2,837
Coral Reef Initiative & Natural Resources	2,500	2,625	0	0	-1,679	946
Energizing Insular Communities	5,000	6,250	0	0	-3,439	2,811
Compact Impact Disc.	4,000	4,000	0	0	-4,000	0
Subtotal, Assistance to Territories	100,688	102,881	+166	0	-21,957	81,090
Technical Assistance Disaster Supplemental	2,000	0	0	0	0	0
Total, Assistance to Territories	102,688	102,881	+166	0	-21,957	81,090
Compact of Free Association - Current						
Federal Services	2,813	7,813	0	-5,000	-177	2,636
Enewetak	600	650	0	0	-177	473
Marshall Islands Tax and Trade	0	0	0	+5,000	0	5,000
Total, Compact of Free Association - Current	3,413	8,463	0	0	-354	8,109
Total Current Discretionary/Mandatory	106,101	111,344	+166	0	-22,311	89,199
Compact of Free Association						
Marshall Islands Compact	78,053	79,430	0	0	+1,271	80,701
Federated States of Micronesia Compact	113,104	115,105	0	0	+1,844	116,949
Compact Impact	30,000	30,000	0	0	0	30,000
Judicial Training	366	373	0	0	+6	379
Total Compact (Permanent)	221,523	224,908	0	0	+3,121	228,029
Fiscal Payments						
Guam Section 30 Income Taxes	69,929	78,000	0	0	0	78,000
VI Rum Excise Taxes	260,604	224,000	0	0	0	224,000
Total, Fiscal Payments (Permanent)	330,533	302,000	0	0	0	302,000
Total, Office of Insular Affairs	658,157	638,252	+166	0	-19,190	619,228

Office of Insular Affairs
2019 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	23,720										23,720
Capital Improvement Projects	9,864	9,665	6,327	1,864							27,720
Office of Insular Affairs	268	147			201	199		2,737	5,271	625	9,448
Technical Assistance	2,212	5,036	1,715	1,805	529	2,031	979	450	5,156	2,887	22,800
Maintenance Assistance	1,726	500	102	496	410	200	104	400		62	4,000
Brown Tree Snake Control		360	1,108					770		1,262	3,500
Coral Reef Initiative & Natural Resources	529	364	513	261	235					598	2,500
Energizing Insular Communities	1,717	679	1,728	876							5,000
Compact Impact Discretionary	3	266	1,980					1,751			4,000
<i>Total, Assistance to Territories</i>	<i>40,039</i>	<i>17,017</i>	<i>13,473</i>	<i>5,302</i>	<i>1,375</i>	<i>2,430</i>	<i>1,083</i>	<i>6,108</i>	<i>10,427</i>	<i>5,434</i>	<i>102,688</i>
<u>Compact of Free Association - Current</u>											
Federal Services							627			2,186	2,813
Enewetak						600					600
<i>Total, Compact of Free Association - Current</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>600</i>	<i>627</i>	<i>0</i>	<i>0</i>	<i>2,186</i>	<i>3,413</i>
Total Current Discretionary/Mandatory	40,039	17,017	13,473	5,302	1,375	3,030	1,710	6,108	10,427	7,620	106,101
<u>Compact of Free Association</u>											
Marshall Islands Compact						78,053					78,053
Federated States of Micronesia Compact					113,104						113,104
Compact Impact	20	1,995	14,856					13,129			30,000
Judicial Training										366	366
<i>Total, Compact (Permanent)</i>	<i>20</i>	<i>1,995</i>	<i>14,856</i>	<i>0</i>	<i>113,104</i>	<i>78,053</i>	<i>0</i>	<i>13,129</i>	<i>0</i>	<i>366</i>	<i>221,523</i>
<u>Fiscal Payments</u>											
Guam Section 30 Income Taxes			69,929								69,929
VI Rum Excise Taxes				260,604							260,604
<i>Total, Fiscal Payments (Permanent)</i>	<i>0</i>	<i>0</i>	<i>69,929</i>	<i>260,604</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>330,533</i>
Total Permanent Mandatory	20	1,995	84,785	260,604	113,104	78,053	0	13,129	0	366	552,056
Grand Total - Office of Insular Affairs	40,059	19,012	98,258	265,906	114,479	81,083	1,710	19,237	10,427	7,986	658,157

**Organization Chart
Office of Insular Affairs**



Goal Performance Table

Mission Area 2: Fulfilling Our Trust Responsibilities
 Goal #2: Strengthen economic and health capacities in the US Territories, and fulfill US compact obligations to the freely associated states

Strategic Plan Performance Measures	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Target	2019 Actual	2020 Target	2021 Target
Strategy #1: Bolster Healthcare Capacity										
Percent of Community Water Systems (CWS) that receive health-based violation notices from the U.S. Environmental Protection Agency	18.9%	8.2%	12.9%	8.4%	10.6%	7.9%	9.8%	8.6%	9.8%	8.6%
CWS In Violation	28	12	19	11	14	11	13	12	13	12
Total CWS	148	147	147	131	132	139	132	139	132	139
Rate of new tuberculosis cases occurring in the population per 100,000 persons		64.1	72.1	77.3	91.3	104.4	79.8	59.1	75.0	70.0
New TB Cases		364	410	361	429	472	375	135	352	329
Total Population		567,963	569,021	467,144	469,845	452,125	469,845	228,592	469,845	469,845
Percent of patients with newly diagnosed tuberculosis disease for whom 12 months or less of treatment is indicated, who complete treatment within 12 months		72.0%	89.0%	92.9%	81.1%	81.0%	88.3%	77.6%	89.9%	90.2%
Completed Treatment within 12 months		303	299	339	257	257	280	302	285	286
Eligible Patients		421	336	365	317	317	317	389	317	317
Infant mortality rate per 1,000 live births (number of deaths to infants from birth through 1 year of age per number of live births)			11.7	12.3	14.8	12.2	12.7	13.9	12.0	11.8
Infant Deaths within 1 year of life			103	98	117	91	100	103	95	93
Live Births			8,831	7,958	7,887	7,444	7,887	7,405	7,887	7,887
Strategy #2: Strengthen Island Economies										
Mean GDP per capita in the 4 US Territories compared to the real GDP per capita for the U.S.	47.4%	40.6%	44.4%	43.2%	45.2%	46.6%	46.4%	43.7%	48.3%	48.4%
Avg. Per Capita GDP Territories	\$ 20,483	\$ 19,972	\$ 22,205	\$ 22,159	\$ 23,388	\$ 24,476	\$ 24,000	\$ 23,485	\$ 25,000	\$ 25,405
Avg. Per Capita GDP US	\$ 43,236	\$ 49,210	\$ 50,051	\$ 51,241	\$ 51,737	\$ 52,490	\$ 51,737	\$ 53,765	\$ 51,737	\$ 52,490
Residential cost per kilowatt hour for power in the US territories compared to the national average	3.1X	3.1X	3.0X	2.4X	1.9X	2.4X	2.4X	2.5X	2.0X	2.0X
Territories Avg Cost kWh	\$ 0.37	\$ 0.37	\$ 0.39	\$ 0.31	\$ 0.25	\$ 0.29	\$ 0.31	\$ 0.30	\$ 0.26	\$ 0.24
National Avg Cost kWh	\$ 0.12	\$ 0.12	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.12	\$ 0.13	\$ 0.12	\$ 0.13	\$ 0.12
Strategy #3: Fulfill US Compact Obligations										
Ratio of FAS private sector jobs versus total FAS employment	49.4%	48.8%	49.4%	49.7%	49.7%	46.8%	50.5%	46.3%	50.9%	50.0%
Private Sector Employment	18,004	17,833	18,229	18,803	18,803	18,081	19,100	18,155	19,250	19,326
Total Employment	36,461	36,513	36,865	37,844	37,844	38,652	37,844	39,174	37,844	38,652
Ratio of FAS public sector jobs versus total FAS Employment	50.6%	51.2%	50.6%	50.3%	50.3%	53.2%	50.0%	53.7%	49.7%	50.0%
Public Sector Employment	18,457	18,680	18,636	19,041	19,041	20,572	18,915	21,019	18,800	19,326
Total Employment	36,461	36,513	36,865	37,844	37,844	38,652	37,844	39,174	37,844	38,652
Percent of FAS employment attributable to OIA Grants and Programs	33.5%	36.3%	38.6%	35.6%	35.6%	36.4%	35.3%	36.9%	35.0%	35.0%
Employment Attributable to OIA Programs & Grants	12,220	13,246	14,233	13,486	13,486	13,794	13,350	14,453	13,250	13,245
Total Employment	36,461	36,513	36,865	37,844	37,844	37,844	37,844	39,174	37,844	37,844
Percent of FAS employee compensation attributable to OIA grants and programs	31.0%	30.7%	29.5%	29.8%	29.8%	36.8%	29.5%	40.2%	29.1%	30.0%
Employee Compensation Attributable to OIA P&G	100,032	102,065	103,086	109,742	109,742	138,579	108,500	158,291	107,000	113,029
Total Employee Compensation	322,854	331,988	348,882	367,746	367,746	376,764	367,746	393,533	367,746	376,764
Average FAS private sector wage rate as a percentage of average FAS central government wage rate	42.0%	40.6%	41.7%	41.7%	41.7%	45.5%	42.2%	38.6%	42.4%	45.0%
Average Annual Private Sector Wages	19,244	19,873	20,963	21,738	21,738	21,289	22,000	20,244	22,100	23,434
Average Annual Public Sector Wages	45,794	48,984	50,284	52,076	52,076	46,788	52,076	52,461	52,076	52,076

Notes:

Water, Energy, GDP, New TB, and infant mortality goals have a one year lag. For example 2018 data would be reported as the 2019 actual. Completed TB treatment has a 2 year lag. Infant Mortality Data currently not available for USVI. New TB cases metric: No USVI data for 2016 and 2017 Actual. Completion of TB Treatment has no USVI data for 2016-2017 Actual.

Summary of Requirements

OFFICE OF INSULAR AFFAIRS
ASSISTANCE TO TERRITORIES

2021 Summary of Requirements

(Dollars in Thousands)

Activity/Subactivity	2019 Actual	2020 Enacted		Fixed Costs & Related Changes	Internal Transfers	Program Changes		2021 Request	
	Amount	FTE	Amount			FTE	Amount	FTE	Amount
ASSISTANCE TO TERRITORIES									
1. American Samoa Operations	23,720	2	24,120				(2,591)	2	21,529
2. Capital Improvement Project (CIP) Grants	27,720		27,720						27,720
3. Territorial Assistance									
Office of Insular Affairs	9,448	34	9,491	+166			(104)	34	9,553
Technical Assistance	20,800		20,800				(6,129)		14,671
Maintenance Assistance	4,000		4,375				(3,352)		1,023
Brown Tree Snake Control	3,500		3,500				(663)		2,837
Coral Reef Initiative & Natural Resources	2,500		2,625				(1,679)		946
Energizing Insular Communities	5,000		6,250				(3,439)		2,811
Compact Impact - Discretionary	4,000		4,000				(4,000)		
<i>Subtotal, Territorial Assistance</i>	49,248	34	51,041	+166	0	0	(19,366)	34	31,841
SUBTOTAL, ASSISTANCE TO TERRITORIES	100,688	36	102,881	+166	0	0	(21,957)	36	81,090
Technical Assistance Disaster Supplemental	2,000	0	0	0	0	0	0	0	0
TOTAL, ASSISTANCE TO TERRITORIES	102,688	36	102,881	+166	0	0	(21,957)	36	81,090

OFFICE OF INSULAR AFFAIRS
 COMPACT OF FREE ASSOCIATION - CURRENT APPROPRIATION

2021 Summary of Requirements
 (Dollars in Thousands)

	2019 Actual		2020 Enacted		Fixed Costs & Related Changes	Internal Transfers	Program Changes		2021 Request	
	Amount	FTE	Amount	FTE			FTE	Amount	FTE	Amount
COMPACT OF FREE ASSOCIATION - CURRENT										
1. Federal Services	2,813		7,813			(5,000)		(177)		2,636
2. Enewetak	600		650					(177)		473
3. Marshall Islands Tax and Trade						+5,000				5,000
TOTAL, COMPACT - CURRENT	3,413	0	8,463	0	0	0	0	(354)	0	8,109

**OFFICE OF INSULAR AFFAIRS
COMPACT OF FREE ASSOCIATION - PERMANENT APPROPRIATION**

2021 Summary of Requirements
(Dollars in Thousands)

Activity/Subactivity	2019 Actual	2020 Enacted		Fixed Costs and Related Changes	Internal Transfers	Program Changes		2021 Request	
	Amount	FTE	Amount			FTE	Amount	FTE	Amount
COMPACT OF FREE ASSOCIATION - PERMANENT									
<u>Assistance to the Marshall Islands:</u>									
Sector Grants	36,273		36,296				-48		36,248
Audit	500		500						500
Trust Fund	17,709		18,644				+933		19,577
Rongelap Resettlement	0		0				0		0
Kwajalein Lease Payment	21,983		22,374				+360		22,734
Enewetak	<u>1,588</u>		<u>1,616</u>				<u>+26</u>		<u>1,642</u>
Subtotal, Marshall Islands Assistance	78,053		79,430				+1,271		80,701
<u>Assistance to the Federated States of Micronesia (FSM)</u>									
Sector Grants	80,362		80,795				+290		81,085
Trust Fund	32,242		33,810				+1,554		35,364
Audit	<u>500</u>		<u>500</u>				<u>0</u>		<u>500</u>
Subtotal, FSM Assistance	113,104		115,105				+1,844		116,949
<u>Compact Impact</u>	30,000		30,000						30,000
<u>Judicial Training</u>	366		373				+6		379
TOTAL, COMPACT, Permanent	221,523	0	224,908	0	0	0	+3,121	0	228,029

Fixed Costs and Related Changes

Office of Insular Affairs
Justification of Fixed Costs and Internal Realignments

(Dollars In Thousands)

Fixed Cost Changes and Projections	2020 Total or Change	2020 to 2021 Change
Change in Number of Paid Days This column reflects changes in pay associated with the change in the number of paid days (-1) between 2020 and 2021, from 2,096 hours in 2020 to 2,088 hours in 2021.	+22	-23
Pay Raise The President's Budget for FY2021 includes one quarter of a planned 3.1% pay raise and three quarters of a planned 1% pay raise for 2021.	+0	+94
Employer Share of Federal Employee Retirement System The change reflects the directed 1.3% increase in the employer contribution to the Federal Employee Retirement System.	+12	+56
Departmental Working Capital Fund The change reflects the final 2021 Central Bill approved by the Working Capital Fund Consortium.	+35	+33
Worker's Compensation Payments The amounts reflects final chargeback costs of compensating injured employees and dependents of employees who suffer accidental deaths while on duty. Costs for the 2021 will reimburse the Department of Labor, Federal Employees Compensation Fund, pursuant to 5 U.S.C. 8147(b) as amended by Public Law 94-273.	+0	+0
Unemployment Compensation Payments The amounts reflect projected changes in the costs of unemployment compensation claims to be paid to the Department of Labor, Federal Employees Compensation Account, in the Unemployment Trust Fund, pursuant to Public Law 96-499.	+0	+0
Rental Payments The amounts reflect changes in the costs payable to General Services Administration (GSA) and others for office and non-office space as estimated by GSA, as well as the rental costs of other currently occupied space. These costs include building security; in the case of GSA space, these are paid to Department of Homeland Security (DHS). Costs of mandatory office relocations, i.e. relocations in cases where due to external events there is no alternative but to vacate the currently occupied space, are also included.	-26	+6
Baseline Adjustments for O&M Increases In accordance with space maximization efforts across the Federal Government, this adjustment captures the associated increase to baseline operations and maintenance requirements resulting from movement out of GSA or direct-leased (commercial) space and into Bureau-owned space. While the GSA portion of fixed costs will go down as a result of these moves, Bureaus often encounter an increase to baseline O&M costs not otherwise captured in fixed costs. This category of funding properly adjusts the baseline fixed cost amount to maintain steady-state funding for these requirements.	+0	+0
Total, Fixed Costs OIA	+43	+166

Appropriations Language

ASSISTANCE TO TERRITORIES

For expenses necessary for assistance to territories under the jurisdiction of the Department of the Interior and other jurisdictions identified in section 104(e) of Public Law 108-188, [\$102,881,000] *\$81,090,000*, of which: (1) [\$93,390,000] *\$71,537,000* shall remain available until expended for territorial assistance, including general technical assistance, maintenance assistance, disaster assistance, coral reef initiative and natural resources activities, and brown tree snake control and research; grants to the judiciary in American Samoa for compensation and expenses, as authorized by law (48 U.S.C. 1661(c)); grants to the Government of American Samoa, in addition to current local revenues, for construction and support of governmental functions; grants to the Government of the Virgin Islands, as authorized by law; grants to the Government of Guam, as authorized by law; and grants to the Government of the Northern Mariana Islands as authorized by law (Public Law 94-241; 90 Stat. 272); and (2) [\$9,491,000] *\$9,553,000* shall be available until September 30, [2021] 2022, 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, [\$8,463,000] *\$8,109,000*, 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. Provided, That of the funds appropriated under this heading, \$5,000,000 is for deposit into the Compact Trust Fund of the Republic of the Marshall Islands as compensation authorized by Public Law 108-188 for adverse financial and economic impacts.

ADMINISTRATIVE PROVISIONS (Including transfer of funds)

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

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

Authorizations

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

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

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

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

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

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

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

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

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

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American Samoa Operations

Activity: American Samoa						
Subactivity: American Samoa Operations \$(000)						
	2019 Actual	2020 Enacted	2021			Change from 2020 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
General Operations	22,865	23,265	0	-2,591	20,674	-2,591
High Court	855	855	0	0	855	0
Total Requirements	23,720	24,120	0	-2,591	21,529	-2,591
FTE	2	2	0	0	2	0

SUMMARY OF 2021 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
American Samoa Operations	-2,591	0

The Office of Insular Affairs annually provides grant funds to American Samoa to support the operation of the local government, including the judiciary.

JUSTIFICATION OF 2021 PROGRAM CHANGES

American Samoa Operations (-\$2.6 million)

The budget request will continue support for the American Samoa Government but will require greater self-sufficiency from American Samoa as they will need to fund an increased share of their operational costs.

PROGRAM OVERVIEW

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

A secondary objective of this program activity is to promote self-sufficiency. Over the years, American Samoa has assumed an increasing percentage of the total costs of government operations. The American Samoa Operations funding provided currently represents approximately 14 percent of ASG’s General Fund revenue and 9 percent of the Lyndon B. Johnson (LBJ) Tropical Medical Center’s revenue which is largely consistent with previous years.

FY 2000 Tobacco Loan and Fiscal Reform Plan: In response to a proposal from the American Samoa Government, Congress enacted legislation authorizing American Samoa to receive a direct Federal loan up to \$18.6 million. The loan is to be repaid from ASG’s share of the Tobacco Settlement Escrow Fund created for the purpose of paying debts (\$14.3 million) and implementing financial reforms (\$4.3 million). American Samoa identified a list of creditors who were willing to accept less than full dollar on the money they were owed. These creditors have now been paid. As a condition to the loan and requirement of the 1980 legislation, ASG submitted an Initial Fiscal Reform Plan on July 30, 2001. Subsequent to discussions and meetings between ASG and OIA, a Memorandum of Agreement (MOA) was signed by Governor Tauese P. Sunia and Interior Department Deputy Assistant Secretary David B. Cohen on August 2, 2002. The MOA defined the implementation of the fiscal reform plan designed to bring the ASG annual operating expenses into balance with projected revenues for the years 2003 and beyond as required under Public Law 106-113 (H.R. 2466) Part 5, Section 125(b)(3). As authorized by the MOA, OIA released \$4.3 million for expenses incurred by ASG under the Fiscal Reform Plan (FRP). The MOA requires ASG to submit quarterly reports, substantiated by an independent auditor, that provide updated revenue and expenditure information.

2021 PROGRAM PERFORMANCE

American Samoa will provide financial reports beginning with the quarter ending December 31, 2020 through the quarter ending September 30, 2021.

The following chart reflects the ASG's operations funding priorities for 2019, 2020 and 2021:

Funding Category	2019	2020	2021
	Award	Proposed Award	Proposed Award
Basic (DOE) Operations	\$12,600,000	\$12,817,000	\$11,414,000
LBJ Hospital Operations	\$8,615,000	\$8,875,000	\$7,900,000
ASCC Operations	\$1,510,000	\$1,525,000	\$1,360,000
High Court	\$995,000	\$903,000	\$855,000
Total	\$23,720,000	\$24,120,000	\$21,529,000

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 in 2005 as provided for in 2 CFR 200.519, and as recommended by the Government Accountability 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.

ASG has met two of the three conditions for removal of the “high-risk” designation, i.e., annual single audits are completed within the timelines required and balanced budgets were achieved for at least two consecutive years. However, the high-risk designation will remain until ASG has developed and implemented sufficient internal controls for compliance with fiscal reforms intended to improve ASG's general operations and its administration of Federal grant programs. Annual reviews are conducted to assess progress.

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Capital Improvement Project (CIP) Grants Summary

Activity: Capital Improvement Project (CIP) Grants \$(000)						
SUMMARY TABLE						
	2019 Actual	2020 Enacted	2021			Change from 2020 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
CNMI Construction	9,665	9,208	0	-126	9,082	-126
American Samoa Construction	9,864	9,738	0	+542	10,280	+542
Guam Construction	6,327	6,536	0	-958	5,578	-958
Virgin Islands Construction	1,864	2,238	0	+542	2,780	+542
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 \$27.7 million in mandatory CIP grants. It is based on a premise that all funds will be used for capital needs in the U.S. territories. The process offers the U.S. insular area governments an opportunity to compete each year for a portion of the guaranteed funding in addition to other assistance or local funding that might be available.

Base level funding was established on the basis of historic trends in 2005 when the competitive allocation system was implemented. It was adjusted for fiscal years 2012 and again in 2017 based upon the performance of each of the U.S. territories over the past five years as required by the 2004 Section 702 Funding Agreement between OIA and the CNMI.

FY 2021 Baseline CIP Funding

(\$000)

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

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

Competitive Criteria for the Proposed Allocation of Mandatory CIP Funding

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

While the total available for funding stays constant (\$27.72 million), allocations will vary from year to year depending upon the performance of each insular government with respect to the above competitive criteria. A change in an annual allotment does not necessarily indicate deterioration in performance. It instead recognizes those governments whose performance has increased during a fiscal year.

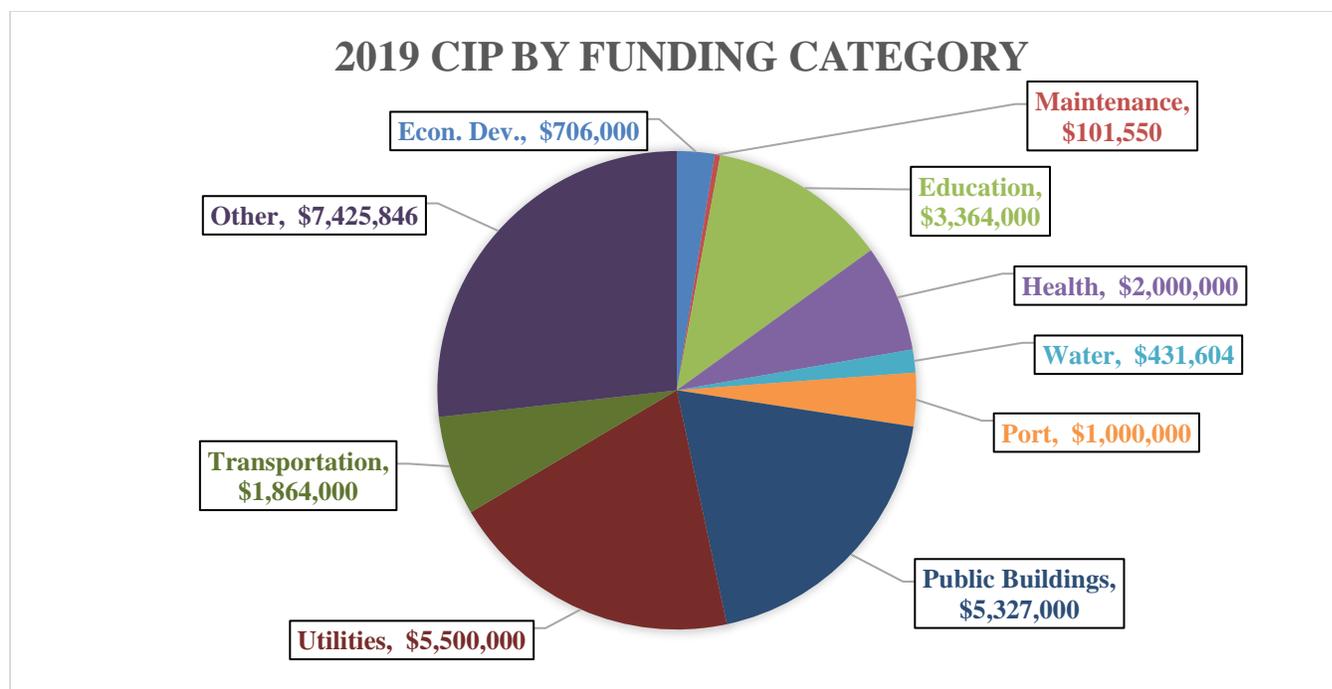
The competitive allocation system is applied to the \$27.72 million in CIP funds using a point method. The territories are given a score on each of the above criteria. The criteria themselves are ranked so that those considered more significant receive a higher weight than those considered less important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

The following chart reflects the baseline distribution along with adjustments made to 2020 and 2021 requests based on each insular government's score on the competitive criteria.

CIP Grant Funding Levels
(\$000)

Territory	Baseline Funding	FY 2020	FY 2021	Total FY 2020	Total FY 2021	Diff +/- 2020
		+/- Baseline	+/- Baseline			
CNMI American	9,249	-41	-167	9,208	9,082	-126
Samoa	9,780	-42	+500	9,738	10,280	+542
Guam	5,911	+625	-333	6,536	5,578	-958
Virgin Islands	<u>2,780</u>	<u>-542</u>	<u>0</u>	<u>2,238</u>	<u>2,780</u>	<u>+542</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. OIA will work closely with the Governors in future years to identify and prioritize investment in health care infrastructure. The pie chart on the following page displays 2019 spending on infrastructure by category.



Note: Funds to be used as local match to meet FEMA cost share requirements are shown as "Other."

PROGRAM OVERVIEW

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

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

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

Over the years each of the territories has received funding through this mandatory Covenant appropriation to fund Capital Improvement Projects (CIP). While, in past years, American Samoa and the Commonwealth of the Northern Mariana Islands received set levels of funding, the U.S. Virgin Islands

received irregular funding. Recently though, the needs of the U.S. Virgin Islands have reached a threshold that without further attention could pose a threat to the health and safety of residents and visitors. Currently, the U.S. Virgin Islands is focused on addressing the safety and rehabilitation of its public roads system, which will greatly enhance the safety and accessibility of the islands.

2021 PROGRAM PERFORMANCE

CNMI Construction

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.

The 2021 budget request was calculated utilizing the CIP selection criteria and methods. The process is described in the beginning of this section.

CNMI Baseline Funding.....	\$9,249,000
Results from Competitive Process.....	<u>-\$ 166,667</u>
Programmed Funding for 2021.....	\$9,082,333

Over the past year, the CNMI continued to be hampered by the destruction caused by Typhoon Mangkhut and Super Typhoon Yutu in October 2018, and the subsequent recovery process, as well as a lack of available contractors and the local government's uncertain financial situation. The majority of fiscal year 2019 funding was awarded to be used as a local match for FEMA projects related to Mangkhut and Yutu. The Tinian Transfer Station, impacted by delays related to the typhoons, will be completed in early 2020. The Commonwealth Utilities Corporation continues to make progress on various Stipulated Order projects, as required by the U.S. District Court, Justice Department, and EPA. CUC now expects to complete the remaining Stipulated Order projects by early 2021, as adjusted by Court Order.

The \$9.1 million for 2021 will be used to continue meeting critical infrastructure needs in the CNMI similar to previous years.

The chart on the following page summarizes the CNMI's funding priorities for 2019 and 2020:

Funding Category	2019	2020
	Award	Award
Economic Development	\$706,000	\$460,400
Solid Waste	\$0	\$1,041,575
Maintenance	\$101,550	\$415,000
Education	\$1,000,000	\$1,000,000
Public Safety	\$0	\$1,000,000
Water	\$431,604	\$1,041,575
Health	\$0	\$1,000,000
Public Buildings	\$0	\$949,450
Other*	\$7,425,846	\$2,300,000
Total	\$9,665,000	\$9,208,000

*Funds to be used as local match to meet FEMA cost share requirements are shown as "Other."

American Samoa Construction

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

The 2021 budget request was calculated utilizing the CIP selection criteria and methods. The process is described in the beginning of this section.

American Samoa Baseline Funding.....	\$ 9,780,000
Results from Competitive Process.....	+\$ 500,000
Proposed Funding for 2021.....	\$10,280,000

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

Over the past year, several important CIP projects in American Samoa were completed and others made significant progress. The American Samoa Department of Public Works completed numerous school projects across the territory to include maintenance, repairs, and new construction of classrooms and gymnasiums. Recently completed projects include classrooms at Tafuna High School, Manulele Elementary, and Matafao Elementary. Gymnasium construction is ongoing at Matafao Elementary and Tafuna Elementary. The LBJ Tropical Medical Center made steady progress on the renovation and expansion of the Labor, Delivery and Operating Room while the American Samoa Telecommunications Authority completed construction on its new Hawaiki fiber optic cable and critical utility upgrades.

The requested \$10.3 million for 2021 will be used to continue meeting critical infrastructure needs in American Samoa similar to previous years. The following chart reflects the ASG's funding priorities for 2019 and 2020:

Funding Category	2019	2020
	Award	Award
Health	\$2,000,000	\$4,138,000
Education	\$1,364,000	\$0
Port	\$1,000,000	\$2,550,000
Public Buildings	\$0	\$800,000
Utilities	\$5,500,000	\$2,250,000
O&M Set-Aside	\$0	TBD
Total	\$9,864,000	\$9,738,000

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

Guam Construction

Funds provided under this program are utilized for priority capital improvement projects in Guam and are in addition to Guam's allocated share of impact aid.

The 2021 request amount was calculated utilizing the CIP selection criteria and methods. The process is described in the beginning of this section.

Guam Baseline Funding.....	\$ 5,911,000
Results from Competitive Process.....	- \$ 333,333
Proposed Funding for 2021.....	\$ 5,577,667

CIP funded infrastructure projects on Guam continued to make progress this past year, however ongoing issues regarding the lack of H-2B visa approvals continues to affect the ability to secure subcontractors, therefore affecting contractors' bids. Phase III of the Guam Department of Education's Insular ABCs Initiative is progressing and the Government of Guam has elected to continue funding towards the work. The Guam Memorial Hospital Authority expects to complete current renovations in fall 2020 and begin the upgrade of its heating, ventilation, and air conditioning (HVAC) systems.

The requested \$5.6 million for 2021 will be used to continue meeting critical infrastructure needs in Guam, similar to previous years. The following chart reflects Guam's funding priorities for 2019 and 2020:

Funding Category	2019	2020
	Award	Award
Health	\$0	\$3,500,000
Public Buildings	\$5,327,000	\$0
Public Safety	\$0	\$720,000
Education	\$1,000,000	\$2,316,000
Total	\$6,327,000	\$6,536,000

Virgin Islands Construction

Funds provided under this program will address critical infrastructure needs in the U.S. Virgin Islands including deferred maintenance at public schools and court ordered repairs at the St. Croix Correctional Facility.

The 2021 budget request was calculated utilizing the CIP selection criteria and methods. The process is described in the beginning of this section.

U.S. Virgin Islands Baseline Funding.....	\$2,780,000
Results from Competitive Process.....	- \$ 0
Proposed Funding for 2021.....	\$2,780,000

CIP-funded infrastructure projects in the U.S. Virgin Islands made substantial progress this past year. The Bureau of Corrections completed security renovations at the Golden Grove Adult Correctional Facility on St. Croix and made significant progress on the cafeteria and kitchen renovations. The kitchen is now fully operational, and the cafeteria is undergoing renovation with an estimated completion date by the end of fiscal year 2020.

Construction work continued to progress at the Florence Williams Public Library and Athalie McFarlane Petersen Public Library on St. Croix. The libraries are in need of structural renovations to repair cracked walls, masonry, roof gutters, fire protection, generator, and install upgrades to the electrical, mechanical,

plumbing, and telephone systems. Upcoming efforts in the USVI will focus on repairing critical road infrastructure on St. Thomas, St. John, and St. Croix.

The requested \$2.8 million for 2021 will be used to continue meeting critical infrastructure needs in the U.S. Virgin Islands similar to previous years, with a focus on territorial roads rehabilitation. The following chart summarizes the U.S. Virgin Islands’ funding priorities for 2019 and 2020:

Funding Category	2019	2020
	Award	Award
Transportation	\$1,864,000	\$0
Parks	\$0	\$738,000
Public Safety	\$0	\$1,500,000
Total	\$1,864,000	\$2,238,000

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Territorial Assistance

Activity: Territorial Assistance \$(000)						
SUMMARY TABLE						
	2019 Actual	2020 Enacted	2021			Change From 2020 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
Office of Insular Affairs	9,448	9,491	+166	-104	9,553	+62
Technical Assistance	20,800	20,800	0	-6,129	14,671	-6,129
Maintenance Assistance	4,000	4,375	0	-3,352	1,023	-3,352
Brown Tree Snake Control	3,500	3,500	0	-663	2,837	-663
Coral Reef Initiative & Natural Resources	2,500	2,625	0	-1,679	946	-1,679
Energizing Insular Communities	5,000	6,250	0	-3,439	2,811	-3,439
Compact Impact Disc.	4,000	4,000	0	-4,000	0	-4,000
Subtotal	49,248	51,041	+166	-19,366	31,841	-19,200
TAP Disaster Supplemental	2,000	0	0	0	0	0
Total	51,248	51,041	+166	-19,366	31,841	-19,200
FTEs	29	34	0	0	34	0

The Territorial Assistance activity involves funding for two major functions. The first is salaries and expenses of the Office of Insular Affairs. The Office has oversight responsibility for more than \$600 million in annual financial assistance. Its policy and assistance activities involve dealing with virtually

every major Federal agency, as well as seven insular governments. Good financial management and effective internal controls are stressed within the Office, and the Office has been able to attain clean audit opinions for all annual financial statements prepared under requirements defined in the Chief Financial Officers Act.

The second major function within this program area includes the various technical assistance activities carried out by the office. OIA's technical assistance activities have always been considered its most effective tool to implement Administration policy, and to achieve mutually desired improvements in the insular areas. 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.

Activity: Territorial Assistance						
Subactivity: Office of Insular Affairs (OIA) \$(000)						
	2019 Actual	2020 Enacted	2021			Change from 2020 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	9,448	9,491	+166	-104	9,553	+62
FTEs	29	34	0	0	34	0

SUMMARY OF 2021 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Office of Insular Affairs	-104	0

This subactivity supports the professional staff of the Office of Insular Affairs as they carry out the Secretary's responsibilities with respect to U.S.-affiliated insular areas.

JUSTIFICATION OF 2021 PROGRAM CHANGES

Office of Insular Affairs (-\$104,000)

The budget request provides \$9.6 million to conduct management and oversight of the insular area programs. The budget request supports the allocated share of operating costs for the GrantSolutions enterprise system to improve the processing and transparency of grants and cooperative agreements across Interior. Cost allocations are based on an algorithm of use factors.

The budget request assumes the transfer of \$16,000 to support the consolidation of the Department's Ethics Program. Secretarial Order 3375 dated August 14, 2019, realigned the reporting structure for DOI ethics personnel into the Departmental Ethics Office (DEO) within the Office of the Solicitor. The program change for the Office of Insular Affairs is inclusive of the contribution to the consolidated program.

PROGRAM OVERVIEW

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

- 1.) Policy Division: performs general program, political, and economic analysis. It monitors and tracks Federal programs extended to the insular areas and handles legislative affairs, other than those related to the appropriations process. The Division maintains a field presence in American Samoa and the Commonwealth of the Northern Mariana Islands.
- 2.) Technical Assistance Division: manages all Technical Assistance grants that provide support not otherwise available to the insular areas to combat deteriorating economic and fiscal conditions. Activities often include, but are not limited to, building institutional capacity in the following critical areas: health care, education, public safety, data collection and analysis, fiscal accountability, energy, transportation, economic development and communication. The Division also manages the Brown Tree Snake and Maintenance Assistance programs as well as payments to the U.S. Virgin Islands (rum excise taxes) and Guam (Section 30 income taxes).
- 3.) Budget and Grants Management Division: is responsible for budget formulation and presentation, chief financial officer activities, and strategic planning. It manages financial assistance under the Compacts of Free Association, operations and capital improvement grants to U.S. territories, Compact Impact grants, and infrastructure-related Territorial Assistance. The Division monitors accountability issues and tracks insular area audit resolutions, including Single Audits. The Division maintains an office in Hawaii for Compact oversight in the FSM, RMI and Palau and has a field presence in the FSM, and the RMI.

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

2021 PROGRAM PERFORMANCE

In 2021, OIA will support the Department's mission of Fulfilling Our Trust and Insular Responsibilities by executing activities which bolster healthcare capacity, strengthen island economies, and fulfill obligations under the U.S. Compacts. 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 2021 level of funding OIA will:

- Improve out-year performance by grantees by continuing to focus on oversight.
- Conduct site visits to grant projects.

- Continue to actively work with the U.S. Territories and the Freely Associated States to ensure their compliance with the Single Audit Act and to improve the timeliness of their audit submissions.

SECTION 403 COMPLIANCE

Working Capital Fund

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

	2021
External Administrative Costs	
WCF Centralized Billings	\$629,300
WCF Direct Billings/Fee for Service	\$263,000

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

(Total Employment)*

	2019 Actual	2020 Estimate	2021 Estimate
SES	1	1	1
SL-0	1	1	1
GS-15	3	3	4
GS-14	4	5	4
GS-13	10	10	12
GS-12	7	7	8
GS-11	0	0	0
GS-10	0	0	0
GS-9	0	0	1
GS-8	0	0	0
GS-7	0	1	0
GS-6	0	0	0
GS-5	0	0	0
GS-4	0	0	0
GS-3	0	0	0
GS-2	0	0	0
<hr/>			
Total Employment (actual/projected) at the end of the Fiscal Year	26	28	31

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

Activity: Territorial Assistance						
Subactivity: Technical Assistance (TAP) \$(000)						
	2019 Actual	2020 Enacted	2021			Change from 2020 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
Technical Assistance	20,800	20,800	0	-6,129	14,671	-6,129
Subtotal	20,800	20,800	0	-6,129	14,671	-6,129
Disaster Supplemental	2,000	0	0	0	0	0
Total	22,800	20,800	0	-6,129	14,671	-6,129
FTEs	0	0	0	0	0	0

SUMMARY OF 2021 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Technical Assistance	-6,129	0

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

JUSTIFICATION OF 2021 PROGRAM CHANGES

Technical Assistance (-\$6.1 million)

The 2021 budget provides \$14.7 million for direct grants and projects benefitting the seven 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.

Some programs are necessary on an ongoing basis for the insular areas; including, but not limited to: ongoing financial management, management, and audit training for all insular areas. The ongoing programs were incorporated into the Technical Assistance program because there was no other source of funds in the Federal budget for these projects.

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

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

2021 PROGRAM PERFORMANCE

In 2021, the Technical Assistance Program will continue to provide financial assistance and support to the insular areas for projects which foster the development of the insular areas in the following categories: accountability, financial management, economic development, education, energy production, management control initiatives, disaster assistance, natural and cultural resources, capacity building, public safety/emergencies, information technology, health initiatives, and invasive species management.

The table on the following page shows the allocation of 2019 Technical Assistance funding:

2019 Technical Assistance Summary
(Dollars in Thousands)

Recipient	2019
Direct Grants to Insular Areas	
American Samoa	2,236
Northern Mariana Islands (CNMI)	2,543
Guam	2,217
U.S. Virgin Islands	1,969
Federated States of Micronesia (FSM)	831
Republic of the Marshall Islands (RMI) (includes 4 Atoll Healthcare)	1,788
Republic of Palau	980
Total, Direct Grants to Insular Areas	12,564
Other TAP Crosscutting (Provides Benefits to Multiple Insular Areas)	8,236
Total, Technical Assistance	20,800
Disaster Relief to Commonwealth of the Northern Mariana Islands (2020 award)	2,000

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

Direct Grants to Insular Areas

In 2019, OIA received \$41 million in Technical Assistance grant requests. Over \$20 million in Technical Assistance was provided in 2019. See preceding chart for amounts by insular area. Highlights of some of the awarded financial assistance include:

- Commonwealth of the Northern Mariana Islands (CNMI): \$1,500,000** provided for the Governor’s Office to help meet unbudgeted operational needs, inclusive of utilities, telecommunications, supplies and informational technology costs that were incurred as a result of the Typhoon Yutu; Commonwealth Healthcare Corporation (CHC) – **\$195,253** to procure new monitors for the Intensive Care Unit at the hospital on Saipan. The twenty-year-old monitors are obsolete and identified as in “immediate jeopardy” by the Centers for Medicare Services; **\$30,000** for CHC workforce development and training of registered nurses who are interested in becoming specialty certified nurses through a Certified Nurse Manager and Leader certification course. Certified areas include acute and critical care, neonatal, emergency room, and perioperative nursing; and Department of Finance and Office Grant Management – **\$184,996** to acquire the hardware and software necessary for a CNMI Fixed Asset Inventory and Reconciliation System and additional staff to help perform inventories across the more than fifty agencies in the CNMI government. The Division of Procurement and Supply has repeatedly been cited in the CNMI Single Audit and has had difficulty achieving its mission of conducting timely, annual inventories as well as obtaining a clean audit.

- **Guam:** Guam Bureau of Statistics and Plans – Cost-Benefit Analysis of Impact of Compact of Free Association Migrants – **\$280,000** to seek contractual services to conduct a cost-benefit analysis to determine the economic contributions or revenue that Compact of Free Association migrants provide to the local economy. Upgrades for the Office of the Chief Medical Examiner (OCME) – **\$207,743** to upgrade critical infrastructure and modernize the OCME, as well as provide specialized equipment, tools, and necessary supplies. Funding will also support training from the International Association of Coroners and Medical Examiners. The OCME provides certifications for deaths on the island and conducts other investigations, autopsies, toxicology, and specimen analysis on homicides, suicides, accidents and other unexpected or unusual deaths. Upgrades to the Guam Public Broadcasting System – **\$498,999** to modernize and update equipment for the Guam Public Broadcasting System. The public broadcast system is required by law to provide educational and informational services on a variety of issues such as disaster notifications and assistance, public health initiatives, natural resource protection and invasive species management, promotion of Guam culture, and public safety messaging. Grants Management System for Guam State Clearinghouse – **\$87,000** to procure a grants management system to track and manage fiscal and programmatic accountability for all federal grants, loans, and other federal funding sources awarded to Guam. The clearinghouse monitors compliance for over 50 departments and agencies on Guam that receive federal funding. Records Digitization and Archival Project – **\$375,000** to digitize and archive attorney general opinions, legal memoranda, and other non-sensitive documents produced since the mid-1940s. Digitization would not only preserve historical records and showcase the evolution of Guam’s laws, but also facilitate easier public access.
- **American Samoa:** Lyndon B. Johnson Tropical Medical Center – Workforce Development Training in Division of Radiology and Laboratory – **\$200,000** to send the top two employees from both divisions on a two-year program at an accredited school. Infection Prevention Training – **\$120,000** to hire a consultant to train the entire hospital staff on best practices for infection prevention and control. LBJ has been cited consistently for deficiencies from the Centers for Medicare and Medicaid Services regarding the lack of infection prevention practices. Addressing Nurse and Support Staff Shortages – **\$249,600** to hire part time nurses, as well as a nurse consultant to review staffing schedule options and help improve workforce solutions and staffing shortages. Health Information Technology Training – **\$100,000** to train healthcare digital technology technicians. This will improve maintenance and accessibility of the electronic health record for patients and doctors, as well as decrease medical errors and improve quality of care for patients. This training is recommended by the Centers for Medicare and Medicaid Services. American Samoa Community College – **\$500,000** for the American Apprenticeship Initiative. Funds will be used to upgrade the technical training facility used for certificate programs in automotive and air-condition maintenance repair. The goal is to enroll 70 students in the first two years, increase the number of qualified skilled workers in the territory, and reduce its heavy reliance on off-island technicians. Department of Port Administration – **\$383,680** for the Airport Rescue and Firefighting Division. To replace and update specialized firefighting equipment that has long been outdated. To provide certified training to the entire airport rescue and firefighting team of 34. Department of Public Safety – **\$233,000** for the REAL ID Implementation Project.

To provide technological upgrades of the Driver's License (DL) and State ID systems within the Office of Motor Vehicles, to include database, infrastructure and interfacing in order to fully implement the REAL ID Act of 2005 in the territory. Using local funding resources, the territory has achieved an 80% compliance rate, but needs this funding to finally bring the territory into full compliance.

- **U.S. Virgin Islands (USVI):** Office of Management and Budget – **\$500,000** to procure services of a qualified accounting firm to assist in the reconciliation of the Schedule of Expenditures of Federal Awards (SEFA) for Fiscal Year 2018. Conduct a review of the local government's current federal grant reconciliation process and compliance framework. Provide a final gap assessment report that identifies areas of improvement and provides new reconciliation procedures. Department of Planning & Natural Resources (DPNR) – **\$270,000** to modernize government services at the DPNR and install a fully integrated case management solution software through a web-based system to provide a fully automated "E-permitting" system. The new system will streamline operations in permitting, licensing, inspections, cash management, reporting, and other responsibilities across the various divisions. Economic Development Authority – **\$100,000** to conduct two feasibility studies to determine the viability of performing minor renovations and critical repairs to infrastructure relative to structures in Christiansted, St. Croix and Garden Street-Upstreet, St. Thomas. The two historic buildings to be assessed are the J. Antonio Jarvis Building (Danish military hospital) and the Barracks Yard (Danish military barracks). Division of Libraries, Archives, and Museums. National Health IT Collaborative for the Underserved (NHIT) Hack4Health and VI Health Innovation Summit – **\$80,226** to support a NHIT Hack4Health and Virgin Islands Health Innovation Summit in August. The summit aims to create a Health Information Exchange (HIE) that will bridge the efforts of health stakeholders and working groups to launch initiatives driving towards a comprehensive 21st century health system in the USVI.
- **Federated States of Micronesia (FSM):** National Public Auditor's Office, Pohnpei State Public Auditor's Office, and Yap State Office of the Public Auditor – **\$546,354** provided to enhance capacity building and professional development training initiatives. Funding supports professional development and certification through training programs with the U.S. Department of the Interior's Office of the Inspector General and the annual Association of Certified Fraud Examiner Conference, among others. Hablele - Robo League – **\$240,492** to support student robotics teams at 23 public and private high schools across the Federated States of Micronesia where at least 450 students are participating weekly in designing, building, and navigating robots. Micronesian States of Chuuk, Pohnpei, Yap. FY 2019 funding expanded the program to include isolated schools on outer atolls in the FSM and Kosrae State.
- **Republic of the Marshall Islands (RMI):** **\$1,570,864** for the Republic of the Marshall Islands 4 Atoll Health Care project 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); and,
- **Palau:** Palau Ministry of Justice – **\$364,174** to provide Network Integration and Upgrade Data Systems. Networking software will extract and share data among the four divisions under Palau's Ministry of Justice: The Division of Immigration, the Office of Public Safety, the Office of the

Attorney General, and the Division of Labor. Each division currently has stand-alone systems and enhanced electronic networking will streamline and strengthen law enforcement and security through better information sharing. Palau Bureau of Public Health – **\$240,492** to perform a Community Health Assessment. The community health assessment will assist the health department in determining how to prioritize needs, allocate resources, and assist communities in addressing the key social determinants of health that influence choices and behaviors. Palau Environmental Quality Protection Board – **\$75,000** to Review and Modernize the Environmental Regulations in Palau. Updated regulations are necessary to protect public health, conserve natural and cultural resources, and support to a sustainable high-end market tourist economy for Palau. The three most critical regulations to be updated as recommended by Palau are: The Marine and Fresh Water Quality Regulations, the Public Water Supply Regulations, and the Environmental Impact Statement Regulations. Aids to Navigation Infrastructure – **\$530,000** will be provided to the U.S. Coast Guard's 14th District, headquartered in Honolulu, Hawaii, who will work closely with the Government of Palau to provide aids-to-navigation infrastructure improvements in the waters of Koror. These improvements directly support maritime safety and security development for Palau and the Western Pacific region.

HIGHLIGHTS OF THE TECHNICAL ASSISTANCE ONGOING PROGRAMS

Statistical Improvement Program

One of OIA's goals is to improve the quality and quantity of economic data in the territories. In December 2008, OIA completed a Memorandum of Understanding (MOU) with the Bureau of Economic Analysis (BEA) of the Department of Commerce to develop GDP data for the four U.S. Territories (American Samoa, Guam, Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands). The initial agreement with BEA was structured for a period of 18 months for a total cost of \$1.6 million. Annually, OIA pays \$750,000 to BEA to continue this project.

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

The GDP estimates for the four territories are available at the BEA web site which can be reached at: http://www.bea.gov/national/gdp_territory.htm

Republic of the Marshall Islands 4 Atoll Healthcare Program

The Four Atoll Health Care Program addresses the medical needs of Marshall Islands communities affected by the nuclear weapons testing program which the U.S. Department of Defense carried out in the Marshall Islands between 1946 and 1958. Technical Assistance provides for the primary health care

needs of the Enewetak, Bikini, Rongelap and Utrik communities in the Republic of the Marshall Islands. In 2019, the Technical Assistance program funded \$1.6 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. Technical Assistance has funded this program annually since 2005. Program deliverables include:

- A full-time primary care physician for each of the four atolls to work in collaboration with a full-time island-based health assistant.
- Improve access to quality and specialty care services; reduce inter-island referrals for secondary care; improve overall health of the communities served; utilize the full potential of our doctors for better delivery of service; and conduct drinking water quality tests for presence of pathogens.
- Visual impairment screenings by primary care physicians; access to specialty clinics for diabetes, hypertension, well baby, and reproductive health; and 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 salaries, often as low as 9 cents an hour, with no employee benefits. The Prior Service Benefits Trust Fund provides payments to beneficiaries that are citizens of the Commonwealth of the Northern Mariana Islands, Federated States of Micronesia, the Republic of the Marshall Islands and the Republic of Palau who worked for the U.S. Department of Navy and the U.S. Trust Territory of the Pacific Islands for the period from 1944 through June 30, 1968. The Prior Service Benefits Trust Fund helps ensure the solvency of the Fund so that payments to beneficiaries will continue uninterrupted. Without the funds provided by OIA, the Prior Service Benefits Trust fund will be unable to continue payments to its beneficiaries. Checks are sent out from this fund on a monthly basis. Currently, there are no funds available for any additional payments beyond those funds provided by OIA. Funds are needed in order to allow the Prior Service Benefits Trust Fund to continue to make the monthly payments. OIA made available \$853,590 in 2019 to support the Prior Service Trust Fund Administration (PSTFA).

Close Up Foundation

The Close Up Foundation has conducted the Close Up Insular Areas Program under a grant from the Technical Assistance program since 1988. Close Up was provided \$1,000,000 in 2019 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 of 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 all insular areas to travel and participate in Close Up Washington civic education programs and for Close Up to conduct multi-day island-based student centric civic education programs.

Insular students and teachers participate in 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 in the Close Up Washington Program for Educators, with unique professional development 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 \$400,000 in 2018, plus an additional \$86,450 in 2019 for Junior Statesmen Foundation (JSF) scholarships for twenty-eight high school students from the insular areas to attend the Junior Statesmen Summer Schools. This was the 26th year that the Junior Statesmen Foundation has worked in partnership with the Office of Insular Affairs to identify, educate and train outstanding insular-area high school students for active, effective and ethical participation in public affairs.

OIA grants cover the cost of each scholarship winner's summer school tuition (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. All insular areas participate in the scholarship program. OIA also funds academic prep programs in colleges in American Samoa, the Northern Mariana Islands, Guam, Palau and the U.S. Virgin Islands to help prepare their students for their summer school experience.

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

Programs Managed by the Graduate School USA

As part of OIA's Technical Assistance program, the International Institute of the Graduate School USA (GSUSA) provides training and related services through the Pacific and Virgin Islands Training Initiatives (PITI-VITI) to assist the insular governments to improve the financial management and program performance of the Pacific and Virgin Islands insular governments. Programs include but are not limited to: Executive Leadership Development Program, Island Government Finance Officers

Association training events, Association of Pacific Island Public Auditors training events, Audit Improvement, Performer Analysis, consultation and training in each of the seven insular areas, and economic monitoring and analysis.

Activity: Territorial Assistance						
Subactivity: Maintenance Assistance (MAP) \$(000)						
	2019 Actual	2020 Enacted	2021			Change from 2020 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	4,000	4,375	0	-3,352	1,023	-3,352
FTEs	0	0	0	0	0	0

SUMMARY OF 2021 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Maintenance Assistance	-3,352	0

The Maintenance Assistance fund is used to support, develop, improve, and as much possible, institutionalize infrastructure maintenance practices in the seven insular areas. Funds can also be used for critical repairs to infrastructure.

JUSTIFICATION OF 2021 PROGRAM CHANGES

Maintenance Assistance (-\$3.4 million)

In the 2021 budget request, the program will continue its efforts to institutionalize infrastructure maintenance practices and provide funds for deferred maintenance and repair.

PROGRAM OVERVIEW

The Office of Insular Affairs will continue to provide limited maintenance assistance to support public infrastructure investments in the insular areas. Historically, insular governments have not prioritized maintenance planning and budgeting, life cycle costing, and training. As a consequence, the usefulness of power plants, roads, ports, water and sewer systems, and public buildings declined prematurely. The Maintenance Assistance program addresses this problem by providing expert reviews and recommendations on the general condition of the infrastructure and by providing cost-shared grants to provide long-term solutions to systemic problems.

The Maintenance Assistance program focuses on changing those conditions that allow poor maintenance practices to exist. The program underwrites training, education, and technical advice related to maintenance. Funding is used to purchase specialized maintenance equipment or information technology related to maintenance. The program also funds the cost of inventories of maintenance needs, development of maintenance plans, and fund urgent repairs.

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

Grants to individual island areas may require a match. This strategy emphasizes the importance of local buy-in to maintenance assistance as a means of building and sustaining local institutions. Regional programs have also been developed for training purposes to emphasize economies of scale.

2021 PROGRAM PERFORMANCE

In 2021, the Maintenance Assistance program will continue to provide critical support otherwise unavailable to the insular areas to foster proper maintenance practices, fund necessary maintenance training, supplies, equipment and repairs.

In 2019, the Maintenance Assistance program provided \$1,359,000 to the Lyndon B. Johnson Tropical Medical Center in American Samoa for various maintenance projects, including air handling unit upgrades, exterior wall repairs, the purchase of a new fire alarm system, and acquisition of a medical gas system. In addition, \$226,000 was awarded to the Majuro Water and Sewer Company for the Water Main Repair and Restoration Program to procure necessary equipment to aid in the repair of water mains and prevention of frequent leaks. \$235,000 was also awarded to the Yap State Public Service Corporation for the Pacific Lineman Training program, which provides training to Pacific power linemen on proper line maintenance to prevent outages and repair lines after disaster events, and \$80,000 for the American Samoa Shipyard Certification program for underwater welding, valve and pipe fitting, welding, and sandblasting training. Additionally, \$1,720,935 was provided to the insular areas for specialized equipment, software, supplies and repairs.

Activity: Territorial Assistance						
Subactivity: Brown Tree Snake Control \$(000)						
	2019 Actual	2020 Enacted	2021			Change from 2020 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	3,500	3,500	0	-663	2,837	-663
FTEs	0	0	0	0	0	0

SUMMARY OF 2021 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Brown Tree Snake Control	-663	0

Brown Tree Snake Control (BTS) 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.

JUSTIFICATION OF 2021 PROGRAM CHANGES

Brown Tree Snake Control (-\$663,000)

The 2021 requested funds will focus on the operational interdiction and control initiatives, including suppression and eradication. Funds may also be awarded to continue research funding and educational outreach dependent upon the availability of funding.

PROGRAM OVERVIEW

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

The BTS is directly responsible for the extinction or local extirpation of 9 of 13 native forest birds and 3 of 12 native lizards on Guam. In addition, the BTS has had significant, negative impacts on Guam's economy. The risk of accidental transport and establishment of the BTS in other locations has impacted regional shipping and transportation through increased bio-security needs.

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

Since Guam is a major transportation hub in the Pacific, numerous opportunities exist for this invasive species to be inadvertently introduced to other areas. The BTS has already been accidentally transported from Guam to other sites worldwide through infested civilian and military vessels and cargo.

Documented sites include: Hawaii; the CNMI; Corpus Christi, Texas; McAlester, Oklahoma; Japan; Anchorage, Alaska; Wake Island; Taiwan; Kwajalein; Diego Garcia; Darwin, Australia; and Rota, Spain. The majority of those sightings were in the CNMI (93) and on Oahu (10). There is appropriate concern that the introduction of the BTS to other vulnerable sites, such as Hawaii, will have similarly catastrophic ecological and economic impacts as on Guam.

Research is conducted to improve existing BTS control tools, such as barriers, traps and baits as well as to develop better control techniques such as toxins, repellents and attractants. Research is also intended to improve our understanding of the basic biology of the BTS and to develop methods enabling large-scale suppression of BTS on Guam. It is largely accepted that severe population suppression must be achieved before eradication can be pursued. The operational program utilizes the control tools and techniques developed via the research effort to reduce the risk of BTS dispersal to other Pacific islands, the U.S. mainland, and other vulnerable locations.

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

2021 PROGRAM PERFORMANCE

In 2019, USDA-APHIS-Wildlife Services caught and killed 1,547 snakes at the commercial ports on Guam. There were zero credible snake sightings in the CNMI or Hawaii. The Automated Aerial Bait Delivery System (ADS) continued to be tested over the Habitat Management Unit on Andersen Air Force Base with approximately 43,200 baits applied. USGS completed several research projects, including one to determine if BTS are adapting/evolving to reduce the effectiveness of control tools. USGS also provided rapid response training to 16 new people, bringing the Rapid Response Team up to 98 total

members. Some future goals of the program are making the ADS fully operational, expanding it to a larger landscape, and finding a viable artificial bait to replace mice.

It is anticipated the 2020 and 2021 BTS funds will be awarded with a continued focus on the operational interdiction and control initiatives including suppression and eradication; funds may also be awarded to continue research funding and educational outreach dependent upon the availability of funding. Actual BTS awards for 2019 are detailed below:

- \$1,027,690 The U.S. Department of Agriculture's Animal and Plant Health Inspection Service, Wildlife Services (WS), continued its Guam-based operational BTS control program on and around commercial facilities operated by the Government of Guam and private entities. Current operations were maintained at A.B. Won Pat International Airport, Commercial Port of Guam and commercial transportation and cargo facilities, aimed at reducing the risk of BTS dispersal to other Pacific islands, the U.S. mainland, and other locations at risk. WS incorporated an integrated wildlife damage management approach to BTS containment using the following types of activities: detector dogs, traps, night time fence searches, oral toxicants, barriers, prey reduction, and public outreach activities. WS staff ensured inspection of at least 90 percent of commercial cargo and aircraft departing Guam.
- \$523,783 The CNMI Department of Lands and Natural Resources, Division of Fish and Wildlife (DFW), continued to operate a BTS interdiction program on the islands of Saipan, Tinian and Rota and ensured that, at the minimum, a 90 percent canine inspection rate of Guam-based cargo arrivals was reached and subsequently maintained. DFW also maintained BTS traps at CNMI ports of entry and conducted public outreach.
- \$134,312 USDA-WS-National Wildlife Research Center for improvements to the infrastructure of the Automated Manufacturing System. This project focused on the redesign of Station 3, which packages the baits to be sent to Guam for the testing of the ADS.
- \$208,399 USDA-WS-National Wildlife Research Center for research on the fate of BTS baits in high risk invasion areas in the CNMI. In case a BTS ever does make it to CNMI, researchers need to determine if toxic baits would be a better method of detecting an incipient population than trapping. They will also determine if the baits will negatively affect native species, which may also try to ingest them.
- \$187,976 USDA-WS-National Wildlife Research Center for research on the influence of artificial baits and snake size on the effectiveness of acetaminophen for lethal control of BTS. Acetaminophen is the current toxin being used in baits to kill BTS. Researchers need to determine how much of the toxin is needed to kill snakes of different sizes, and to test it in artificial baits that are being developed, to see if it has the same effect on BTS.
- \$1,127,781 USGS researchers continued the development and testing of tools intended to improve BTS interdiction, control, and management. Research focuses on moving towards landscape-level snake control via delivery to aerial toxicants, developing and testing artificial baits, improving early detection of BTS and rapid responses to possible incipient populations on snake free islands, and the development of multi-species barriers for resource protection and restoration on Guam. The USGS Rapid Response Team continued to respond to snake sightings

and conduct site response training to snake searchers in the Pacific region.

- \$373,894 U.S. Fish and Wildlife Service continued to provide overall BTS program coordination on a regional and national level to ensure continued progress. USFWS also provides technical assistance to program partners and develops a strategic planning document for the program.
- \$75,000 Guam Department of Agriculture, Division of Aquatic and Wildlife Resources (DAWR) for Native Species Recovery in the Masso Reservoir area. DAWR will develop a BTS Management plan for the area, which is a park in central Guam that is home to the Endangered Mariana Moorhen. This area is an ideal location for native species recovery and local investment in BTS suppression. They will create a plan on how to continue suppressing BTS in and around the reservoir, in order to potentially bring other native bird species back to the area.

Activity: Territorial Assistance						
Subactivity: Coral Reef Initiative & Natural Resources \$(000)						
	2019 Actual	2020 Enacted	2021			Change from 2020 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	2,500	2,625	0	-1,679	946	-1,679
FTEs	0	0	0	0	0	0

SUMMARY OF 2021 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Coral Reef Initiative & Natural Resources	-1,679	0

The Coral Reef Initiative and Natural Resources program supports efforts to protect the health of all natural resources in the U.S. insular areas for the long-term economic and social benefit to their island populations.

JUSTIFICATION OF 2021 PROGRAM CHANGES

Coral Reef Initiative and Natural Resources (-\$1.7 million)

The program will continue to support overall natural resource protection in the U.S. insular areas such as coral reef initiatives, training and law enforcement, watershed restoration, marine area protection and preservation, and the deterrence and prevention of the spread of invasive species.

PROGRAM OVERVIEW

Natural resources, from mountain ridges to reefs and in between, provide an integral foundation for healthy economies and the livelihood of islands and the people who reside therein. Funding provided through OIA plays a critical role by supporting the efforts of U.S. insular area governments, as well as regional and non-profit organizations, in the development of strategies and effective programs for managing and protecting their natural resources.

Healthy coral reef resources for example, from the U.S. Virgin Islands to Guam, protect these islands from coastal erosion and storm damage, provide habitat to numerous marine species, and support important tourism and recreational industries. These resources are experiencing a variety of stresses including poor water quality, over-harvesting, coastal development, disease, and bleaching. OIA has supported coral reef initiatives under the guidance and recommendations provided by the U.S. Coral Reef Task Force and the All Islands Coral Reef Committee, as well as the Micronesia Challenge and The Nature Conservancy.

Other threats to natural resources include the Coconut Rhinoceros Beetle (CRB), *Oryctes rhinoceros*, which is found on Guam and Palau and was recently discovered on Rota in the Commonwealth of the Northern Mariana Islands (CNMI) as well as the Little Fire Ant (LFA), *Wasmannia auropunctata*, currently found on Guam and recently discovered in Yap. OIA funding has supported insular area governments and been leveraged with funding from other partners such as USDA and the University of Guam to contain and eradicate these invasive species.

OIA continues to support and bolster the efforts and work of each of the U.S. territories and the freely associated states to establish local advisory committees, devise strategic plans, and set their own priorities for natural resource management. Work of regional organizations such as the Micronesia Challenge, the Micronesia Conservation Trust, and the Regional Invasive Species Council (RISC) are encouraged and supported when possible. OIA also takes into consideration priorities identified by the Micronesian Islands Forum (MIF), composed of the Governors and Presidents of the Pacific Insular Areas and the Micronesian Presidents' Summit.

House Report 116-100 (June 3, 2019) contained the following directive requiring the Department to include an update on efforts to implement the Regional Biosecurity Plan for Micronesia and Hawaii. The following is the requested biosecurity update.

REGIONAL BIOSECURITY PLAN (RBP)

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

In Hawaii and the USAPI, DOI activities aim to limit the introduction, establishment, and spread of numerous invasive species of concern. Species range from Brown Tree Snakes to insects, such as the coconut rhinoceros beetle and little fire ant, marine species such as smothering seaweed, and other invasive species capable of changing island ecology including feral swine, Miconia, and plant pathogens such as the fungus that causes rapid Ohia death. DOI is committed to working internally as well as with other Federal departments, including the Departments of Defense, Commerce, and Agriculture, and regional and local partners to identify opportunities to improve biosecurity and invasive species management in the Pacific region.

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

One of the RBP’s recommended actions is that the interdepartmental National Invasive Species Council (NISC) update the U.S. Federal Government (USG) section of the implementation strategy every three years. A summary of the RBP’s recommendations for the USG was developed by the NISC Secretariat and is available at:

https://www.doi.gov/sites/doi.gov/files/uploads/rbp_fact_sheet.pdf. The full text of the RBP is listed here: https://www.navfac.navy.mil/navfac_worldwide/pacific/about_us/regional-biosecurity-plan-for-micronesia-and-hawaii-.html.

In 2018, DOI leadership determined that rather than updating its section of the RBP, DOI would focus on its efforts to directly address biosecurity and invasive species needs in Hawaii and the USAPI in collaboration with others, and thereby strengthen biosecurity. DOI’s efforts related to invasive species and biosecurity in Hawaii and the USAPI are substantive and broad, yet similar themes arise where activities are generally focused, pointing to their significance. In addition, in fiscal year 2021 bureaus will continue to focus on high-impact invasive species, or groups of species, that are either established or identified as likely to become established and warrant actions to minimize risk of introduction and impacts. These focal areas and species are listed below.

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

Focal Themes (which will continue in fiscal year 2021):

- Prevention: The action of stopping invasive species from being introduced or spreading into a new ecosystem.

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

Focal Species:

- **Invasive plants:** This category includes non-native grasses, shrubs, and trees.
- **Rapid Ohia death (and other plant pathogens):** This category includes plant pathogens (diseases). Rapid Ohia death is a plant pathogen that attacks and kills the culturally and ecologically significant native Ohia tree in Hawaii.
- **Mosquitoes and avian malaria:** The combination of introduced mosquitos and avian malaria have decimated Hawaii's native forest birds and limited their distribution to elevations typically above a thermocline where mosquitos are common.
- **Ants and other non-native social insects:** Some Pacific Islands had no, or limited, numbers of social insects. Introduced ants and wasps have had devastating impacts on natural resources.
- **Brown Tree Snakes:** The Brown Tree Snake has caused significant negative impacts to the avifauna, ecosystems, economy and agriculture on Guam. The spread of this invasive species to other Pacific islands is a significant regional concern.
- **Small mammalian carnivores:** This category includes species such as rats, mice, cats, and mongoose. All have historically, and currently, had devastating impacts on Pacific Island ecosystems.
- **Ungulates:** This category includes ungulates such as feral goats, pigs, mouflon, water buffalo, cattle, and deer, which, when feral, have significant negative impacts on ecosystems and water resources.
- **Aquatic invasive species:** This category includes a wide range of invasive marine algae, freshwater fish, macroinvertebrates, and aquatic plants.

Roles and Responsibilities:

National Park Service: The NPS preserves unimpaired the natural and cultural resources and values of the National Park System for the enjoyment, education, and inspiration of this and future generations. The NPS collaborates with partners to extend the benefits of natural and cultural resource conservation and outdoor recreation throughout the United States and the world. Over 6,500 non-native invasive species have been found on NPS lands and waters. Of these, about 650 are in marine environments. The NPS utilizes several approaches for addressing invasive species including,

but not limited to, an integrated pest management approach, coordinated and prioritized strategic planning, and Exotic Plant Management Teams to rapidly respond to invasive plants. For example, in Hawaii, NPS has designated Special Ecological Areas that best represent native Hawaiian systems, and these areas are managed as high priorities for the removal of plant and animal exotic species. In addition, in 2018, the Washington D.C. Support Office conducted a Hawaiian Island-wide prioritization effort that included NPS, USFWS staff, and State and university staff to assist in a landscape-level prioritization process that addresses the needs and budget gaps associated with work to be done in the Hawaiian Islands.

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

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

U.S. Fish and Wildlife Service: The mission of the USFWS is to work with others to conserve, protect, and enhance fish, wildlife, and plants and their habitats for the continuing benefit of the American people. The USFWS accomplishes their mission through seven National Programs including Ecological Services, Fish and Aquatic Conservation, National Wildlife Refuge System, Office of Law Enforcement, Wildlife and Sport Fish Restoration, Migratory Birds, and Science Applications, all of which address invasive species issues at some level. For example, the Ecological Services Program provides regulatory, coordination and technical assistance roles relative to invasive species including leadership for Brown Tree Snake management regionally and nationally through the statutorily mandated Brown Tree Snake Working Group. The Fish and Aquatic Conservation Program leads designation of invasive wild mammals, wild birds, fishes, reptiles, amphibians, mollusks, and crustaceans as injurious wildlife under the Lacey Act, which prohibits their importation and shipment between the continental United States, the District of Columbia, Hawaii, the Commonwealth of Puerto Rico, and any possession of the United States. The National Wildlife Refuge System addresses invasive species issues on its 568 Refuges, encompassing over 150 million acres of wildlife habitat. The Office of Law Enforcement agents inspect wildlife shipments and collaborate with other jurisdictions to combat illegal movement and trafficking of invasive species.

U.S. Geological Survey Ecosystems Mission Area: The USGS is the research arm of DOI and its role with invasive species management in the Pacific is broad. USGS conducts a wide range of applied and basic research on invasive species in the Pacific. USGS also provides technical assistance to Federal, State, and Territorial partners on biosecurity invasive species control, quarantine, and eradication. Some specific examples include methods to control the spread of Brown Tree Snakes from Guam, designing and implementing early detection and rapid response measures, understanding the role of invasive disease and vectors in the decline of Hawaiian forest birds, and measuring how invasive ungulates degrade plant communities and coral reef sedimentation. Stakeholder input on the future direction of USGS core science priorities in the Pacific is critical.

For examples of DOI products that highlight efforts completed since FY 2017, including: peer-reviewed publications, Biological Opinions, project reports, or completed projects on the ground related to invasive species please contact Charlene Leizear at Charlene_Leizear@ios.doi.gov in the Office of Insular Affairs to be referred to the appropriate bureau/office contact. For fiscal year 2021 resources allocated toward these efforts, please refer to each bureau's Congressional Budget Justification.

OIA Update:

In 2019, OIA provided funds to Guam to combat CRB and reduce spread and infestation, both identified as priorities in the RBP. In 2019, OIA also provided funding to combat invasive species in American Samoa, CNMI, FSM and Palau.

The following is a RBP insular area update provided by the RISC at the Micronesian Islands Forum meeting on July 10-11 of 2019 held in Chuuk State, FSM:

The leaders of the governments of the CNMI, Guam, Palau, the RMI and the FSM and its states, Chuuk, Kosrae, Pohnpei and Yap, held their 24th Micronesian Islands Forum (MIF) in Chuuk State, FSM on July 10-11, 2019. The leaders recognized the accomplishments of the RISC over the past years in working to limit and eradicate invasive species and endorsed the recommendations of the RISC to:

- Sign a resolution to Pacific partners such as Australia, New Zealand, the United States and others;
 - Acknowledging the fundamental importance of invasive species prevention, control and eradication to maintaining and building the resilience of Island natural resources to climate change and other natural shocks and perturbations,
 - Requesting that Pacific partners collaborate in their efforts to assist the Region in implementing the six priority areas of the Regional Biosecurity Plan for Micronesia and Hawaii (RBP) - with special short-term emphasis on efforts to address Coconut Rhinoceros Beetle (CRB) and Little Fire Ant (LFA), and
 - Encouraging the Regions development partners to assist in resourcing the Region's efforts to implement the RBP.

- Develop procedures to increase departure inspections of cargo shipments from Guam to Micronesian ports of entry, including expanding the use of Brown Tree Snake interdiction dogs to detect other species such as CRB and LFA, which can then be extended to other jurisdictions as needed to prevent the spread of invasive species to jurisdictions in the region that do not already have them, and to prevent destruction of economic development and food security efforts, such as the proposed copra processing industry in Chuuk;
- Use of funding to strengthen sea and airport inspections and monitoring to prioritize invasive species eradication efforts;
- Assist in identifying funding, with the assistance of the Micronesia Islands Forum Secretariat (MIFS), to fund the Pacific Plant Protection Organization (PPPO) meeting proposed for Micronesia in 2020, The International Year of Plant Health (Guam is current PPPO chair) to emphasize the importance of biosecurity in Micronesia and to increase public awareness of invasive species threats to our societies; and,
- Direct the MIFS to assist in identifying five years of forward funding for the RISC Coordinator position and office.

2021 PROGRAM PERFORMANCE

CORAL REEF INITIATIVE & NATURAL RESOURCES

In 2021, the Coral Reef Initiative and Natural Resources program is expected to continue to provide financial assistance to the insular areas to protect natural resources and to combat invasive species, including priority species identified in the RBP.

In September of fiscal year 2019, U.S. Interior Assistant Secretary, Insular and International Affairs, Doug Domenech co-chaired the 40th U.S. Coral Reef Task Force meeting in the Republic of Palau along with co-chair Rear Admiral Tim Gallaudet, Deputy Director of NOAA. OIA provided \$2,267,262 in grants to the U.S. territories and the freely associated states to help protect coral reefs and marine resources. Projects ranged from rehabilitation of corals, to outreach, restoration, and removal of invasive species and pests. Invasive species in the islands are disruptive of both marine and terrestrial resources in the islands, which already are under stress. Grants were provided to help control and eradicate invasive species in the islands in order to protect public health, livelihoods, and fragile environments and economies.

Fiscal year 2019 accomplishments included (but are not limited to):

- Placed a Coral Fellow in fiscal year 2019 in each of the following territories: American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands. The Coral Fellow program has provided needed capacity in the territories for both coral reef conservation and invasive species management. Nova Southeastern University National Coral Reef Management Fellowship Program – \$200,000.

- American Samoa – Supports RBP. Removed large populations of the African tulip (*Spathodea campanulate*) and the Panama rubber tree (*Castilla elastica*), both widely recognized as destructive invasive tree species in the Pacific islands. Several large populations of these aggressive tree species were recently discovered in the western and central areas of Tutuila adjacent to the National Park, home to the only paleotropical rainforest in the United States park system. Office of the Governor – \$239,923.
- Guam - Produced high-resolution 3D mapping of Guam’s priority coral reef ecosystems at Cocos Lagoon and Achang Reef Preserve; and provided coral reef management support and participation in the annual Coral Reef Task Force meetings. Bureau of Statistics and Plans – \$184,535.
- Guam – Supports RBP. Destroyed CRB breeding sites and established traps to monitor CRB populations at the ports on Guam. Slowed the decline of coconut and palm trees on Guam and reduced the risk of the CRB spreading throughout the Mariana Islands. University of Guam – \$328,671.
- CNMI – Partially supports RBP. Propagated and out planted three endangered plants: *Serianthes nelsonii*, *Osmoxylon mariannense* (endangered endemic trees), and *Nesogenes rotensis* (endangered endemic herb), mitigated pests (mealy bugs) which damage these plants, provided fencing for protection of new plantings of these species, and reduced population of invasive deer which feed on these plants. CNMI Department of Lands and Natural Resources – \$239,898.
- CNMI – Supports RBP. Participated in regional Coral Reef Initiative meetings including the Coral Reef Task Force, expanded coral nursery to accommodate 500 plus coral fragments for eventual out-planting and coral reef restoration, developed a plan to mitigate recent outbreaks of the Crown of Thorns Sea-Star in Rota and Tinian. Bureau of Environmental and Coastal Quality – \$124,435.
- USVI – Established Strike Teams to conduct systematic surveys to search for and neutralize recently discovered outbreaks of the Stoney Coral Tissue Loss Disease, which has already impacted almost half of the coral species found in the USVI. Department of Planning and Natural Resources – \$216,787.
- USVI – Supports RBP. Created billboards and signage for airports and ports of entry for National Invasive Species Awareness Week. Developed a USVI Exotic Pet Amnesty Week to help encourage the transition of illegal exotic pets into permitted pets that may be tracked. Almost completed invasive species website and data repository to help establish and develop proper channels for reporting and early detection of non-native and invasive species. These projects assisted in helping to address growing concern in the territory about rapidly growing feral populations of the Caiman (*Caiman crocodilus*) on St. Thomas and of Red-tailed Boa Constrictors (*Boa constrictor*) on St. Croix, as well as other pet-trade species such as jaguars, pumas, monitors, pythons, and other non-native species. Funding helped Department of Planning and Natural Resources – \$74,468.
- Pohnpei, Federated States of Micronesia – Supports RBP. Enhanced ecosystems and food security in Pohnpei through the prevention, eradication, control, and management of several invasive alien species prevalent in Pohnpei: False Sakau (*Piper auritum*), the Chain of Love (*Antigonon leptopus*), the Scarlet Ivy Gourd (*Coccinia grandis*), the Octopus Tree (*Schefflera*

actinophylla), the Bengal Trumpet Vine (*Thunbergia grandiflora*), and the Honolulu Rose (*Clerodendrum chinense*). Achieved prioritized actions identified by the Invasive Species Taskforce of the Pohnpei Strategic Action Plan (2018-2022) and the FSM and States Biodiversity and Strategic Action Plans (2019–2023). Micronesian Conservation Trust – \$243,750.

- Palau - Completed a detailed bathymetric mapping of the outer reef slope of the main Palau Island group and areas within the lagoon. The mapping project was used as an education and technology project across a broad spectrum of the Palau community. Coral Reef Research Foundation – \$170,039.
- Palau – Supports RBP. Removed invasive rats from the Ngemelis Island complex and promoted the recovery of seabird populations. The UNESCO-designated Rock Island Southern Lagoon of Palau boasts incredible marine and terrestrial biodiversity, however, recently invasive rats, feral cats, smothering vines, snails, and other agricultural pests have disrupted and eroded these once-pristine eco-systems contributing to biodiversity decline. Island Conservation – \$244,756.

Activity: Territorial Assistance						
Subactivity: Energizing Insular Communities \$(000)						
	2019 Actual	2020 Enacted	2021			Change From 2020 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
Energizing Insular Communities	5,000	6,250	0	-3,439	2,811	-3,439
FTEs	0	0	0	0	0	0

SUMMARY OF 2021 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Energizing Insular Communities	-3,439	0

Through this subactivity, the Office of Insular Affairs supports insular communities' efforts to increase the reliability and affordability of their energy supply and infrastructure.

JUSTIFICATION OF 2021 PROGRAM CHANGES

Energizing Insular Communities (-\$3.4 million)

The 2021 budget request for Energizing Insular Communities, formerly Empowering Insular Communities, will provide \$2.8 million in grants to insular communities. With energy plans completed in Guam, the Commonwealth of the Northern Marianas Islands, American Samoa, and the U.S. Virgin Islands, funding will assist in the implementation of these energy plans and carry out high-priority projects, which boost energy security and infrastructure resiliency. Expected areas of emphasis include power transmission, generation capacity, micro-grids, utility-scale and distributed solar energy generation, consumer efficiency, integrated resource planning, and electrical grid integration studies.

PROGRAM OVERVIEW

Insular communities face unique economic growth challenges due to their geographic isolation, finite resources, and dependence on imported oil for their energy needs. To assist the islands in meeting these

challenges, the Office of Insular Affairs is working to strengthen the foundations for economic development by addressing energy needs through building reliable and affordable energy strategies.

2021 PROGRAM PERFORMANCE

Energy security is critical to the insular areas' future economic development and viability. In terms of residential cost per kilowatt hour, the territories on average pay nearly two or three times the national average for electricity. Public Law 109-58 enacted in 2005 directed the Secretary of the Interior to draft long-term energy plans for the insular areas with the objective of reducing their reliance on energy imports, increase energy conservation and energy efficiency, and use native energy sources.

To combat the high cost of electricity the Office of Insular Affairs (OIA) entered into an Inter-Agency Agreement (IAA) with the U.S. Department of Energy, National Renewable Energy Lab (NREL) in 2010 to help develop long-term strategic energy plans in American Samoa, Commonwealth of the Northern Mariana Islands (CNMI), and Guam. The ultimate goal was to help the insular areas develop advanced energy systems that increase energy independence and security.

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

Intended to be fluid foundational documents, the strategic energy plans lay out a variety of strategies that should be revisited and updated as appropriate. The strategies include analysis of diesel generation systems and renewable energy systems as well as cost effective energy efficiency improvements. Subsequently, the energy action plans were developed to outline how the strategic energy plans will be implemented. The action plans are meant to be much more detailed and specific, assigning specific tasks to individuals with detailed deadlines. It is intended that the governors' energy task forces will review the status of the energy action plans monthly to report on progress.

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

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

call letter containing grant application instructions and set criteria for selecting the best submissions. The greatest weight is given to proposals that reduce a territory's cost of electricity, are identified in the territory's strategic energy plan or energy action plan and propose to expend the funds within 24 months. Review meetings are held with OIA senior staff, the Budget and Grants Management Division, and others to review and discuss each submission. Projects are selected for funding based on the results of these meetings and information provided by territorial governments.

Since 2013, American Samoa has made significant progress in implementing the strategies identified in its 2013 Energy Action Plan. The American Samoa Renewable Energy Committee updated its Energy Action Plan in 2016 with the assistance of NREL and added new strategies that continue to reduce the cost of electricity and improve energy infrastructure in the territory.

Fiscal year 2019 saw progress on several EIC-funded energy projects in the territories. For Phase II of the Manu'a Renewable Energy Initiative, OIA awarded the American Samoa Power Authority a fiscal year 2017 EIC grant to of \$817,528 to help purchase battery-storage for the Ofu Solar Photovoltaic system, which were received and transported to the Ofu power plant in early 2019. The American Samoa Power Authority is also nearing completion of a similar microgrid on the islands of Ofu and Olosega of the Manu'a Islands. The American Samoa Power Authority's is also nearing completion of the Manu'a Demand Side Efficiency program, after installation of LED light fixtures throughout homes, schools, and businesses in Manu'a, as well as Phase II of the water SCADA upgrade project.

In 2018, Guam Memorial Hospital was approved to use the remainder of a 2015 100kW solar rooftop system grant for energy efficient exterior facility and parking lot lighting for both the Hospital and Skilled Nursing Unit, for which NREL also provided technical assistance to develop the scope of work. Replacement of the old lights with the new energy efficient LED light poles took place in the fall of 2019. In 2018, funding was awarded to the Guam Power Authority for its Bringing Energy Savings To (BEST) Schools partnership with the Guam Department of Education for an LED lighting retrofit in Southern and George Washington High Schools. Lighting surveys and audits were completed by the spring of 2019, with construction and lighting retrofits completed by the beginning of the fall 2019 school year.

The CNMI completed a 2017 project to perform a feasibility study in order to determine the benefits of extracting landfill gas, at the Inos Peace Park (formerly the Puerto Rico Dump) and the Marpi Solid Waste Facility. It was estimated that peak landfill gas production occurred in 2004, and while a landfill gas could be produced and collected would be low, it could be utilized to power a small reciprocating engine or microturbine to replace the existing power source currently in operation for electricity supply to the Park office building and other onsite facilities. It was ultimately determined though that the installation of an active landfill gas collection system and operation of a beneficial reuse project is not economically viable at the Park. At the Marpi Facility, peak landfill gas production is estimated to occur in 2049, however, it was determined that the installation of a landfill gas collection system and operation of a beneficial reuse project is also not currently economically viable at that site. While a leachate evaporator option was also not found to be economically viable at the Marpi Facility, it may be a good

alternative to deal with future leachate volume as additional leachate pond construction will be required as additional cells begin operation.

Activity: Territorial Assistance						
Subactivity: Compact Impact - Discretionary \$(000)						
	2019 Actual	2020 Enacted	2021			Change from 2020 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	4,000	4,000	0	-4,000	0	-4,000
FTEs	0	0	0	0	0	0

SUMMARY OF 2021 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Compact Impact Discretionary	-4,000	0

JUSTIFICATION OF 2021 PROGRAM CHANGES**Compact Impact – Discretionary (-\$4.0 million)**

Funding is not requested for the Compact Impact Discretionary program. The 2021 budget request maintains permanently appropriated Compact Impact funding which is authorized to defray costs of qualified nonimmigrants incurred by affected jurisdictions.

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Compacts of Free Association

Activity: Compact of Free Association (Current Appropriation)							
Subactivity: Federal Services Assistance \$(000)							
	2019 Actual	2020 Enacted	2021				Change from 2020 (+/-)
			Fixed Costs & Related Changes (+/-)	Internal Transfer (+/-)	Program Changes (+/-)	Budget Request	
	2,813	\$7,813	0	-5,000	-177	2,636	-5,177
FTEs	0	0	0	0	0	0	0

SUMMARY OF 2021 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Federal Services Assistance	-177	0

The Federal Services Assistance program provides support for U.S. Postal Service mail and package delivery to the freely associated states.

JUSTIFICATION OF 2021 PROGRAM CHANGES

Federal Services (-\$177,000)

The 2021 budget request provides \$2.6 million to support United States Postal Service mail delivery to the freely associated states and Palau's single audit. The \$5.0 million for Marshall Islands Tax and Trade is moved from under the Federal Services Subactivity to its own Subactivity in the 2021 Request.

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.

Additionally, Federal Services Assistance continues to support an annual grant to Palau for its annual single audit.

2021 PROGRAM PERFORMANCE

OIA will enter into a reimbursable agreement with the USPS for services provided to the FAS. Approximately \$600,000 of the request level will be granted to Palau for its single audit.

Activity: Compact of Free Association (Current Appropriation)						
Subactivity: Enewetak \$(000)						
	2019 Actual	2020 Enacted	2021			Change from 2020 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	600	650	0	-177	473	-177
FTEs	0	0	0	0	0	0

SUMMARY OF 2021 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Enewetak	-177	0

The Enewetak Support program provides supplemental foods for the community, rehabilitates agricultural resources, and provides agricultural maintenance training.

JUSTIFICATION OF 2021 PROGRAM CHANGES

Enewetak (-\$177,000)

The 2021 budget provides \$473,000 to support agricultural operations and activities, as well as food and commodity purchases.

PROGRAM OVERVIEW

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

The Enewetak community developed a plan with the assistance of the University of the South Pacific to provide greater amounts of locally produced food and to better integrate necessary imported food into the local diets. This plan has not been fully implemented and efforts with regard to efforts to replenish the atoll's soil and agricultural potential have largely halted.

2021 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 vessel and support office in Majuro. OIA will provide grants for Enewetak to continue these activities.

Activity: Compact of Free Association (Current Appropriation)							
Subactivity: Marshall Islands Tax and Trade \$(000)							
	2019 Actual	2020 Enacted	2021				Change from 2020 (+/-)
			Fixed Costs & Related Changes (+/-)	Internal Transfer (+/-)	Program Changes (+/-)	Budget Request	
	0	[5,000]	0	+5,000*	0	5,000	+5,000
FTEs	0	0	0	0	0	0	0

*Note: The \$5.0 million for Marshall Islands Tax and Trade is moved from under the Federal Services Subactivity to its own Subactivity in the 2021 Request.

PROGRAM OVERVIEW

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

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

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

The RMI has completed the actions requested by U.S. law and the Compact of Free Association, and a Federal government IAG has reviewed and supported the RMI's claim. The Congress provided \$5.0 million in compensation to the RMI in 2020. An additional \$5.0 million in compensation is requested in 2021. This money will be deposited into the RMI Compact Trust Fund which will be beneficial to the long-term health of the trust fund and meet U.S. goals under the Compact.

Account: Compact of Free Association (Permanent and Indefinite)						
Activity: Economic Assistance						
Subactivity: Federated States of Micronesia and Republic of the Marshall Islands \$(000)						
	2019 Actual	2020 Enacted	2021			Change from 2020 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
RMI	78,053	79,430	0	+1,271	80,701	+1,271
FSM	113,104	115,105	0	+1,844	116,949	+1,844
Judicial Training	366	373	0	+6	379	+6
Total	191,523	194,908	0	+3,121	198,029	+3,121
FTEs	0	0	0	0	0	0

SUMMARY OF 2021 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
RMI	+1,271	0
FSM	+1,844	0
Judicial Training	+6	0

JUSTIFICATION OF 2021 PROGRAM CHANGES

The 2021 budget request for Compact of Free Association - Economic Assistance to the Republic of the Marshall Islands and Federated States of Micronesia is \$198.0 million, an increase of \$3.1 million from the 2020 enacted level. The program changes in this account are required inflation adjustments under the amended Compacts of Free Association. The increases are based on changes in the United States Gross Domestic Product Implicit Price Deflator but may not exceed 5 percent annually.

PROGRAM OVERVIEW

Article I of Title Two of the Compacts of Free Association describes the financial assistance commitment by the United States to the Federated States of Micronesia (FSM) and the Republic of the Marshall Islands (RMI). The first period of financial assistance expired on September 30, 2003. Following four years of negotiations led by the Department of State with support from OIA, Congress enacted amendments to the Compact as Public Law 108-188 on December 17, 2003. These amendments also include a new permanent and indefinite appropriation that ensures continuation of direct financial assistance through 2023 for the FSM and the RMI.

The long-term goal of United States' Compact financial support is to assist the freely associated states "in their efforts to advance the economic self-sufficiency of their peoples." The funding provided during the first Compact financial assistance period (1987-2003) provided the basis for meeting the two primary political goals of the Compact, to (1) secure self-government for each country by ending the four decades-old Trusteeship; and (2) ensure national security rights for the United States in the freely associated states. The two primary goals could not have been achieved without the stability Compact funding gave the FSM and RMI economies. Through fiscal year 2020, the FSM has received \$3.3 billion in Compact funding while the RMI has received \$2.2 billion. The following provides historical and estimated Compact funding through the end of the current Compacts:

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

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

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

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

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

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

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

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

The amended Compacts provide 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 mid-ranking officials from the U.S. and the RMI or FSM, meet bi-annually to agree on the allocation of Compact funds among the sectors and to discuss performance, accountability issues and conditions for the use of assistance. OIA serves as the administrator of the financial assistance and ensures enforcement of conditions. An office for monitoring Compact assistance was established in Honolulu in 2003 and personnel have also been located in U.S. embassies in the RMI and FSM capitals. Through a negotiated fiscal procedures agreement, accountability and control standards similar to those which apply domestically to grant agreements between the Federal Government and State and local governments have been implemented.

The amended Compacts also require the United States to make contributions to trust funds for each government. The trust funds are intended to help provide a source of income to the FSM and RMI following the conclusion of direct assistance in 2023.

2021 PROGRAM PERFORMANCE

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

- Conduct a minimum of 125 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 2021 is not available at the time of this report due to the nature of the Compact agreement. As agreed to in the Compacts, performance plans and budgets for 2021 are not submitted by the FSM and RMI until 90 days before the start of the fiscal year.

Fiscal Year 2020 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 2020 through Section 211 of Public Law 108-88 was \$65,000,000. This amount is adjusted annually by 2/3 of the Gross Domestic Product Implicit Price Deflator. The inflation adjustment for 2020 was \$15,795,000. 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 \$80,795,000. From this total, an amount of \$248,600 was provided to the FSM's Disaster Assistance Emergency Fund.

\$24,163,920 was reserved for the Public Infrastructure Sector. Since September 2017, the FSM has received support from the U.S. Army Corps of Engineers for technical program assistance in administering the Compact Public Sector Infrastructure program.

\$33,809,600 was deposited into the Compact Trust Fund for the People of the Federated States of Micronesia.

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, rather than the step-downs implemented during the initial Compact period, represents a reduction in grant funding. It does not, however, actually represent a reduction in total funding from the US, instead it 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. The preferred way to offset declines in real resource

transfers is sustained and significant economic growth. Such remains the goal of the FSM; however, it would not be prudent to rely upon such growth exclusively in the FSM's planning fiscal process. The likelihood of such sustained growth is reduced in the face of an increasing level of outward migration.

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

By 2009, observers both within the FSM and among US government officials noted that the standard response to the declining real value of Compact sector grants was to instigate incremental cuts that did not reflect focused deliberations and thus did not tend to reflect priorities.

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

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

As a result of this observed common pattern of behavior throughout the FSM, the Joint Economic Management 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 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, to date, of the FSM to meet its obligations under the Compact to match contributions to the Infrastructure Maintenance Fund, and the evident need of still greater allocations towards infrastructure maintenance; and,
- The need to constrain expenditures, increase revenues, and/or find subsequent domestic or foreign contributors to increase Compact Trust Fund contributions, in order to be able credibly to adjust to projected levels of sustainable support after 2023.

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

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

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

Education

The Education Sector Grant is intended to support and improve the educational system of the Federated States of Micronesia, including, without limitation, the systems for primary, secondary, and post-secondary education, respectively, and develop the human and material resources necessary for the Federated States of Micronesia to perform these services. Emphasis is on advancing a quality basic education system by increasing the achievement levels of students in the primary and secondary education

system based on performance standards and assessments appropriate for the Federated States of Micronesia; providing secondary education or vocational training to qualified students; improving management and accountability within the educational system; raising the level of staff quality, including teacher training, with the ultimate aspiration that highly qualified teachers are in the classroom; and improving the relevance of education to the needs of the economy.

Health

The Health Sector Grant is intended to support and improve the delivery of preventive, curative and environmental care, and develop the human and material resources necessary for the Federated States of Micronesia to perform these services. Priority is given to establishing sustainable funding mechanisms for operating a community-based system with emphasis on prevention, primary care, mental health, substance abuse prevention, and the operation of hospitals to provide secondary care at appropriate levels and reduce reliance on medical referrals abroad.

Public Infrastructure

In accordance with section 211(a) of the Compact, as amended, unless otherwise agreed, annual Grant assistance is intended to assist the Government of the Federated States of Micronesia in its efforts to provide adequate public infrastructure assistance. With respect to the Public Infrastructure Sector Grant, the highest priority is to be given to primary and secondary education capital projects and projects that directly affect health and safety, including water and wastewater projects, solid waste disposal projects, and health care facilities. Second priority shall be given to economic development-related projects, including airport and seaport improvements, roads, sea walls, and energy development including renewable energy that cannot be funded through the rate structure.

Environment

The Environment Sector Grant is intended to support the efforts of the Government of the Federated States of Micronesia to protect the Nation's land and marine environment and to conserve and achieve sustainable use of its natural resources. These efforts are to include the ongoing development, adoption and enforcement of policies, laws and regulation in pursuit of the above stated goals; the reduction and prevention of environmental degradation and all forms of environmental pollution; adaptation to climate change; the protection of biological diversity, including the assurance of adequate legal and international treaty safeguards relating to the protection of botanical and other agroecological property belonging to the Federated States of Micronesia; the establishment and management of conservation (sustainable use) areas; environmental infrastructure planning, design construction, and operation; interaction and cooperation with nongovernmental organizations; the promotion of increased environmental awareness in governmental and private sectors; and the promotion of increased involvement of citizens and traditional leaders of the Federated States of Micronesia in the process of conserving their country's natural resources.

Private Sector Development

The Sector Grant for private sector development is intended to support the efforts of the Government of the Federated States of Micronesia to attract new foreign investment and increase indigenous business

activity by vitalizing the commercial environment, ensuring fair and equitable application of the law, promoting adherence to Core Labor Standards, maintaining progress toward the privatization of state-owned and partially state-owned enterprises, and engaging in other reforms. Priority is given to advancing the private development of fisheries, tourism and agriculture; employing new telecommunications technologies; and analyzing and developing new systems, laws, regulations and policies to foster private sector development, to facilitate investment by potential private investors, and to develop business and entrepreneurial skills.

Enhanced Reporting and Accountability

This sector is intended to address the additional complexities and costs of compliance inherent in the Compact, as amended, specifically those related to budgeting, financial accountability, and expanded financial and performance reporting requirements.

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

Public Sector Capacity Building

The Sector Grant for capacity building is intended to support the efforts of the Federated States of Micronesia to build effective, accountable, and transparent national and local government and other public sector institutions and systems. Priority is given to improving economic planning, financial management, auditing, law enforcement, immigration controls, the judiciary, and the compilation and analysis of appropriate statistical indicators with the goal of ensuring essential functions can be carried out and essential positions are filled with qualified personnel.

Fiscal Year 2020 Allocations for the RMI

The base amount of Compact of Free Association financial assistance made available to the Republic of the Marshall Islands (RMI) for 2020 through Section 211 of Public Law 108-88 was \$29,200,000. This amount is adjusted annually by 2/3 of the Gross Domestic Product Implicit Price Deflator. The inflation adjustment for 2020 was \$7,095,600. Combining the base amount and inflation adjustment, the total amount of Section 211 Compact of Free Association financial assistance made available to the RMI was \$36,295,600. From this total, an amount of \$248,600 was provided to the RMI's Disaster Assistance Emergency Fund.

- \$10,814,100 was reserved for the Public Infrastructure Sector.
- \$18,645,000 was contributed to the Compact Trust Fund for the People of the Republic of the Marshall Islands.
- \$22,374,000 was reserved for payments during Fiscal Year 2020 made to Kwajalein Landowners by the Marshall Islands government.

Education

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

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

Funding from the Compact, Ebeye Special Needs (ESN), Supplemental Education Grants, and Special Education funds from the U.S. Department of Education fund 75 percent of RMI's education system. In School Year 2019-2020, 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 with persistent problems. About 35 percent of RMI's teachers still possess only a high school degree. Despite a significant investment in upgrading teacher skills, the percentage of teachers with only a high school degree has remained roughly the same due to high turnover rates. Many teachers leave for higher paying government jobs once they have received a college degree. As more teachers receive college degrees and a commensurate increase in their salary, personnel costs will rise to unsustainable levels if there is no contribution of additional resources to MOE's budget. The RMI has recently provided additional resources from its General Fund to further support its education system.

Under new leadership, the MOE has set the following actions to improve education outcomes 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

The greatest challenge for the health sector during Fiscal Year 2020 is an outbreak of dengue fever on multiple islands throughout the Marshall Islands.

For 2020, 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 2020 represents 35 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 17 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 \$10.8 million for infrastructure improvements and maintenance in 2020. The RMI consistently adheres to the Amended Compacts' policy that at least 30 percent of all annual United States Compact financial assistance made available through Section 211 of the Amended Compacts be directed toward infrastructure development. To guide project selection, the RMI continues to update its comprehensive Infrastructure Development and Maintenance Program (IDMP) with complete project descriptions, timelines, financial requirements and measurable project indicators.

Environment

Assistance is used to support the RMI Environmental Protection Agency (EPA) activities and programs on Ebeye and throughout Kwajalein Atoll.

Account: Compact of Free Association (Permanent and Indefinite)						
Activity: Compact Impact \$(000)						
	2019 Actual*	2020 Enacted*	2021*			Change from 2020 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request*	
Hawaii	13,129	13,129	0	0	13,129	0
Guam	14,856	14,856	0	0	14,856	0
CNMI	1,995	1,995	0	0	1,995	0
American Samoa	20	20	0	0	20	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

*An error was discovered in the 2013 and 2018 enumerations conducted by the U.S. Census Bureau. These allocations may be updated once resolved.

PROGRAM OVERVIEW

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

The \$30.0 million distribution is based on a ratio allocation to the government of each affected jurisdiction on the basis of the results of the most recent enumeration. At a minimum, enumerations will be conducted every five years. The 2018 enumeration was completed in 2019 by the U.S. Census Bureau and the results were used to determine the distribution of 2019 and 2020 Compact Impact funding. This allocation is in accordance with the provision in Section 104(e)(5) of Title One of the amended Compacts of Free Association. In late 2019, an error in the 2013 and 2018 enumerations were discovered by the U.S. Census Bureau. Resolution of this error and any impacts it may have on allocations have yet to be determined.

2021 PROGRAM PERFORMANCE

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

The State of Hawaii is expected to use its full 2020 and 2021 allocations to supplement State funds to support indigent health care as in past years. Guam is expected to use its 2020 and 2021 Compact Impact funding for the Department of Education/Department of Public Works Schools Leaseback and as a Government of Guam general operations offset. The CNMI anticipates using its 2020 and 2021 Compact Impact grant as a general operations offset as well. American Samoa is expected to use its 2020 and 2021 Compact Impact funding as an operational offset for the American Samoa Department of Education budget.

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Miscellaneous Schedules

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
Payments 1987 - 2003
\$'S in 000S**

	FY 1987	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	TOTALS	FY 2002	FY 2003
Republic of Marshall Islands (RMI)																		
S.211 Capital and Current	26,100	26,100	26,100	26,100	26,100	22,100	22,460	22,460	22,100	22,100	19,100	19,100	19,100	19,100	19,100	337,220	22,433	22,433
S.217 Inflation	6,468	6,816	7,668	8,520	9,656	9,272	10,004	10,736	11,224	11,712	10,700	11,342	11,342	11,556	11,984	149,000	14,384	14,384
S.213 Kwajalein Impact	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	28,500	1,900	1,900
S.214 Energy Production	0	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	28,000	1,867	1,867
S.215 Communications O&M	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	4,500	300	300
S.215 Communications Hardware	3,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3,000	200	200
S.111 Tax & Trade Compensation	0	6,000	0	4,000	0	0	0	0	0	0	0	0	0	0	0	10,000	0	0
S.216 Maritime Surveillance/ Med. Ref./ Scholarships	2,367	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	26,167	1,744	1,744
Subtotal	40,135	44,816	39,668	44,520	41,656	37,272	38,364	39,096	39,224	39,712	35,700	36,342	36,342	36,556	36,984	586,387	42,828	42,828
S.221 Health & Ed. Block Grant	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	45,000	3,000	3,000
Military Use and Operating Rights Grant	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,500	0
Enewetak Operations	900	1,100	1,100	1,100	1,094	1,094	1,091	1,091	1,089	1,091	1,091	1,191	1,576	1,191	1,388	17,187	1,391	1,620
Rongelap Resettlement	0	0	0	0	0	1,975	1,983	1,983	6,979	0	24,020	0	0	0	0	36,940	0	0
Enjebi	5,000	2,500	2,500	0	0	0	0	0	0	0	0	0	0	0	0	10,000	0	0
Bikini Resettlement	0	2,300	5,000	22,000	21,000	21,000	21,000	0	0	0	0	0	0	0	0	92,300	0	0
Section 177 (Nuclear Claims)	150,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	150,000	0	0
Other Construction	0	400	1,000	2,000	1,989	0	0	1,000	499	0	0	0	0	0	0	6,888	0	0
TOTAL - RMI	199,035	54,116	52,268	72,620	68,739	64,341	65,438	46,170	50,791	43,803	63,811	40,533	40,918	40,747	41,372	944,702	49,719	47,448
Federated States of Micronesia (FSM)																		
S.211 Capital and Current	60,000	60,000	60,000	60,000	60,000	51,000	51,000	51,000	51,000	51,000	40,000	40,000	40,000	40,000	40,000	755,000	50,333	50,333
S.217 Inflation	14,652	15,504	17,442	19,380	21,964	21,128	22,797	24,464	25,576	26,688	22,300	23,638	23,638	24,084	24,976	328,231	31,940	31,939
S.214 Energy Production	0	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	42,000	2,800	2,800
S.215 Communications O&M	600	600	600	600	600	600	600	600	600	600	600	600	600	600	600	9,000	600	600
S.215 Communications Hardware	6,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6,000	400	400
S.213 Yap Impact	160	0	0	0	0	0	0	0	0	0	0	0	0	0	0	160	11	11
S.111 Tax & Trade Compensation	0	12,000	0	8,000	0	0	0	0	0	0	0	0	0	0	0	20,000	0	0
S.216 Maritime/Med. Ref./Scholarships	4,335	3,669	3,669	3,669	3,669	3,669	3,669	3,669	3,669	3,669	3,669	3,669	3,669	3,669	3,669	55,701	3,713	3,713
S.212 Civic Action Teams	0	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	14,000	933	933
Other Construction	0	0	0	0	3,979	3,950	0	500	1,497	0	0	0	0	0	0	9,926	0	0
Subtotal, permanent (FSM)	85,747	95,773	85,711	95,649	94,212	84,347	82,066	84,233	86,342	85,957	70,569	71,907	71,907	72,353	73,245	1,240,018	90,730	90,729
S.221 Health & Ed. Block Grant	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	105,000	7,000	7,000
TOTAL - FSM	92,747	102,773	92,711	102,649	101,212	91,347	89,066	91,233	93,342	92,957	77,569	78,907	78,907	79,353	80,245	1,345,018	97,730	97,729
Federal Services - FSM/RMI/Palau	18,750	17,320	12,760	10,160	7,660	7,810	7,294	7,528	6,514	6,964	6,964	7,354	7,354	7,120	7,338	138,890	7,354	7,306
GRAND TOTAL, RMI & FSM	310,532	174,209	157,739	185,429	177,611	163,498	161,798	144,931	150,647	143,724	148,344	126,794	127,179	127,220	128,955	2,428,610	154,803	152,483

**FSM-RMI Compact Budget Authority
2004-2008**

(In thousands of dollars)

	2004 Inflation 0.00%			2005 Inflation 2.00%			2006 Inflation 4.35%			2007 Inflation 6.68%			2008 Inflation 8.58%			Subtotal 2004-2008
	Base		Total	Base		Total	Base		Total	Base		Total	Base		Total	
Federated States of Micronesia																
Annual Grant Section 211	76,200	-	76,200	76,200	1,524	77,724	76,200	3,315	79,515	75,400	5,037	80,437	74,600	6,401	81,001	394,876
Audit Grant Section 212 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500	2,500
Trust Fund Section 215	16,000	-	16,000	16,000	320	16,320	16,000	696	16,696	16,800	1,122	17,922	17,600	1,510	19,110	86,048
<i>Total FSM Compact</i>	<i>92,700</i>	<i>-</i>	<i>92,700</i>	<i>92,700</i>	<i>1,844</i>	<i>94,544</i>	<i>92,700</i>	<i>4,011</i>	<i>96,711</i>	<i>92,700</i>	<i>6,159</i>	<i>98,859</i>	<i>92,700</i>	<i>7,911</i>	<i>100,611</i>	<i>483,424</i>
Republic of the Marshall Islands																
Annual Grant Section 211	35,200	-	35,200	34,700	694	35,394	34,200	1,488	35,688	33,700	2,251	35,951	33,200	2,849	36,049	178,281
Audit Grant Section 213 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500	2,500
Trust Fund Section 216 (a&c)	7,000	-	7,000	7,500	150	7,650	8,000	348	8,348	8,500	568	9,068	9,000	772	9,772	41,838
Kwajalein Impact Section 212	15,000	-	15,000	15,000	300	15,300	15,000	653	15,653	15,000	1,002	16,002	15,000	1,287	16,287	78,242
Rongelap Resettlement Section 103 (f)(4)	-	-	-	1,780	-	1,780	1,760	-	1,760	1,760	-	1,760	-	-	-	5,300
Enewetak Section 103 (f)(2)(c)(i)	1,300	-	1,300	1,300	26	1,326	1,300	57	1,357	1,300	87	1,387	1,300	112	1,412	6,781
<i>Total RMI Compact</i>	<i>59,000</i>	<i>-</i>	<i>59,000</i>	<i>60,780</i>	<i>1,170</i>	<i>61,950</i>	<i>60,760</i>	<i>2,545</i>	<i>63,305</i>	<i>60,760</i>	<i>3,908</i>	<i>64,668</i>	<i>59,000</i>	<i>5,019</i>	<i>64,019</i>	<i>312,942</i>
Compact-Other																
Compact Impact Section 104 (e)	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	29,700	(26)	29,674	149,674
Compact Impact Enumeration Section 104 (e)(4)	-	-	-	-	-	-	-	-	-	-	-	-	300	26	326	326
Judicial Training	300	-	300	300	6	306	300	13	313	300	20	320	300	26	326	1,565
<i>Total Compact-Other</i>	<i>30,300</i>	<i>-</i>	<i>30,300</i>	<i>30,300</i>	<i>6</i>	<i>30,306</i>	<i>30,300</i>	<i>13</i>	<i>30,313</i>	<i>30,300</i>	<i>20</i>	<i>30,320</i>	<i>30,300</i>	<i>26</i>	<i>30,326</i>	<i>151,565</i>
GRAND TOTAL	182,000	-	182,000	183,780	3,020	186,800	183,760	6,569	190,329	183,760	10,087	193,847	182,000	12,956	194,956	947,931

FSM-RMI Compact Budget Authority
2009-2013

(In thousands of dollars)

	2009			2010			2011			2012			2013			Subtotal 2009-2013
	Base	Inflation 10.51%	Total	Base	Inflation 10.94%	Total	Base	Inflation 11.97%	Total	Base	Inflation 13.40%	Total	Base	Inflation 15.71%	Total	
Federated States of Micronesia																
Annual Grant Section 211	73,800	7,756	81,556	73,000	7,986	80,986	72,200	8,642	80,842	71,400	9,568	80,968	70,600	11,091	81,691.26	406,044
Audit Grant Section 212 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500.00	2,500
Trust Fund Section 215	18,400	1,934	20,334	19,200	2,100	21,300	20,000	2,394	22,394	20,800	2,787	23,587	21,600	3,393	24,993.36	112,609
<i>Total FSM Compact</i>	<i>92,700</i>	<i>9,690</i>	<i>102,390</i>	<i>92,700</i>	<i>10,087</i>	<i>102,787</i>	<i>92,700</i>	<i>11,036</i>	<i>103,736</i>	<i>92,700</i>	<i>12,355</i>	<i>105,055</i>	<i>92,700</i>	<i>14,485</i>	<i>107,185</i>	<i>521,153</i>
Republic of the Marshall Islands																
Annual Grant Section 211	32,700	3,437	36,137	32,200	3,523	35,723	31,700	3,794	35,494	31,200	4,181	35,381	30,700	4,823	35,523	178,258
Audit Grant Section 213 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500	2,500
Trust Fund Section 216 (a&c)	9,500	998	10,498	10,000	1,094	11,094	10,500	1,257	11,757	11,000	1,474	12,474	11,500	1,807	13,307	59,130
Kwajalein Impact Section 212	15,000	1,577	16,577	15,000	1,641	16,641	15,000	1,796	16,796	15,000	2,010	17,010	15,000	2,357	17,357	84,380
Rongelap Resettlement Section 103 (f)(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Enewetak Section 103 (f)(2)(c)(i)	1,300	137	1,437	1,300	142	1,442	1,300	156	1,456	1,300	174	1,474	1,300	204	1,504	7,313
<i>Total RMI Compact</i>	<i>59,000</i>	<i>6,148</i>	<i>65,148</i>	<i>59,000</i>	<i>6,400</i>	<i>65,400</i>	<i>59,000</i>	<i>7,002</i>	<i>66,002</i>	<i>59,000</i>	<i>7,839</i>	<i>66,839</i>	<i>59,000</i>	<i>9,190</i>	<i>68,190</i>	<i>331,580</i>
Compact-Other																
Compact Impact Section 104 (e)	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	29,700	(47)	29,653	149,653
Compact Impact Enumeration Section 104 (e)(4)	-	-	-	-	-	-	-	-	-	-	-	-	300	47	347	347
Judicial Training	300	32	332	300	33	333	300	36	336	300	40	340	300	47	347	1,688
<i>Total Compact-Other</i>	<i>30,300</i>	<i>32</i>	<i>30,332</i>	<i>30,300</i>	<i>33</i>	<i>30,333</i>	<i>30,300</i>	<i>36</i>	<i>30,336</i>	<i>30,300</i>	<i>40</i>	<i>30,340</i>	<i>30,300</i>	<i>47</i>	<i>30,347</i>	<i>151,688</i>
GRAND TOTAL	182,000	15,870	197,870	182,000	16,519	198,519	182,000	18,075	200,075	182,000	20,234	202,234	182,000	23,722	205,722	1,004,420

**FSM-RMI Compact Budget Authority
2014-2018**

(In thousands of dollars)

	2014			2015			2016			2017			2018			Subtotal 2014-2018
	Base	Inflation 16.54%	Total	Base	Inflation 16.28%	Total	Base	Inflation 17.87%	Total	Base	Inflation 18.91%	Total	Base	Inflation 20.39%	Total	
Federated States of Micronesia																
Annual Grant Section 211	69,800	11,545	81,345	69,000	11,233	80,233	68,200	12,187	80,387	67,400	12,745	80,145	66,600	13,580	80,180	402,291
Audit Grant Section 212 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500	2,500
Trust Fund Section 215	22,400	3,705	26,105	23,200	3,777	26,977	24,000	4,289	28,289	24,800	4,690	29,490	25,600	5,220	30,820	141,680
<i>Total FSM Compact</i>	<i>92,700</i>	<i>15,250</i>	<i>107,950</i>	<i>92,700</i>	<i>15,010</i>	<i>107,710</i>	<i>92,700</i>	<i>16,476</i>	<i>109,176</i>	<i>92,700</i>	<i>17,435</i>	<i>110,135</i>	<i>92,700</i>	<i>18,800</i>	<i>111,500</i>	<i>546,471</i>
Republic of the Marshall Islands																
Annual Grant Section 211	32,200	5,326	37,526	31,700	5,161	36,861	31,200	5,575	36,775	30,700	5,805	36,505	30,200	6,158	36,358	184,025
Audit Grant Section 213 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500	2,500
Trust Fund Section 216 (a&c)	12,000	1,985	13,985	12,500	2,035	14,535	13,000	2,323	15,323	13,500	2,553	16,053	14,000	2,855	16,855	76,750
Kwajalein Impact Section 212	18,000	-	18,000	18,000	2,930	20,930	18,000	3,217	21,217	18,000	3,404	21,404	18,000	3,670	21,670	103,221
Rongelap Resettlement Section 103 (f)(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Enewetak Section 103 (f)(2)(c)(i)	1,300	215	1,515	1,300	212	1,512	1,300	232	1,532	1,300	246	1,546	1,300	265	1,565	7,670
<i>Total RMI Compact</i>	<i>64,000</i>	<i>7,526</i>	<i>71,526</i>	<i>64,000</i>	<i>10,338</i>	<i>74,338</i>	<i>64,000</i>	<i>11,347</i>	<i>75,347</i>	<i>64,000</i>	<i>12,008</i>	<i>76,008</i>	<i>64,000</i>	<i>12,948</i>	<i>76,948</i>	<i>374,166</i>
Compact-Other																
Compact Impact Section 104 (e)	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	29,700	(61)	29,639	149,639
Compact Impact Enumeration Section 104 (e)(4)	-	-	-	-	-	-	-	-	-	-	-	-	300	61	361	361
Judicial Training	300	50	350	300	49	349	300	54	354	300	57	357	300	61	361	1,770
<i>Total Compact-Other</i>	<i>30,300</i>	<i>50</i>	<i>30,350</i>	<i>30,300</i>	<i>49</i>	<i>30,349</i>	<i>30,300</i>	<i>54</i>	<i>30,354</i>	<i>30,300</i>	<i>57</i>	<i>30,357</i>	<i>30,300</i>	<i>61</i>	<i>30,361</i>	<i>151,770</i>
GRAND TOTAL	187,000	22,825	209,825	187,000	25,397	212,397	187,000	27,877	214,877	187,000	29,500	216,500	187,000	31,808	218,808	1,072,407

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

	2019			2020			2021			2022			2023			Subtotal 2019-2023	Total 2004- 2023
	Base	Inflation 22.13%	Total	Base	Inflation 24.30%	Total	Base	Inflation 26.30%	Total	Base	Inflation 28.30%	Total	Base	Inflation 30.30%	Total		
<u>Federated States of Micronesia</u>																	
Annual Grant Section 211	65,800	14,562	80,362	65,000	15,795	80,795	64,200	16,885	81,085	63,400	17,942	81,342	62,600	18,968	81,568	405,151	1,608,362
Audit Grant Section 212 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500	2,500	10,000
Trust Fund Section 215	26,400	5,842	32,242	27,200	6,610	33,810	28,000	7,364	35,364	28,800	8,150	36,950	29,600	8,969	38,569	176,935	517,273
<i>Total FSM Compact</i>	<i>92,700</i>	<i>20,404</i>	<i>113,104</i>	<i>92,700</i>	<i>22,405</i>	<i>115,105</i>	<i>92,700</i>	<i>24,249</i>	<i>116,949</i>	<i>92,700</i>	<i>26,093</i>	<i>118,793</i>	<i>92,700</i>	<i>27,937</i>	<i>120,637</i>	<i>584,586</i>	2,135,634
<u>Republic of the Marshall Islands</u>																	
Annual Grant Section 211	29,700	6,573	36,273	29,200	7,096	36,296	28,700	7,548	36,248	28,200	7,981	36,181	27,700	8,393	36,093	181,090	721,654
Audit Grant Section 213 (b)	500	-	500	500	-	500	500	-	500	500	-	500	500	-	500	2,500	10,000
Trust Fund Section 216 (a&c)	14,500	3,209	17,709	15,000	3,645	18,645	15,500	4,077	19,577	16,000	4,528	20,528	16,500	5,000	21,500	97,958	275,676
Kwajalein Impact Section 212	18,000	3,983	21,983	18,000	4,374	22,374	18,000	4,734	22,734	18,000	5,094	23,094	18,000	5,454	23,454	113,639	379,481
Rongelap Resettlement Section 103 (f)(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,300
Enewetak Section 103 (f)(2)(c)(i)	1,300	288	1,588	1,300	316	1,616	1,300	342	1,642	1,300	368	1,668	1,300	394	1,694	8,207	29,971
<i>Total RMI Compact</i>	<i>64,000</i>	<i>14,053</i>	<i>78,053</i>	<i>64,000</i>	<i>15,431</i>	<i>79,431</i>	<i>64,000</i>	<i>16,701</i>	<i>80,701</i>	<i>64,000</i>	<i>17,971</i>	<i>81,971</i>	<i>64,000</i>	<i>19,241</i>	<i>83,241</i>	<i>403,395</i>	1,422,083
<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	30,000	-	30,000	150,000	598,966
Compact Impact Enumeration Section 104 (e)(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,034
Judicial Training	300	66	366	300	73	373	300	79	379	300	85	385	300	91	391	1,894	6,916
<i>Total Compact-Other</i>	<i>30,300</i>	<i>66</i>	<i>30,366</i>	<i>30,300</i>	<i>73</i>	<i>30,373</i>	<i>30,300</i>	<i>79</i>	<i>30,379</i>	<i>30,300</i>	<i>85</i>	<i>30,385</i>	<i>30,300</i>	<i>91</i>	<i>30,391</i>	<i>151,894</i>	606,916
GRAND TOTAL	187,000	34,523	221,523	187,000	37,908	224,908	187,000	41,028	228,028	187,000	44,148	231,148	187,000	47,268	234,268	1,139,875	4,164,633

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

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

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

Final Enacted Modified Schedule

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

Dollars in thousands

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

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

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

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

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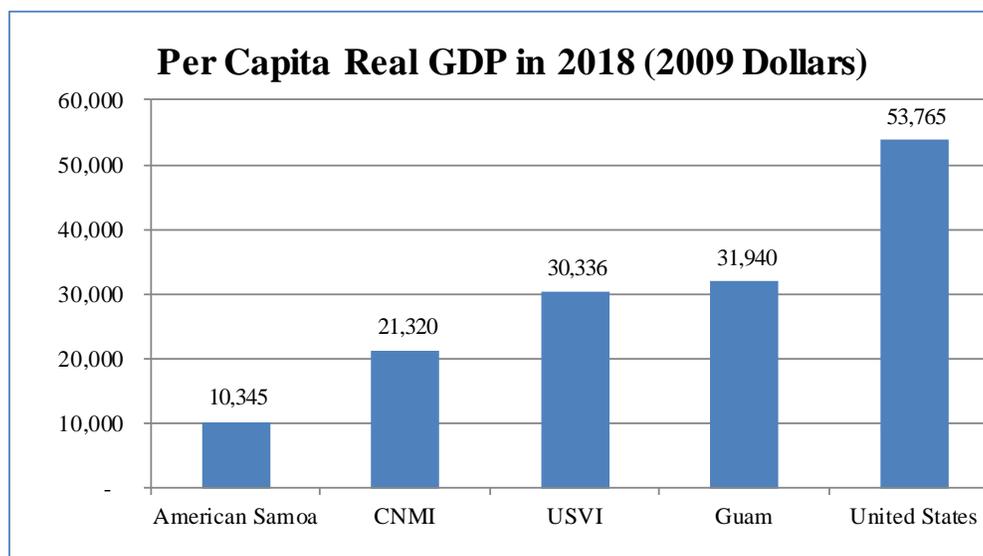
Insular Economic Update

The economic picture emerging from the most recent (2018) territorial gross domestic product (GDP) data is corroborated by population data from the 2010 census. All of the territories, except for Guam, lost population in the previous decade. The CNMI led the territories in population decline, with a 22.2 percent decrease from 2000 to 2010.

The insular economies are small, isolated and dependent on one or two main sources of income. In most areas, Federal programs and grants represent a major source of government revenues. Federal funds, including rum tax cover-over, were 37 percent of government revenues in the USVI in 2017, 29 percent in Guam, 24 percent in the CNMI and 61 percent in American Samoa in 2018. In three of the four territories, a single industry, tourism, is the major income source, which is influenced by global and regional economic forces beyond their control.

The Bureau of Economic Analysis (BEA) of the Department of Commerce produces official, standardized GDP data for the island territories annually under a special technical assistance program funded by OIA. The graph below shows per capita real (adjusted for inflation) GDP of the island territories and the United States. Among the territories, Guam has per capita real GDP closest to the national figure, but still about the same as that of the poorest state, Mississippi. The main reason for Guam's relative prosperity is the presence of a relatively large and expanding national defense infrastructure which provides jobs, income and taxes. Guam also has a relatively large and growing tourism industry powered mainly by visitors from industrial East Asia.

This information indicates that except for Guam and its unique mix of national defense and tourism industries, other territories are behind the national norm of per capital real GDP because they depend on a single industry and its ups and downs. An illustrative example of the economic fragility of the islands is the USVI which lost a large multi-national petroleum refinery in 2012. That loss left large gaps in the territory's income, employment, taxes and investment in capital which no other industry has filled.



The Freely Associated States (FAS)

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

Federated States of Micronesia (FSM)

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

Republic of the Marshall Islands (RMI)

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

Republic of Palau

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

¹ Excerpt from August 2019 Economic Brief FSM FY 2018, Graduate School USA

² Excerpt from August 2019 Economic Brief RMI FY 2018, Graduate School USA

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

³ Excerpt from August 2019 Economic Brief Palau FY 2018, Graduate School USA

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