



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

and Performance Information
Fiscal Year 2020

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

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 Guam, American Samoa, the U.S. Virgin Islands (USVI), and the Commonwealth of the Northern Mariana Islands (CNMI). Residents of these U.S. territories are U.S. citizens or 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 2020 budget request achieves the Department's mission of Fulfilling Our Trust and Insular Responsibilities by balancing the Office of Insular Affairs' efforts to strengthen economic and health capacities in the U.S. territories, and fulfill U.S. Compact obligations to freely associated states with the need for budgetary restraint.

The territories and FAS experience significant healthcare challenges. OIA, along with the Department of Health and Human Services (HHS), will work with insular area partners to focus limited resources in a way that improves the quality of healthcare across the insular areas. Investments will be made to implement corrective action plans which address chronic operational shortcomings and modernize healthcare infrastructure in the islands. Additional investments will be made to combat non-communicable and communicable diseases impacting the Pacific and Caribbean islands such as obesity, diabetes, and tuberculosis.

The Office of Insular Affairs 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 improve Federal coordination on issues impacting insular economies, restore trust with territorial communities and ensure sovereignty means something working with the freely associated states.

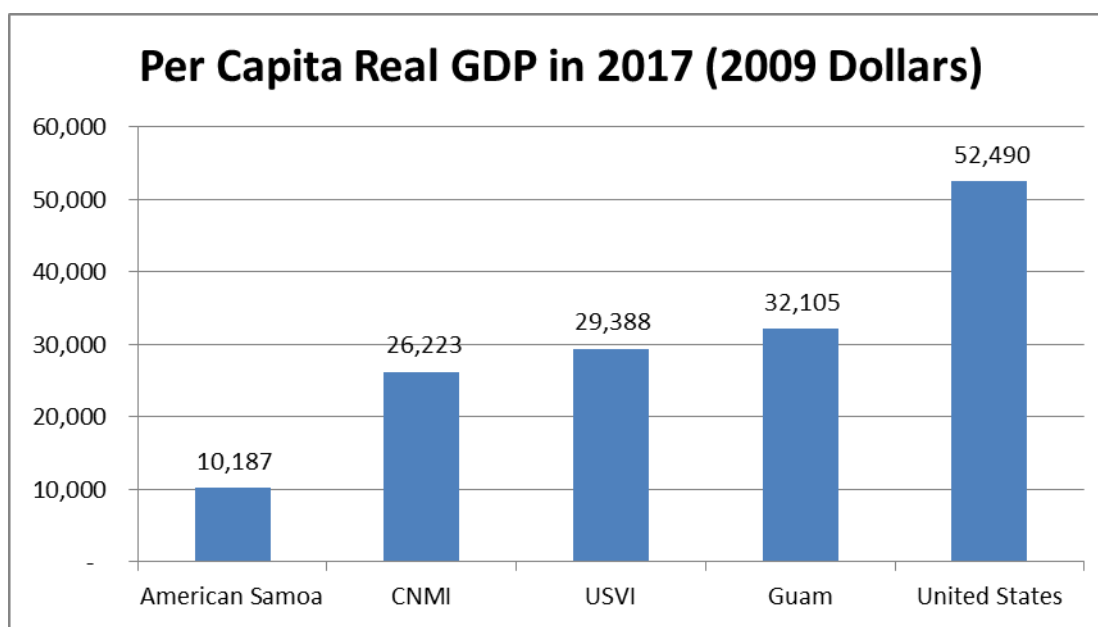
Insular Economic Update

The economic picture emerging from the most recent (2017) 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, however, the CNMI's economic picture has improved in recent years. GAO testimony in 2018 (GAO-18-373T) notes that the "CNMI's inflation-adjusted gross domestic product (GDP) has grown each year since 2012" due to "a significant increase in visitor spending, particularly for casino gambling, and investment in the construction of a casino resort in Saipan and other hotel construction."

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 32.2 percent of government revenues in the USVI in 2016, 35.0 percent in Guam, 22.0 percent in the CNMI and 64.0 percent in American Samoa in 2017. 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)

After experiencing strong growth in FY 2015 of 5.0 percent, FSM economic growth weakened in FY 2016 recording 0.7 percent, but improved in FY 2017 growing by 3.2 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 FY 2015, 2.4 percent in FY 2016 and 3.5 percent in FY 2017.¹

Republic of the Marshall Islands (RMI)

The RMI economy performed well in FY 2017 with 3.6 percent growth in GDP, improving on the 2.0 percent attained in FY 2016 and the two previous years of negative growth. During the last two years the major driver of the improved performance was an increase in construction activity following resumption in disbursements of the Compact infrastructure grant after the moratorium placed on the use of the grant in FY 2014 and FY 2015. In FY 2017 fisheries production improved with increase in the fish catch. However, regulatory issues in conforming to international shipping requirements, which affected production in FY 2016 and FY 2017, have now been put in abeyance, while suitable measures to ensure compliance are put in place. Without the impact of fisheries, GDP in the underlying economy grew by 2.9 and 2.8 percent in FY 2016 and FY 2017, respectively. Public administration also had a significant impact on growth during the last two years with the expansionary fiscal policy pursued by Government.²

Republic of Palau

In FY 2014 and FY 2015 the tourism economy boomed, and GDP recorded a growth of 4.6 and 9.3 percent, respectively. In FY2016 the economy continued to grow by 0.3 percent despite a large drop-off in tourism as the forward momentum in the economy maintained growth from strong household demand in an election year. In FY 2017 the economy contracted by a large 4.7 percent reflecting a drop in visitors from 146,629 to 122,050, a 17 percent reduction. While household demand added a positive 1.0 percent to the overall result, investment activity contracted resulting in a loss of -1.7 percent and the fall in tourism contributed -4.7 percent. GDP has risen by 1.1 percent per annum since FY 2000.³

Government Reform

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. The absolute first step in building a better and more efficient executive branch though is fostering a culture of ethics and respect amongst colleagues.

Interior has launched several top management objectives to better achieve Departmental goals and lead the agency moving forward. From day one of this Administration, Interior's leadership has made the work environment a priority. There is zero tolerance for any type of workplace harassment at Interior. The Department is instilling a culture change through clear management accountability, swift personnel actions, reporting procedures for harassment conduct, improved training, and substantive action plans.

In the area of anti-harassment efforts, each bureau and office has made significant headway in putting a diverse set of measures in place to prevent and address unacceptable conduct. Interior has also launched

¹ Excerpt from August 2018 Economic Brief FSM FY 2017, Graduate School USA

² Excerpt from August 2018 Economic Brief RMI FY 2017, Graduate School USA

³ Excerpt from August 2018 Economic Brief Palau FY 2017, Graduate School USA

an internal Workplace Culture Transformation Advisory Council to include leadership from across the Department to keep a focus on Interior's commitment to the workplace environment. The Council will look at common issues raised in the Federal Employee Viewpoint Survey, ways to improve employee engagement, and building career paths which cross bureau silos; all with the goal to transform Interior's workplace culture for our employees, so they can realize their individual potential and be their most productive selves for the American people.

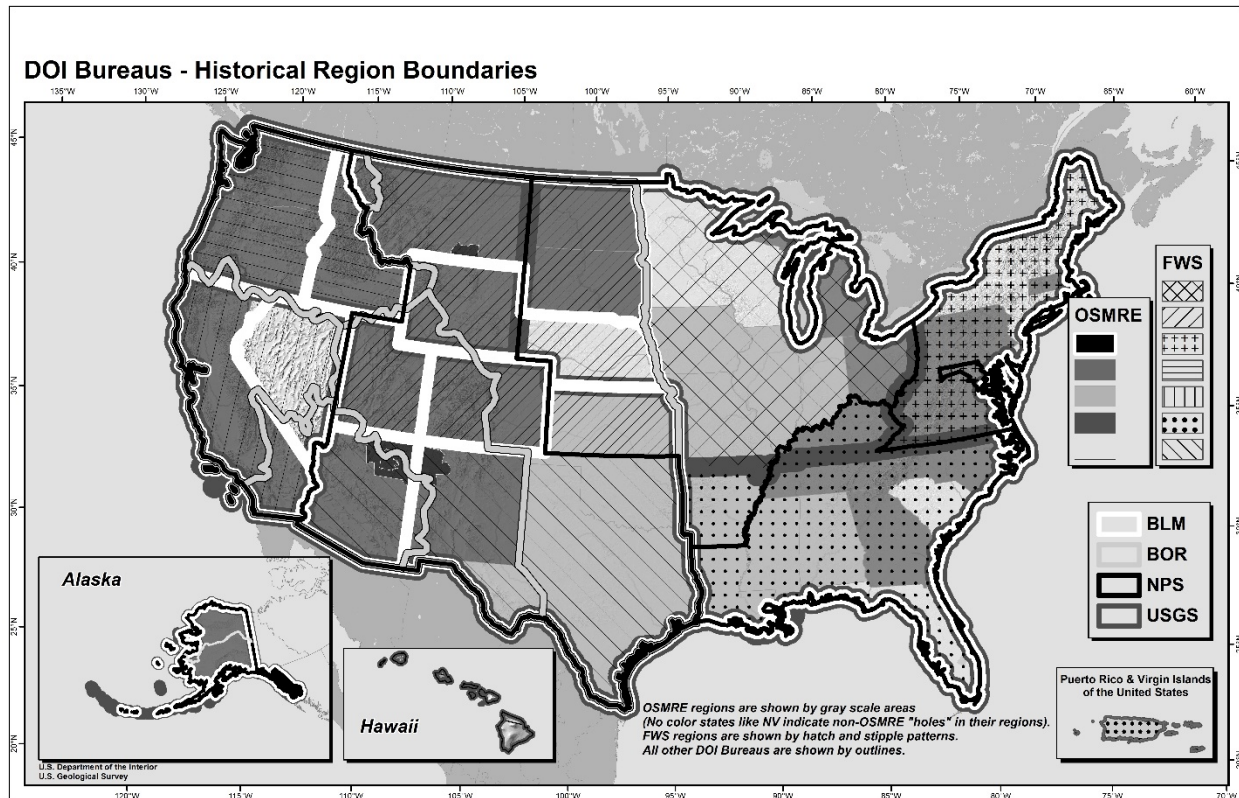
Another management priority is creating a strong ethical culture to ensure Interior employees honor the public's trust to manage taxpayer funds responsibly and avoid conflicts of interest. The expectations for appropriate employee conduct have been made clear. The Department has set goals and expectations for qualified ethics officials within Interior sufficient to ensure our operations are conducted ethically and ensure all employees have access to prompt, accurate ethics advice.

DOI Reorganization

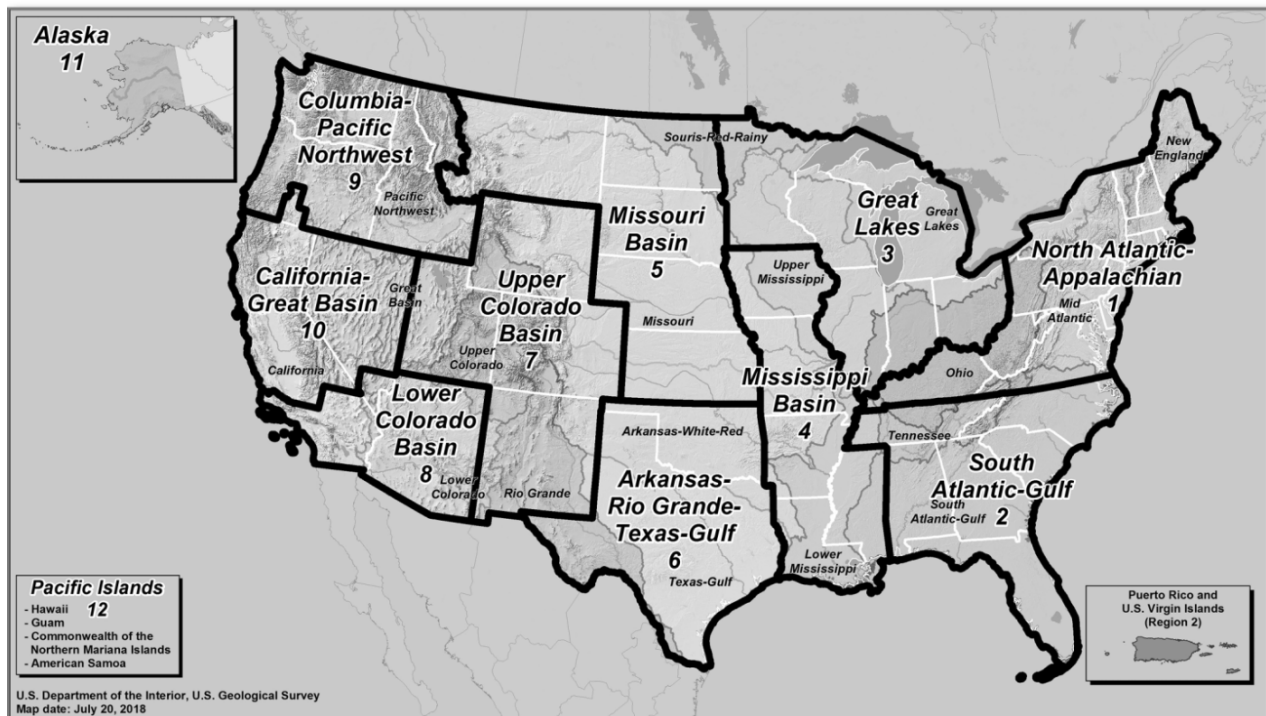
Over many decades, the Department of the Interior experienced new bureaus becoming established on an ad hoc basis with their own unique regional organizations. This ultimately resulted in a complicated series of 49 regional boundaries among 8 bureaus. This complexity led to the situation where bureau regional leadership was often focused on different geographic areas, did not have adequate and shared understanding of the needs and perspectives of regional stakeholders, and opportunities to share administrative capacity across bureaus were difficult to recognize and implement. Further, members of the public were often frustrated by problems in inter-bureau decision making where uncoordinated timelines and processes could lead to unnecessarily long delays in reaching a decision. The Department's reorganization is focused on making improvements across each of these areas.

On August 22, 2018, after working closely with stakeholders across the country on options to consolidate Interior's 49 different regions into common regions, the Department announced the designation of Interior's 12 new unified regions. As a result of Tribal consultation, BIA, BIE, and the Office of the Special Trustee for American Indians will not realign their regional field structure.

Establishing unified regions across bureaus is the cornerstone of the reforms designed to improve Interior's service delivery to the public. Within each unified region, bureaus will focus work on the same resources and constituents and improve coordination across the Department. For the public, fewer regions make it easier to do business with Interior, particularly when the public interacts with several bureaus or jurisdictions. Interior will leverage the unified regional structure to improve and streamline business operations using shared services and best practices across the Department focusing primarily on human resources, information technology, and acquisition services. Work is underway in 2019 to plan implementation, conduct analysis, and identify areas for collaboration within the new regions.



DOI 12 Unified Regions



Budget Highlights

The proposed 2020 OIA budget for current appropriations is \$84.1 million. All permanent amounts 2019-2020 in the table below are estimates.

Total 2020 Budget Request

(Dollars in Thousands)

Budget Authority	2018 Actual	2019 CR	2020 Request
Current Discretionary	75,513	72,513	56,356
Current Mandatory	151,544	27,720	27,720
Total Current	227,057	100,233	84,076
Permanent	549,563	523,523	526,643
Total OIA	776,620	623,756	610,719
<i>FTEs</i>	32	34	36

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 2020, these commitments were estimated at \$302.0 million for fiscal payments to Guam and the U.S. Virgin Islands and \$224.6 million for payments under the Compacts of Free Association.

Budget at a Glance

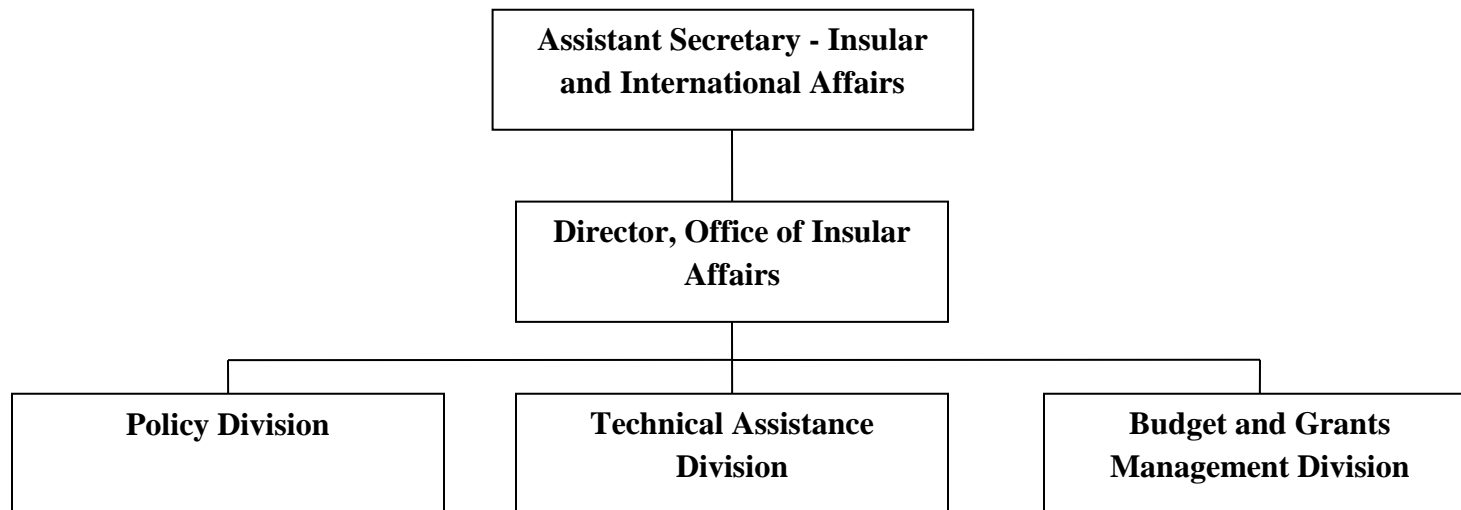
Bureau-Level Tables

FY 2020 Budget at a Glance Office of Insular Affairs <i>(Dollars in Thousands)</i>					
	2018 Actual	2019 CR	Fixed Costs & Related Changes	Program Changes	2020 President's Budget
<u>Assistance to Territories</u>					
American Samoa Operations	23,002	23,002	0	-1,473	21,529
Capital Improvement Projects	27,720	27,720	0	0	27,720
Territorial Assistance					
Office of Insular Affairs	9,448	9,448	+43	-61	9,430
Technical Assistance	18,000	18,000	0	-3,329	14,671
Maintenance Assistance	4,000	4,000	0	-2,977	1,023
Brown Tree Snake Control	3,500	3,500	0	-663	2,837
Coral Reef Initiative & Natural Resources	2,200	2,200	0	-1,254	946
Energizing Insular Communities	5,000	5,000	0	-2,189	2,811
Compact Impact Disc.	<u>4,000</u>	<u>4,000</u>	<u>0</u>	<u>-4,000</u>	<u>0</u>
Subtotal, Assistance to Territories	96,870	96,870	+43	-15,946	80,967
Technical Assistance Disaster Supplemental	<u>3,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total, Assistance to Territories	99,870	96,870	+43	-15,946	80,967
<u>Compact of Free Association - Current</u>					
Federal Services	2,813	2,813	0	-177	2,636
Enewetak	550	550	0	-77	473
Palau Compact Extension	<u>123,824</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total, Compact of Free Association - Current	127,187	3,363	0	-254	3,109
Total Current Discretionary/Mandatory	227,057	100,233	43	-16,200	84,076
<u>Compact of Free Association</u>					
Marshall Islands Compact	76,948	78,053	0	+1,270	79,323
Federated States of Micronesia Compact	111,499	113,104	0	+1,844	114,948
Compact Impact	30,000	30,000	0	0	30,000
Judicial Training	<u>361</u>	<u>366</u>	<u>0</u>	<u>+6</u>	<u>372</u>
Total Compact (Permanent)	218,808	221,523	0	+3,120	224,643
<u>Fiscal Payments</u>					
Guam Section 30 Income Taxes	77,047	78,000	0	0	78,000
VI Rum Excise Taxes	<u>254,026</u>	<u>224,000</u>	<u>0</u>	<u>0</u>	<u>224,000</u>
Total, Fiscal Payments (Permanent)	331,073	302,000	0	0	302,000
American Samoa Loan Program Account	0	0	0	0	0
American Samoa Loan Financing Account	<u>-318</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total, American Samoa Loan (Permanent)	-318	0	0	0	0
Total, Office of Insular Affairs	776,620	623,756	43	-13,080	610,719

Office of Insular Affairs
2018 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	23,002										23,002
Capital Improvement Projects	10,321	8,124	6,620	2,655							27,720
Office of Insular Affairs	261	142			177	240		1,097	7,383	148	9,448
Technical Assistance	2,291	3,398	2,986	5,873	20	2,454	371	683	2,924	0	21,000
Maintenance Assistance	1,032	971	1,000	750	230	10				7	4,000
Brown Tree Snake Control		337	426					1,690		1,047	3,500
Coral Reef Initiative & Natural Resources	567	492	515	103	145		182			196	2,200
Energizing Insular Communities	1,376	1,250	1,250	1,124							5,000
Compact Impact Discretionary	2	308	1,988					1,702			4,000
<i>Total, Assistance to Territories</i>	<i>38,852</i>	<i>15,022</i>	<i>14,785</i>	<i>10,505</i>	<i>572</i>	<i>2,704</i>	<i>553</i>	<i>5,172</i>	<i>10,307</i>	<i>1,398</i>	<i>99,870</i>
<u>Compact of Free Association - Current</u>											
Federal Services							636			2,177	2,813
Enewetak						550					550
Palau Compact Extension							123,824				123,824
<i>Total, Compact of Free Association - Current</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>550</i>	<i>124,460</i>	<i>0</i>	<i>0</i>	<i>2,177</i>	<i>127,187</i>
Total Current Discretionary/Mandatory	38,852	15,022	14,785	10,505	572	3,254	125,013	5,172	10,307	3,575	227,057
<u>Compact of Free Association</u>											
Marshall Islands Compact						76,948					76,948
Federated States of Micronesia Compact					111,500						111,500
Compact Impact	22	2,309	14,907					12,762			30,000
Judicial Training										361	361
<i>Total, Compact (Permanent)</i>	<i>22</i>	<i>2,309</i>	<i>14,907</i>	<i>0</i>	<i>111,500</i>	<i>76,948</i>	<i>0</i>	<i>12,762</i>	<i>0</i>	<i>361</i>	<i>218,809</i>
<u>Fiscal Payments</u>											
Guam Section 30 Income Taxes			77,047								77,047
VI Rum Excise Taxes				254,026							254,026
<i>Total, Fiscal Payments (Permanent)</i>	<i>0</i>	<i>0</i>	<i>77,047</i>	<i>254,026</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>331,073</i>
Total Permanent Mandatory	22	2,309	91,954	254,026	111,500	76,948	0	12,762	0	361	549,882
Grand Total - Office of Insular Affairs	38,874	17,331	106,739	264,531	112,072	80,202	125,013	17,934	10,307	3,936	776,939

**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		2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Target	2018 Actual	2019 Target	2020 Target	2022 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		13.5%	18.9%	8.2%	12.9%	8.4%	10.6%	9.8%	7.9%	9.8%	9.8%	9.2%
	CWS In Violation	20	28	12	19	11	14	13	11	13	13	12
	Total CWS	148	148	147	147	131	132	132	139	132	132	131
Rate of new tuberculosis cases occurring in the population per 100,000 persons				64.1	72.1	77.3	91.3	85.1	104.4	79.8	75.0	1.4
	New TB Cases			364	410	361	429	400	472	375	352	4,522
	Total Population			567,963	569,021	467,144	469,845	469,845	452,125	469,845	469,845	323,000,000
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%	85.2%	81.0%	88.3%	89.9%	95.0%
	Completed Treatment within 12 months			303	299	339	257	270	257	280	285	95
	Eligible Patients			421	336	365	317	317	317	317	317	100
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	13.9	12.2	12.7	12.0	6.0
	Infant Deaths within 1 year of life				103	98	117	110	91	100	95	6
	Live Births				8,831	7,958	7,887	7,887	7,444	7,887	7,887	1,000
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.		50.5%	47.4%	40.6%	44.4%	43.2%	45.2%	45.8%	46.6%	46.4%	48.3%	60.0%
	Avg. Per Capita GDP Territories	\$ 21,627	\$ 20,483	\$ 19,972	\$ 22,205	\$ 22,159	\$ 23,388	\$ 23,700	\$ 24,476	\$ 24,000	\$ 25,000	\$ 30,745
	Avg. Per Capita GDP US	\$ 42,831	\$ 43,236	\$ 49,210	\$ 50,051	\$ 51,241	\$ 51,737	\$ 51,737	\$ 52,490	\$ 51,737	\$ 51,737	\$ 51,241
Residential cost per kilowatt hour for power in the US territories compared to the national average		3.1X	3.1X	3.1X	3.0X	2.4X	1.9X	2.4X	2.4X	2.4X	2.0X	2.0X
	Territories Avg Cost kWh	\$ 0.34	\$ 0.37	\$ 0.37	\$ 0.39	\$ 0.31	\$ 0.25	\$ 0.31	\$ 0.29	\$ 0.31	\$ 0.26	\$ 0.26
	National Avg Cost kWh	\$ 0.11	\$ 0.12	\$ 0.12	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.12	\$ 0.13	\$ 0.13	\$ 0.13
Strategy #3: Fulfill US Compact Obligations												
Ratio of FAS private sector jobs versus total FAS employment		49.6%	49.4%	48.8%	49.4%	49.7%	49.7%	49.9%	46.8%	50.5%	50.9%	55.0%
	Private Sector Employment	18,084	18,004	17,833	18,229	18,803	18,803	18,900	18,081	19,100	19,250	22,000
	Total Employment	36,455	36,461	36,513	36,865	37,844	37,844	37,844	38,652	37,844	37,844	40,000
Ratio of FAS public sector jobs versus total FAS Employment		50.4%	50.6%	51.2%	50.6%	50.3%	50.3%	50.1%	53.2%	50.0%	49.7%	45.0%
	Public Sector Employment	18,371	18,457	18,680	18,636	19,041	19,041	18,950	20,572	18,915	18,800	18,000
	Total Employment	36,455	36,461	36,513	36,865	37,844	37,844	37,844	38,652	37,844	37,844	40,000
Percent of FAS employment attributable to OIA Grants and Programs		38.5%	33.5%	36.3%	38.6%	35.6%	35.6%	35.4%	36.4%	35.3%	35.0%	30.0%
	Employment Attributable to OIA Programs & Grants	14,042	12,220	13,246	14,233	13,486	13,486	13,400	13,794	13,350	13,250	12,000
	Total Employment	36,455	36,461	36,513	36,865	37,844	37,844	37,844	37,844	37,844	37,844	40,000
Percent of FAS employee compensation attributable to OIA grants and programs		36.3%	31.0%	30.7%	29.5%	29.8%	29.8%	29.6%	36.8%	29.5%	29.1%	25.0%
	Employee Compensation Attributable to OIA P&G	115,960	100,032	102,065	103,086	109,742	109,742	109,000	138,579	108,500	107,000	100,000
	Total Employee Compensation	319,334	322,854	331,988	348,882	367,746	367,746	367,746	376,764	367,746	367,746	400,000
Average FAS private sector wage rate as a percentage of average FAS central government wage rate		43.8%	42.0%	40.6%	41.7%	41.7%	41.7%	41.9%	45.5%	42.2%	42.4%	45.0%
	Average Annual Private Sector Wages	19,299	19,244	19,873	20,963	21,738	21,738	21,800	21,289	22,000	22,100	22,500
	Average Annual Public Sector Wages	44,109	45,794	48,984	50,284	52,076	52,076	52,076	46,788	52,076	52,076	50,000

Notes:

Water, Energy, GDP, New TB, and infant mortality goals have a one year lag. For example 2017 data would be reported as the 2018 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

Summary of Requirements

OFFICE OF INSULAR AFFAIRS
ASSISTANCE TO TERRITORIES

2020 Summary of Requirements

(Dollars in Thousands)

Activity/Subactivity	2018 Actual	2019 CR		Fixed Costs & Related Changes	Internal Transfers	Program Changes		2020 Request	
	Amount	FTE	Amount			FTE	Amount	FTE	Amount
ASSISTANCE TO TERRITORIES									
1. American Samoa Operations	23,002	2	23,002				(1,473)	2	21,529
2. Capital Improvement Project (CIP) Grants	27,720		27,720						27,720
3. Territorial Assistance									
Office of Insular Affairs	9,448	32	9,448	43		2	(61)	34	9,430
Technical Assistance	18,000		18,000				(3,329)		14,671
Maintenance Assistance	4,000		4,000				(2,977)		1,023
Brown Tree Snake Control	3,500		3,500				(663)		2,837
Coral Reef Initiative & Natural Resources	2,200		2,200				(1,254)		946
Energizing Insular Communities	5,000		5,000				(2,189)		2,811
Compact Impact - Discretionary	4,000		4,000				(4,000)		
<i>Subtotal, Territorial Assistance</i>	46,148	32	46,148	43	0	2	(14,473)	34	31,718
SUBTOTAL, ASSISTANCE TO TERRITORIES	96,870	34	96,870	43	0	2	(15,946)	36	80,967
Technical Assistance Disaster Supplemental	3,000	0	0	0	0	0	0	0	0
TOTAL, ASSISTANCE TO TERRITORIES	99,870	34	96,870	43	0	2	(15,946)	36	80,967

OFFICE OF INSULAR AFFAIRS
COMPACT OF FREE ASSOCIATION - CURRENT APPROPRIATION

2020 Summary of Requirements
(Dollars in Thousands)

	2018 Actual	2019 CR		Fixed Costs & Related Internal Changes Transfers		Program Changes		2020 Request	
	Amount	FTE	Amount	Changes	Transfers	FTE	Amount	FTE	Amount
COMPACT OF FREE ASSOCIATION - CURRENT									
1. Federal Services	2,813		2,813				(177)		2,636
2. Enewetak	550		550				(77)		473
3. Palau Compact Extension	123,824								
TOTAL, COMPACT - CURRENT	127,187	0	3,363	0	0	0	(254)	0	3,109

OFFICE OF INSULAR AFFAIRS
COMPACT OF FREE ASSOCIATION - PERMANENT APPROPRIATION

2020 Summary of Requirements
(Dollars in Thousands)

Activity/Subactivity	2018 Actual	2019 CR				Program Changes		2020 Request	
	Amount	FTE	Amount	Fixed Costs and Related Changes	Internal Transfers	FTE	Amount	FTE	Amount
COMPACT OF FREE ASSOCIATION - PERMANENT									
<u>Assistance to the Marshall Islands:</u>									
Sector Grants	36,358		36,273				-27		36,246
Audit	500		500						500
Trust Fund	16,855		17,709				911		18,620
Rongelap Resettlement									
Kwajalein Lease Payment	21,670		21,983				360		22,343
Enewetak	<u>1,565</u>		<u>1,588</u>				<u>26</u>		<u>1,614</u>
Subtotal, Marshall Islands Assistance	76,948		78,053				1,270		79,323
<u>Assistance to the Federated States of Micronesia (FSM)</u>									
Sector Grants	80,179		80,362				323		80,685
Trust Fund	30,820		32,242				1,521		33,763
Audit	<u>500</u>		<u>500</u>				<u>0</u>		<u>500</u>
Subtotal, FSM Assistance	111,499		113,104				1,844		114,948
<u>Compact Impact</u>	30,000		30,000						30,000
<u>Judicial Training</u>	361		366				6		372
TOTAL, COMPACT, Permanent	218,808	0	221,523	0	0	0	3,120	0	224,643

Fixed Costs and Related Changes

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

Fixed Cost Changes and Projections	2019 Total or Change	2019 to 2020 Change
Change in Number of Paid Days This column reflects changes in pay associated with the change in the number of paid days between the 2019 and 2020.	+21	+22
Pay Raise The 2020 request reflects a pay freeze for civilian employees.	+28	+0
Employer Share of Federal Employee Retirement System The change reflects the directed 2.3% increase in the employer contribution to the Federal Employee Retirement System.	+0	+12
Departmental Working Capital Fund The change reflects expected changes in the charges for centrally billed Department services and other services through the Working Capital Fund. These charges are detailed in the Budget Justification for Departmental Management.	-153	+35
Worker's Compensation Payments The amounts reflect changes in the estimated costs of compensating injured employees and dependents of employees who suffer accidental deaths while on duty. Costs for the 2020 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; which in the case of GSA space 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.	+42	-26
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	-62	+43

Appropriations Language

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, \$80,967,000, of which: (1) \$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) \$9,430,000 shall be available until September 30, 2021, 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).

Note.—A full-year 2019 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2019 (Division C of P.L. 115–245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.

COMPACT OF FREE ASSOCIATION

For grants and necessary expenses, \$3,109,000, 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.

Note.—A full-year 2019 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations

Act, 2019 (Division C of P.L. 115–245, as amended). The amounts included for 2019 reflect the annualized level provided by the continuing resolution.

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

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

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

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American Samoa Operations

American Samoa Operations

Activity: American Samoa						
Subactivity: American Samoa Operations \$(000)						
	2018 Actual	2019 CR	2020			Change from 2019 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
General Operations	22,147	22,147	0	-1,473	20,674	-1,473
High Court	855	855	0	0	855	0
Total Requirements	23,002	23,002	0	-1,473	21,529	-1,473
FTE	2	2	0	0	2	0

SUMMARY OF 2020 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
American Samoa Operations	-1,473	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 2020 PROGRAM CHANGES

American Samoa Operations (- \$1.5 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 LBJ Hospital’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.

2020 PROGRAM PERFORMANCE

American Samoa will provide financial reports beginning with the quarter ending December 31, 2019 through the quarter ending September 30, 2020.

The following chart reflects the ASG's operations funding priorities for 2018, 2019 and 2020:

Funding Category	2018	2019	2020
	Award	Proposed Award	Proposed Award
Basic (DOE) Operations	\$12,725,149	\$12,200,000	\$11,416,000
LBJ Hospital Operations	\$8,052,602	\$8,447,000	\$7,900,000
ASCC Operations	\$1,384,234	\$1,500,000	\$1,358,000
High Court	\$840,015	\$855,000	\$855,000
Total	\$23,002,000	\$23,002,000	\$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.

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CIP Grants

Capital Improvement Project (CIP) Grants Summary

Activity: Capital Improvement Project (CIP) Grants \$(000)						
SUMMARY TABLE						
	2018 Actual	2019 CR	2020			Change from 2019 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
CNMI Construction	8,124	9,665	0	-457	9,208	-457
American Samoa Construction	10,321	9,864	0	-126	9,738	-126
Guam Construction	6,620	6,327	0	+209	6,536	+209
Virgin Islands Construction	2,655	1,864	0	+374	2,238	+374
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 2020 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. For example, the 2019 request for Guam increased \$416,000 over the baseline funding in the competitive process because it scored above the average of the insular areas on the ten criteria.

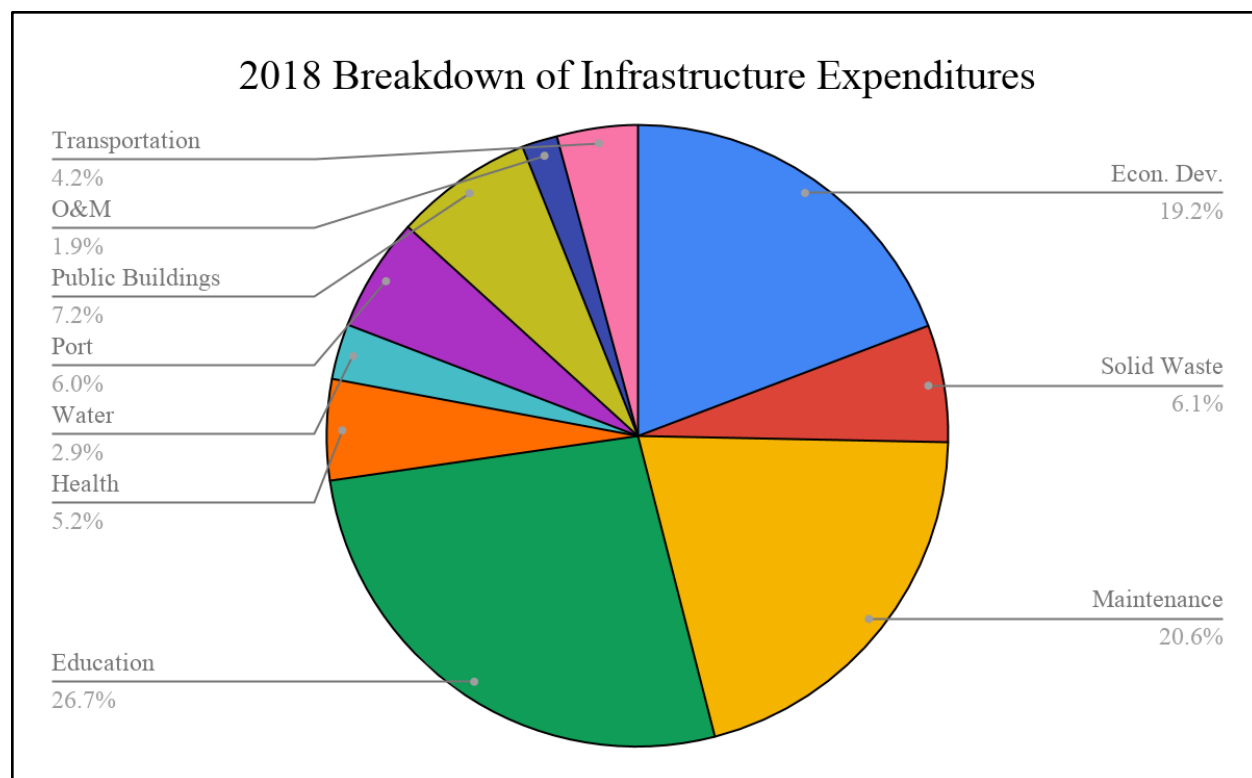
The competitive allocation system is applied to the \$27.72 million in CIP funds using a point method. The territories are given a score on each of the above criteria. The criteria themselves are ranked so that those considered more significant receive a higher weight than those considered less important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

The following chart reflects the baseline distribution along with adjustments made to 2019 and 2020 requests based on each insular government's score on the competitive criteria.

CIP Grant Funding Levels
(\$000)

Territory	Baseline Funding	FY 2019	FY 2020	Total FY 2019	Total FY 2020	Diff +/- 2019
		+/- Baseline	+/- Baseline			
CNMI	9,249	+416	-41	9,665	9,208	-457
American Samoa	9,780	+84	-42	9,864	9,738	-126
Guam	5,911	+416	+625	6,327	6,536	+209
Virgin Islands	<u>2,780</u>	<u>-916</u>	<u>-542</u>	<u>1,864</u>	<u>2,238</u>	<u>+374</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 Governor's in future years to identify and prioritize investment in health care infrastructure. The pie chart on the following page displays 2018 spending on infrastructure by category.



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.

2020 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 2020 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>-\$ 41,000</u>
Programmed Funding for 2020.....	\$9,208,000

The past year saw progress on CIP funded infrastructure projects in the CNMI, such as the ribbon cutting of the Gualo Rai Reservoir in April 2018 and the installation of sewer pipes to allow for the collection and discharge of the wastewater from the Capitol Hill area to the Commonwealth Utilities Corporation (CUC) Puerto Rico Sewage Treatment Plan, which was completed in November 2018. The destruction brought by Typhoon Mangkhut and Super Typhoon Yutu delayed the work on other projects. The Tinian Transfer Station is now expected to make repairs and complete work in spring of 2019. CUC continues to make progress on numerous Stipulated Order related projects as required by the U.S. District Court, Justice Department and EPA, and expects to complete work by the end of 2019.

The \$9.2 million for 2020 will be used to continue meeting critical infrastructure needs in the CNMI similar to previous years.

The following chart summarizes the CNMI's funding priorities for 2018 and 2019:

Funding Category	2018	2019*
	Award	Award
Economic Development	\$5,328,624	\$0
Solid Waste	\$1,693,826	\$1,000,000
Maintenance	\$101,550	\$0
Education	\$1,000,000	\$3,000,000
Water	\$0	\$2,000,000
Health	\$0	\$3,200,000
Total	\$8,124,000	\$9,665,000

*The 2019 allotments are based on the plan of use, pre-Super Typhoon Yutu. The CNMI Government is revising its priorities based on damage assessments.

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 2020 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.....	- \$ 42,000
Proposed Funding for 2020.....	\$9,738,000

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 maintenance projects across the territory while the American Samoa Department of Health completed renovations and an expansion of the Faga'alu Primary Care Center on Tutuila. The Department of Education completed construction of a new classroom building for the Samoana High School to alleviate overcrowding.

The LBJ Tropical Medical Center made steady progress on the renovation and expansion of the Labor, Delivery and Operating Room while the American Samoa Community College completed construction on its new Multipurpose Building in the summer of 2018.

The requested \$9.7 million for 2020 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 2018 and 2019:

Funding Category	2018	2019
	Award	Award
Health	\$1,454,950	\$2,000,000
Education	\$3,900,000	\$1,864,000
Water	\$800,000	\$0
Port	\$1,650,000	\$1,000,000
Public Buildings	\$2,000,000	\$0
Utilities	0	\$5,000,000
O&M Set-Aside	\$516,050	TBD
Total	\$10,321,000	\$9,864,000

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 2020 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.....	+ \$ 625,000
Proposed Funding for 2020.....	\$ 6,536,000

CIP funded infrastructure projects on Guam continued to make progress this past year, however the ongoing issue regarding the lack of H-2B visa approvals continues to affect the ability to secure subcontractors, therefore affecting contractors' bids. The Police Department Evidence Control Section Facility, Guam Memorial Hospital Renovations, and Governor's Office Complex renovations will be completed in 2019. In addition, Phase III of the public school's ABC Initiative is progressing.

In 2020, Guam proposes to use its allocation of \$6.5 million to continue meeting critical infrastructure needs similar to previous years.

The chart below reflects Guam's funding priorities for 2018 and 2019:

Funding Category	2018	2019
	Award	Award
Maintenance	\$5,620,000	\$0
Public Buildings	\$0	\$5,327,000
Education	\$1,000,000	\$1,000,000
Total	\$6,620,000	\$6,327,000

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 2020 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.....	- \$ 542,000
Proposed Funding for 2020.....	\$2,238,000

CIP-funded infrastructure projects in the U.S. Virgin Islands made substantial progress this past year. The Bureau of Corrections made significant progress on the security renovations at the Golden Grove Adult Correctional Facility on St. Croix. The project scope of work includes two stipulated orders to increase security levels, to include installing cameras, servers, monitors, wiring, and software infrastructure.

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, repair roof gutters, fire protection, generator, and install upgrades to the electrical, mechanical, plumbing, and telephone systems.

The requested \$2.2 million for 2020 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 2018 and 2019:

Funding Category	2018	2019
	Award	Award
Education	\$1,500,000	\$0
Transportation	\$1,155,000	\$1,864,000
Total	\$2,655,000	\$1,864,000

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Territorial Assistance

Territorial Assistance

Activity: Territorial Assistance \$(000)						
SUMMARY TABLE						
	2018 Actual	2019 CR	2020			Change From 2019 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
Office of Insular Affairs	9,448	9,448	+43	-61	9,430	-18
Technical Assistance	18,000	18,000	0	-3,329	14,671	-3,329
Maintenance Assistance	4,000	4,000	0	-2,977	1,023	-2,977
Brown Tree Snake Control	3,500	3,500	0	-663	2,837	-663
Coral Reef Initiative & Natural Resources	2,200	2,200	0	-1,254	946	-1,254
Energizing Insular Communities	5,000	5,000	0	-2,189	2,811	-2,189
Compact Impact Disc.	4,000	4,000	0	-4,000	0	-4,000
Subtotal	46,148	46,148	+43	-14,473	31,718	-14,430
TAP Disaster Supplemental	3,000	0	0	0	0	0
Total	49,148	46,148	+43	-14,473	31,718	-14,430
FTEs	28	32	0	+2	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)						
			2020			
	2018 Actual	2019 CR	Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	Change from 2019 (+/-)
	9,448	9,448	+43	-61	9,430	0
FTEs	30	32	0	0	34	0

SUMMARY OF 2020 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Office of Insular Affairs	-61	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 2020 PROGRAM CHANGES

Office of Insular Affairs (-\$61,000)

The budget request provides \$9.4 million to conduct management and oversight of the insular areas programs.

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, and a Director, who handles overall management of the Office and acts on behalf of the Assistant Secretary in their absence.

2020 PROGRAM PERFORMANCE

In 2020, OIA will pursue the Department's mission of Fulfilling Our Trust and Insular Responsibilities by executing activities which bolster healthcare capacity, strengthen island economies, and fulfill U.S. Compact obligations. 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 2020 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:

	2020
External Administrative Costs	
WCF Centralized Billings	\$596,000
WCF Direct Billings/Fee for Service	\$233,900

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

(Total Employment)*

	2018 Actual	2019 Estimate	2020 Estimate
SES	1	1	1
SL-0	1	1	1
GS-15	4	5	5
GS-14	7	3	3
GS-13	12	11	12
GS-12	7	7	8
GS-11	0	1	1
GS-10	0	0	0
GS-9	0	1	1
GS-8	0	0	0
GS-7	0	0	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	32	30	32

*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)						
	2018 Actual	2019 CR	2020			Change from 2019 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
Technical Assistance	18,000	18,000	0	-3,329	14,671	-3,329
Subtotal	18,000	18,000	0	-3,329	14,671	-3,329
Disaster Supplemental	3,000	0	0	0	0	0
Total	21,000	18,000	0	-3,329	14,671	-3,329
FTEs	0	0	0	0	0	0

SUMMARY OF 2020 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Technical Assistance	-3,329	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 2020 PROGRAM CHANGES

Technical Assistance (-\$3.3 million)

The 2020 budget provides \$14.7 million for direct grants and projects to 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 and reimbursable agreements 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.

2020 PROGRAM PERFORMANCE

The table on the following page shows the allocation of 2018 Technical Assistance funding.

2018 Technical Assistance Summary
(Dollars in Thousands)

Recipient	2018
Direct Grants to Insular Areas	
American Samoa	2,526
Northern Mariana Islands (CNMI)	2,410
Guam	2,909
U.S. Virgin Islands	1,874
Federated States of Micronesia (FSM)	242
Republic of the Marshall Islands (RMI) (includes 4 Atoll Healthcare)	2,282
Republic of Palau	488
Total, Direct Grants to Insular Areas	12,731
Other TAP Crosscutting (Provides Benefits to Multiple Insular Areas)	5,269
Total, Technical Assistance	18,000
Disaster Relief to US Virgin Islands	3,000
Total, Technical Assistance	21,000

OIA receives Technical Assistance requests through www.grants.gov under CFDA number 15.875. Technical Assistance funding priorities include, but are not limited to projects which foster the development of the insular areas in the following categories: accountability, financial management, economic development, education, energy, management control initiatives, disaster assistance, natural and cultural resources, capacity building, health initiatives, and invasive species management.

Direct Grants to Insular Areas

In 2018, \$12.7 million in Technical Assistance funds were provided to directly benefit the seven insular areas. See preceding chart for amounts by insular area. Highlights of some of the awarded financial assistance include:

- Provided funding to CNMI: \$210,000 to Commonwealth Health System to replace and upgrade CHC's maternal and fetal monitors in its Labor and Delivery ward; \$181,000 to CNMI Department of Land and Natural Resources to create a coordinating team specifically to detect and eradicate the coconut rhinoceros beetle on Rota from an emergency territorial natural resources management framework; \$173,000 to CNMI Department of Land and Natural Resources for Rota Aquaponics Initiative - Phase II; and \$216,000 to Commonwealth Ports Authority for Automated Passports Control Unit Acquisition;
- Provided \$250,000 to Guam One Stop Shop for Compact Impact; \$498,000 to Guam to provide 105 students with the opportunity to obtain skills in trade work at the Guam Contractors Association Trades Academy; and \$248,000 to Guam Department of Administration for needed

resources for the fixed assets section to help address audit findings related to fixed assets in Guam's Single Audit;

- Provided \$296,000 to American Samoa Department of Treasury for ASG Financial Management Disaster Recovery Plan & System; \$494,000 to American Samoa LBJ Tropical Medical Center for Certified Clinical Hemodialysis Technician and ESRD Nursing Training; and \$90,000 to American Samoa Department of Commerce for Local Tourism Infrastructure Development: Visitor Sites;
- Provided \$179,000 to Virgin Islands Water and Power Authority for Hurricane Recovery Meter Reading Assistance Program; \$170,000 to Virgin Islands Schneider Regional Medical Center for contractors for impairment of asset evaluation of buildings and equipment post hurricane; and \$184,000 to Virgin Islands Department of Agriculture for expanding the irrigation water storage and distribution capacity for a portion of agribusiness in the Estate Bordeauc agriculture community on St. Thomas;
- Provided \$242,000 to FSM Habele Outer Island Education for Habele to equip, train, and support, student robotics teams at ten new public and private high schools across the Micronesian States of Chuuk, and Pohnpei;
- Provided \$1,400,000 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
- Provided \$323,000 to Palau Ministry of Finance to address the need for a new document archiving system and for assistance with Palau's negotiated rate for indirect costs.

Examples of TAP crosscutting grants:

- Close Up Foundation - \$900,000 for Insular Areas student civic education;
- Junior Statesman Foundation - \$400,000 for the Insular Areas Youth Civic Engagement and Leadership Program;
- Prior Service Trust Fund - \$922,000 for Prior Service Benefit Payments to the families of Micronesians who served in the Military between 1944 and 1968, who earned very low wages and did not have the rights to retirement, survivor or disability benefits when serving; and
- Graduate School USA - Approximately \$2,400,000 provided for financial management and management training in all insular areas, specific financial management assistance projects (such as compliance with the Single Audit Act), and Compact reporting and accountability projects for the FAS.

HIGHLIGHTS OF THE TECHNICAL ASSISTANCE PROGRAM

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

The GDP estimates for the four territories are available at the BEA web site which can be reached 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 2018, the Technical Assistance program funded \$1.4 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.
- Begin visual impairment screening by primary care physicians; increase 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 \$922,000 in 2018 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 \$900,000 in 2018 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 for Junior Statesmen Foundation (JSF) scholarships for twenty-eight high school students from the insular areas to attend the Junior Statesmen Summer Schools. That was the 25th year that the Junior Statesmen Foundation has worked in partnership with the Office of Insular Affairs to

identify, educate and train outstanding insular-area high school students for active, effective and ethical participation in public affairs.

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)						
			2020			Change from 2019 (+/-)
	2018 Actual	2019 CR	Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	4,000	4,000	0	-2,977	1,023	-2,977
FTEs	0	0	0	0	0	0

SUMMARY OF 2020 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Maintenance Assistance	-2,977	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 2020 PROGRAM CHANGES

Maintenance Assistance (-\$3.0 million)

In the 2020 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 assistance for investments in public infrastructure 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.

2020 PROGRAM PERFORMANCE

In 2018, the Maintenance Assistance program continued support of the Insular ABCs initiative working to remove deferred maintenance in territorial public schools in the four territories. \$6.7 million worth of deferred maintenance work has been contracted. Additionally, facilities management software is now populated and beginning to be deployed for use by the school systems. Training and sustainability efforts are underway including partnering with local vocational education institutions to create a pipeline of vocational and facilities management talent. Maintenance Assistance also provided \$230,000 for training Pacific power linemen on proper line maintenance to prevent outages and repair lines after disaster events. Funding for 2019 and 2020 will be used to improve maintenance practices and fund urgent repairs.

Activity: Territorial Assistance						
Subactivity: Brown Tree Snake Control \$(000)						
			2020			Change from 2019 (+/-)
	2018 Actual	2019 CR	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 2020 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 2020 PROGRAM CHANGES

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

The 2020 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 quickly reaching unprecedented numbers. It was not until the 1980s when researchers began to study the sudden and sharp decline in Guam's bird populations that the environmental and socioeconomic damage caused by the BTS began to be understood.

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

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.

Since Guam is a major transportation hub in the Pacific, numerous opportunities exist for this invasive species to be inadvertently introduced to other areas in the Pacific. The BTS has already been accidentally transported from Guam to other sites worldwide through infested civilian and military vessels and cargo. Documented sites include: Hawaii, the CNMI, Corpus Christi, Texas; McAlester, Oklahoma; Japan; Anchorage, Alaska; Wake Island; Taiwan; Kwajalein; Diego Garcia; Darwin, Australia; and Rota, Spain. 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. 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.

2020 PROGRAM PERFORMANCE

In 2018, USDA-APHIS-Wildlife Services caught and killed 1,360 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) conducted its first drop over the Habitat Management Unit on Andersen Air Force Base. Approximately 12,000 baits were applied, though there were still many mis-feeds which requires some reconfiguration to the machine. USGS completed a computer program called SLITHER, which will allow for the optimal timing of bait drops using the ADS once it is fully operational. 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 2019 and 2020 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 2018 are detailed below:

- \$932,750 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.
- \$507,383 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.
- \$333,786 The Hawaii Department of Agriculture, Plant Quarantine Branch, continued its BTS interdiction program, which now consists of a functioning Detector Dog program. The Plant Quarantine Branch also plans to increase its rapid response capacity, readiness and capabilities for snake sightings in Hawaii.
- \$433,726 USDA-WS-National Wildlife Research Center for improvements to the infrastructure of the Automated Aerial Bait Delivery System. This project focused on the fabrication of the Gluing-Placing Station.
- \$1,047,386 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.
- \$341,352 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.
- \$175,000 Guam Department of Agriculture, Division of Aquatic and Wildlife Resources (DAWR) for Brown Tree Snake public outreach programs.

Activity: Territorial Assistance						
Subactivity: Coral Reef Initiative & Natural Resources \$(000)						
			2020			Change from 2019 (+/-)
	2018 Actual	2019 CR	Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	2,200	2,200	0	-1,254	946	-1,254
FTEs	0	0	0	0	0	0

SUMMARY OF 2020 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Coral Reef Initiative & Natural Resources	-1,254	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 2020 PROGRAM CHANGES

Coral Reef Initiative and Natural Resources (-\$1.3 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.

OIA continues to monitor efforts of the Pacific insular areas to update the Regional Biosecurity Plan (RBP) for Micronesia and Hawaii. In 2018, OIA funding was provided to Guam, CNMI, and the University of Guam to combat CRB and LFA spread and infestation, both identified as priorities in the RBP. RBP updates will be provided by the RISC at the Micronesian Islands Forum meeting in the April of 2019.

2020 PROGRAM PERFORMANCE

CORAL REEF INITIATIVE

In fiscal year 2018, Office of Insular Affairs Director Nik Pula co-chaired the 40th U.S. Coral Reef Task Force meeting in American Samoa. OIA provided 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. These projects supported the economies and livelihoods of people in the islands.

OIA provided funding to combat invasive species and protect natural resources in support of priorities highlighted by Pacific leaders in the Regional Biosecurity Plan as well as counter-invasive species efforts in the U.S. Virgin Islands. In fiscal year 2018, \$1,488,890 was awarded to help control and eradicate

invasive species in the islands in order to protect public health, livelihoods, and fragile environments and economies.

Fiscal year 2018 accomplishments included (but are not limited to):

- American Samoa - Focused on improving and increasing sustainable fisheries practice. Provided training on extracting fish otoliths (ear bones) and gonades and collected and processed samples every month. The lab work provided information that helped determine what size targeted fish such as the *Acanthurus lineatus* and *Ctenochaetus striatus* sexually mature so there is informed management of these species.
- CNMI – Assessment of Natural Environment Impacts post Typhoon Mangkhut and Yutu – Bureau of Environmental and Coastal Quality- Typhoon caused delicate coral branches to break off and large coral heads to overturn. Heavy rains throughout the watershed and uprooting of trees caused substantial soil erosion, smothering reef systems in dirt and sand. Result- native marine species die-offs (monitoring). Gathered water quality samples to determine storm impacts on coastal environment. Assessed and triaged watershed and coral reef. Based upon assessments, currently investigating potential activities to recover corals such as coral nurseries and outplanting and to protect watersheds such as streambank stabilization and revegetation.
- CNMI- Garapan Field Surveillance – Completed 1,674 field surveillance hours and reported 88 environmental violations to the appropriate agencies. Most common violations were improper disposal of used oil, overflowing trash bins, illegal dumping, and illicit discharge. Major challenges reported include lack of enforcement, language barriers and lack of compliance from business owners. Follow-up visits were completed to ensure future compliance.
- Guam- Project focused on reducing impacts of recreational use and tourism on Guam's coral reefs. Significant outreach with the hotel industry leadership and staff was conducted. Conducted four training sessions for 40 staff from various departments.
- Guam- Invasive Response and Outreach focused on Little Fire Ants (LFA) and Coconut Rhinoceros Beetle (CRB) – The Biosecurity Division set up an invasive species hotline for the reporting of new invasive species or consultation for established invasive species. Through this hotline, ten positive identifications of LFA were made. Homeowners were instructed on proper treatment and management of infestations. February 26 to March 2, 2018 was recognized as Guam Invasive Species Awareness Week 2018 (GISAW2018). Outreach events were targeted to audiences ranging from kindergarteners to business philanthropists. Fourteen separate events engaged an audience of 400 people. To reach a larger audience, GISAW2018 was also featured in two television show news spots and promoted on morning radio talk shows. Additionally, four informational videos were dispersed through social media: Facebook, Instagram, Youtube and WhatsApp.
- Mitigation of Little Fire Ant (LFA) on Guam - Completed a delimiting survey and treated a GovGuam Conservation Forest located in southern Guam, which had been reported as heavily infested with little fire ant. Once the area infested with LFA was determined, a 20m wide LFA-free buffer was established around the infested area, and then the buffer area plus the LFA -

infested area were treated with insecticides using methods adapted for Guam from those developed at the Hawaii Ant Laboratory in Hilo, HI.

- Eradication of black rats and monitor lizards on Loosiep Island, FSM. The first phase is completed, which consisted of a visit to Loosiep Island with several local field team leads. An initial survey and evaluation was completed that would allow project managers to develop the operation plan for the field trials which are scheduled to begin in April 2019. The following was completed:
 - Installed motion sensing trail cameras in a strategic network across the island to begin collecting data on monitor lizard population and establish baseline population estimates.
 - Completed liner-transect surveys to evaluate baseline population and habitat assessment for monitor lizards.
 - Identified location for, and began construction of a permanent field station which will serve as an operational base for eradication teams for the duration of the project. The field station will be utilized by turtle monitoring teams in the long term.
 - Completed UAV (drone) mapping for Loosiep. These high resolution maps will be used for project planning, vegetation analysis and monitoring changes post eradication.
 - An evaluation of major bio security and potential migrations was initiated. Bio security continues to be a major concern to the community on Ulithi and will be a major component of the project.

Fiscal year 2018 Coral Reef Initiative grants awards were as follows:

- **American Samoa Coral Reef Advisory Group - \$173,200** provided to restore and rehabilitate coral reefs at the Ofu-Olosega islands in American Samoa that have been damaged by an algae outbreak of *Valonia fastigiata*.
- **Commonwealth of the Northern Mariana Islands Bureau of Environmental and Coastal Quality - \$166,949** provided to support several projects including 1) participation in the U.S. Coral Reef Task Force Meetings; 2) Laolao Watershed Management Plan Development; and 3) the Coral Nursery Development Project.
- **Guam Bureau of Statistics and Plans - \$220,231** provided to support several projects including 1) Marine Tour Operator Workshop; 2) Coral Reef Management; 3) Coral Reef Conservation Outreach and Education; 4) Removal of an invasive bamboo plant, *Bambusa vulgaris* from priority watershed areas; 5) the Tasi Guides Program; and 6) the geotechnical investigation of rainfall-induced landslides in Piti-Asan watershed.
- **U.S. Virgin Islands Division of Coastal Zone Management - \$122,791** provided to support coral restoration and coral nursery operations, and 2) participation in the U.S. Coral Reef Task Force Meetings.
- **Women's Aquaculture Farming Initiative, Republic of the Marshall Islands - \$134,582** to support a Women's Coral Farming initiative in Mili and Arno Atolls to grow hard and soft corals for local use and to ensure protection of wild coral reef resources.
- **The Hawai'i State Museum of Natural and Cultural History and the Palau International Coral Reef Center - \$185,503** to establish biology-based regulations for the sustainable harvest

of reef fish in the Republic of Palau, build research capacity in Palau to develop the sustainable use of coral reef fish, and help meet the subsistence and artisanal fishing needs of Palau residents.

- **Mariana Islands Nature Alliance - \$142,000** to support the Tasi Watch Ranger Program which was developed to build and strengthen CNMI youth and community's involvement in management of coastal and near-shore marine resources. This project includes efforts to remove invasive tangle trees, *leucocephala*, and restore native species of trees and plants that were lost during Typhoon Saudehor in 2015.
- **2018-2020 National Coral Reef Management Fellowship Program - \$200,000** for fellows in American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands.

INVASIVES

OIA provided funding to combat invasive species and protect natural resources in the insular areas.

Grants provided support priorities highlighted by Pacific leaders in Regional Biosecurity Plan and build counter-invasive species efforts in the U.S. Virgin Islands. In FY 2018, \$1,488,890 was awarded to combat invasive species and protect natural resources in the U.S. territories of American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, the U.S. Virgin Islands, as well as the freely associated states of the Federated States of Micronesia and the Republic of Palau.

Invasive species in the islands are disruptive of both marine and terrestrial resources in the islands, which already face a delicate balance. 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 2018 invasives grants awards were as follows:

- **Commonwealth of the Northern Mariana Islands (CNMI) Department of Land and Natural Resources - \$95,170** to fund an Invasive Species Coordinator. The coordinator's primary task is to provide policy direction, coordinate among local and Federal agencies, and plan for the control and eradication of harmful invasive species infestations such as the Coconut Rhinoceros Beetle (CRB), *Oryctes rhinoceros*, recently discovered in the CNMI.

An additional amount of **\$123,454** supports continuation of the Coconut Rhinoceros Beetle Detection, Eradication, and Preventive program, initially funded by OIA in 2017 when the CRB was first discovered on Rota.

- **Guam Department of Agriculture - \$200,264** to eradicate and manage little fire ant infestation in the 502-acre Cotal Conservation Area in Santa Rita which borders residential areas and military land. Nearly 15 percent of the area, or 70 acres has been infested.
- **U.S. Virgin Islands Department of Land and Natural Resources (DLNR) - \$43,557** to develop a website and outreach plan to create awareness about invasive species and their impacts in the territory, and create a link between resource managers, educators, policy makers, and the general public on invasive species and potential eradication plans. In 2016, DLNR developed the first Invasive Species Action Plan for the territory.

- **American Samoa Government - \$459,274** Funds will be used to 1) clear seedbanks of the invasive Tamaligi tree, *Falcataria moluccana*, that were created after the disturbance in the forests caused by Cyclone Gita, 2) restore coastal forest areas with salt-resistant native tree species, and 3) restore the Nuu'uli Wetland, Stream, and Watershed. The American Samoa Government will conduct several of these activities in partnership with the National Park Service in American Samoa.
- **Kosrae Association of Tourism Operators - \$24,961** to address a recent outbreak of the Crown of Thorns Starfish (COTS), *Acanthaster planci*, on coral reefs in Kosrae, Federated States of Micronesia.
- **Palau Conservation Society - \$182,210** to remove and clear the invasive flowering vine, *Merremia peltata*, from terrestrial protected areas in Babeldaob and the Rock Islands Southern Lagoon UNESCO World Heritage Site. The PCS will partner closely with the Palau Bureau of Agriculture, local leaders, and communities in this effort.
- **Yap Department of Resources and Development - \$120,000** to assess, eradicate, and control a Little Fire Ant (LFA), *Wasmannia auropunctata*, infestation on the island of Yap in the Federated States of Micronesia. Plans include outreach efforts with local communities to prevent, manage, and control the spread of the LFA initially discovered on Yap in August 2017. The Governor of Yap has since issued an emergency declaration following the discovery of a third infestation site.
- **Island Conservation - \$240,000** for the removal of an infestation of harmful black rats and mangrove monitor lizards in Ulithi Atoll, Yap, Federated States of Micronesia. Rats and lizards are destroying important food gardens as well as nesting grounds for sea turtles and birds. Island Conservation will be working closely with the traditional leadership and communities of Ulithi to help protect these natural resources and peoples' livelihoods.

Funding for cultural and natural resources protection and management was provided under what was formerly called the Coral Reef Initiative and is available under CFDA#

15.875at <https://www.grants.gov>. All four U.S. territories of the U.S. Virgin Islands, American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands as well as the three freely associated states of the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau are eligible to apply.

Activity: Territorial Assistance						
Subactivity: Energizing Insular Communities \$(000)						
			2020			Change From 2019 (+/-)
	2018 Actual	2019 CR	Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
Energizing Insular Communities	5,000	5,000	0	-2,189	2,811	-2,189
FTEs	0	0	0	0	0	0

SUMMARY OF 2020 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Energizing Insular Communities	-2,189	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 2020 PROGRAM CHANGES

Energizing Insular Communities (-\$2.2 million)

The 2020 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 Mariana 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.

2020 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 2018 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. The microgrid, 1.4 megawatts of solar generation capacity and 6 megawatt hours of Tesla battery storage, was implemented within just a one year timeframe. The project allows the island to save significantly on energy costs. NREL provided technical assistance during the planning and design phases of the project. 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.

In May 2015, the Guam Memorial Hospital was awarded a \$500,000 EIC grant for the installation of a 100 kW solar rooftop system. As a large facility that operates 24 hours a day 7 days a week, the hospital is one of the largest energy consumers on the island. The hospital estimates the project will result in energy cost savings of \$88,559 annually. In addition to cost savings, the project will also improve resiliency since the design incorporates advanced features to enable a future micro grid which will allow solar panels to continue producing power in coordination with the existing backup power system in the event of a loss of utility power. NREL provided technical assistance for the project by helping develop a scope of work and request for proposals. The Guam Memorial Hospital's contractor completed work for the construction phase and commissioning of the system was in January 2018. In the spring, the balance of the funding was approved 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.

In 2016, the Commonwealth Utilities Corporation (CUC) in the CNMI completed an Integrated Resource Plan that identified the optimal mix of demand, supply, and transmission resources to ensure system adequacy and reliability at reasonable cost over a multi-year planning horizon. In 2018, CUC completed one of two awarded projects to install pre-paid electrical meters in residential, commercial, and governmental sectors to promote energy conservation.

In 2016, Schneider Regional Medical Center in the U.S. Virgin Islands was awarded a grant to modernize its chiller plant by replacing an unreliable and inefficient system with a newer, energy efficient system.

The hospital estimates the project will result in energy cost savings of \$104,296 annually. Due to Hurricanes Irma and Maria, the installation of the 2-ton cooling chiller was delayed. The project is expected to be completed during the first quarter of 2019.

Activity: Territorial Assistance						
Subactivity: Compact Impact - Discretionary \$(000)						
			2020			Change from 2019 (+/-)
	2018 Actual	2019 CR	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 2020 PROGRAM CHANGES

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

JUSTIFICATION OF 2020 PROGRAM CHANGES**Compact Impact – Discretionary (-\$4.0 million)**

Funding is not requested for the Compact Impact Discretionary program. The 2020 budget request maintains permanently appropriated Compact Impact funding which is authorized to defray costs of qualified nonimmigrants incurred by affected jurisdictions.

Discretionary Compact Impact aids in defraying costs incurred as a result of increased demands placed on educational 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.

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Compacts of Free Association

Compacts of Free Association

Activity: Compact of Free Association (Current Appropriation)						
Subactivity: Federal Services Assistance \$(000)						
	2018 Actual	2019 CR	2020			Change from 2019 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	2,813	2,813	0	-177	2,636	-177
FTEs	0	0	0	0	0	0

SUMMARY OF 2020 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 2020 PROGRAM CHANGES

Federal Services (-\$177,000)

The 2020 budget request provides \$2.6 million to support United States Postal Service mail delivery to the freely associated states and Palau's single audit.

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.

2020 PROGRAM PERFORMANCE

Funding for the USPS contained within the Federal Services activity is largely maintained in recognition of the Palau Compact Section 432 Review Agreement. 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)						
	2018 Actual	2019 CR	2020			Change from 2019 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	550	550	0	-77	473	-77
FTEs	0	0	0	0	0	0

SUMMARY OF 2020 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
Enewetak	-77	0

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

JUSTIFICATION OF 2020 PROGRAM CHANGES

Enewetak (-\$77,000)

The 2020 budget provides \$473,000 to support agricultural operations and activities, as well as food and commodity purchases.

PROGRAM OVERVIEW

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

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

2020 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 in 2020 to continue these activities.

Activity: Compact of Free Association (Current Appropriation) Subactivity: Palau Compact Extension \$(000)						
			2020			Change from 2019 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
	2018 Actual	2019 CR				
	123,824	0	0	0	0	0
FTEs	0	0	0	0	0	0

PROGRAM OVERVIEW

Economic assistance provisions under Palau's Compact of Free Association (P.L. 99-658) were set to expire at the end of 2009. The Department of the Interior, Environment, and Related Agencies Appropriations Act, 2010 (P.L. 111-88 Sec. 122) and subsequent discretionary appropriations acts continued to extend economic assistance to Palau within OIA current budget authority through 2017.

As authorized by the National Defense Authorization Act for Fiscal Year 2018 (P.L. 115-91), the Consolidated Appropriations Act, 2018 (P.L. 115-141) fully funded the 2010 Palau Compact Review Agreement as agreed to between the United States and the Republic of Palau by appropriating \$123.8 million. The 2010 Palau Compact Review Agreement demonstrates the U.S. commitment to Palau and the Western Pacific region and the agreement is an important element of the Indo-Pacific national security strategy.

Account: Compact of Free Association (Permanent and Indefinite) Activity: Economic Assistance Subactivity: Federated States of Micronesia and Republic of the Marshall Islands \$(000)						
	2018 Actual	2019 CR	2020			Change from 2019 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
RMI	76,948	78,053	0	+1,270	79,323	+1,270
FSM	111,499	113,104	0	+1,844	114,948	+1,844
Judicial Training	361	366	0	+6	372	+6
Total	188,808	191,523	0	+3,120	194,643	+3,120
FTEs	0	0	0	0	0	0

SUMMARY OF 2020 PROGRAM CHANGES

Request Component		
Program Changes	Amount	FTE
RMI	+1,270	0
FSM	+1,844	0
Judicial Training	+6	0

JUSTIFICATION OF 2020 PROGRAM CHANGES

The 2020 budget request for Compact of Free Association - Economic Assistance to the Marshall Islands and Federated States of Micronesia is \$194,643 million, an increase of \$3.1 million from the 2019 CR level. The program changes in this account are required inflation adjustments under the amended Compact of Free Association. The increases are based on changes in the United States Gross Domestic Product Implicit Price Deflator but may not exceed 5 percent annually.

PROGRAM OVERVIEW

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

The long-term goal of United States' Compact financial support is to assist the freely associated states "in their efforts to advance the economic self-sufficiency of their peoples." The funding provided 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.

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 Compact provides assistance in the form of direct grants in six sectors: education, health care, infrastructure, public sector capacity building, private sector development, and environment. Joint economic management committees, comprised of mid-ranking officials from the U.S. and the RMI or FSM, meet 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 Compact also requires 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.

2020 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 150 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 2020 is not available at the time of this report due to the nature of the Compact agreement. As agreed to in the Compact, performance plans and budgets for 2019 are not submitted by the FSM and RMI until 90 days before the start of the fiscal year.

Fiscal Year 2019 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 2019 through Section 211 of Public Law 108-88 was \$65,800,000. This amount is adjusted annually by 2/3 of the Gross Domestic Product Implicit Price Deflator. The inflation adjustment for 2019 was \$14,561,540. 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 \$80,361,540. From this total, an amount of \$244,260 was provided to the FSM's Disaster Assistance Emergency Fund.

\$24,035,184 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.

Long Term Fiscal Planning Efforts by the FSM

The Compact of Free Association, as amended, included two provisions that, by design, lead to annual reductions in the real value of the grants made available to the FSM. The first was similar to that which

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

The second provision, although less familiar, is simply a different and larger-in-magnitude version of what was done during the initial Compact period. This is the so-called decrement, whereby from 2007 to 2023 the nominal value of the grants available for award to the FSM is reduced by \$800,000 per year. During the initial Compact period, reductions were done at Year 6 and Year 11 (the so-called “first stepdown” and “second stepdown”). The design shift to an annual decrement was meant to present a less difficult (more gradual) adjustment. The decrement, contrary to the step-downs implemented during the initial Compact period, represents a reduction in grant funding, but does not actually represent a reduction in total funding from the US, but rather, represents a redirection of the same \$800,000 as an annual increment in the level of annual US contributions to the Compact Trust Fund.

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

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

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

The observed behavior of incremental, un-prioritized expenditure cutting that has prevailed for the state governments within the FSM, would almost certainly be sustainable during short periods of fiscal compression; however, over a long period of fiscal compression, an entirely different and more deliberative approach is needed. The state governments are clearly faced with the latter circumstance of a

prolonged period of fiscal compression. As just two examples, priority activities with an impact on human health or public safety may need to be protected entirely or even enhanced, while lower priority activities, even if popular among some interest groups, may need to be eliminated entirely. A phrase used to reflect a needed change in policy approach going forward over the long period of declining real value of Compact sector grants is to “avoid dilution” of truly prioritized governmental activities.

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. The FSM is no longer undertaking medium to long-term fiscal planning in a documented or disciplined manner having largely disavowed the originally submitted LTFF.

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 2019 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 2019 through Section 211 of Public Law 108-88 was \$29,700,000. This amount is adjusted annually by 2/3 of the Gross Domestic Product Implicit Price Deflator. The inflation adjustment for 2019 was \$6,572,610. 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 \$36,272,610. From this total, an amount of \$244,260 was provided to the RMI's Disaster Assistance Emergency Fund.

- \$9,459,182 was reserved for the Public Infrastructure Sector.
- \$17,708,850 was contributed to the Compact Trust Fund for the People of the Republic of the Marshall Islands.
- \$21,983,400 was reserved for payments during Fiscal Year 2019 made to Kwajalein Landowners by the GRMI.

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 2018-2019, 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

For 2019, 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 2019 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 \$10.1 million for infrastructure improvements and maintenance in 2019. 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 Compact 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)						
	2018 Actual	2019 CR*	2020*			Change from 2019 (+/-)
			Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request*	
Hawaii	12,762	12,762	0	0	12,762	0
Guam	14,907	14,907	0	0	14,907	0
CNMI	2,309	2,309	0	0	2,309	0
American Samoa	22	22	0	0	22	0
Census	0	0	0	0	0	0
Total	30,000	30,000	0	0	30,000	0
FTEs	0	0	0	0	0	0

*2019 and 2020 allocations by jurisdiction are placeholders awaiting the results of the enumeration to be completed by U.S. Census in mid-2019.

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 next enumeration will be completed in 2019 by the U.S. Census Bureau and the results will be used to determine the distribution of 2019 Compact Impact funding. As a result, 2020 and 2019 Compact Impact allocations by jurisdiction contained in the 2020 budget request are placeholders based on 2018 allocations. This allocation is in accordance with the provision in Section 104(e)(5) of Title One of the amended Compacts of Free Association.

2020 PROGRAM PERFORMANCE

The following 2019 grants will be made to each eligible jurisdiction based on the population of qualified migrants:

- Hawaii: \$12,762,000
- Guam: \$14,907,000
- CNMI: \$ 2,309,000
- American Samoa: \$ 22,000

Compact Impact grant assistance may be used only for health, educational, social, or public safety services, or infrastructure related to such services, specifically affected by qualified nonimmigrants. Each jurisdiction is to provide a spending plan to the Office of Insular Affairs for the use of the funds prior to the awarding of the grant. The 2019 spending plans follow:

The State of Hawaii is expected to use the full 2019 amount of its \$12.8 million to supplement State funds to support indigent health care as in past years.

Guam has proposed to use its 2019 Compact Impact grant of \$14.9 million in the following manner:

- DOE/DPW Schools Leaseback \$5,736,250
- Government of Guam General Operations Offset \$9,170,750

The CNMI may use its 2019 Compact Impact grant of \$2.3 million as a general operations offset.

American Samoa has proposed to use its 2019 Compact Impact grant of \$22,000 as an operational offset for the American Samoa Department of Education budget.

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Miscellaneous Schedules

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

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

**FSM-RMI Compact Payment Projections
2004-2008**

(In thousands of dollars)

	2004			2005			2006			2007			2008			Subtotal 2004-2008
	Base	Inflation 0.00%	Total	Base	Inflation 2.00%	Total	Base	Inflation 4.35%	Total	Base	Inflation 6.68%	Total	Base	Inflation 8.58%	Total	
<u>Federated States of Micronesia</u>																
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>
<u>Republic of the Marshall Islands</u>																
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>
<u>Compact-Other</u>																
Compact Impact Section 104 (e)	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	29,700	(26)	29,674	149,674
Compact Impact Enumeration Section 104 (e)(4)	-	-	-	-	-	-	-	-	-	-	-	-	300	26	326	326
Judicial Training	300	-	300	300	6	306	300	13	313	300	20	320	300	26	326	1,565
<i>Total Compact-Other</i>	<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 Payment Projections

2009-2013

(In thousands of dollars)

	2009 Inflation			2010 Inflation			2011 Inflation			2012 Inflation			2013 Inflation			Subtotal 2009-2013
	Base	10.51%	Total	Base	10.94%	Total	Base	11.97%	Total	Base	13.40%	Total	Base	15.71%	Total	
<u>Federated States of Micronesia</u>																
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>
<u>Republic of the Marshall Islands</u>																
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>
<u>Compact-Other</u>																
Compact Impact Section 104 (e)	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	29,700	(47)	29,653	149,653
Compact Impact Enumeration Section 104 (e)(4)	-	-	-	-	-	-	-	-	-	-	-	-	300	47	347	347
Judicial Training	300	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 Payment Projections

2014-2018

(In thousands of dollars)

	2014 Inflation			2015 Inflation			2016 Inflation			2017 Inflation			2018 Inflation			Subtotal 2014-2018
	Base	16.54%	Total	Base	16.28%	Total	Base	17.87%	Total	Base	18.91%	Total	Base	20.39%	Total	
<u>Federated States of Micronesia</u>																
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>
<u>Republic of the Marshall Islands</u>																
Annual Grant Section 211	32,200	5,326	37,526	31,700	5,161	36,861	31,200	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>
<u>Compact-Other</u>																
Compact Impact Section 104 (e)	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	30,000	-	30,000	29,700	(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 Inflation			2020 Inflation			2021 Inflation			2022 Inflation			2023 Inflation			Subtotal	Total 2004-
	Base	22.13%	Total	Base	24.13%	Total	Base	26.13%	Total	Base	28.13%	Total	Base	30.13%	Total	2019-2023	2023
<u>Federated States of Micronesia</u>																	
Annual Grant Section 211	65,800	14,562	80,362	65,000	15,685	80,685	64,200	16,775	80,975	63,400	17,834	81,234	62,600	18,861	81,461	404,717	1,607,928
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	6,563	33,763	28,000	7,316	35,316	28,800	8,101	36,901	29,600	8,918	38,518	176,742	517,079
<i>Total FSM Compact</i>	92,700	20,404	113,104	92,700	22,248	114,948	92,700	24,092	116,792	92,700	25,936	118,636	92,700	27,780	120,480	583,959	2,135,007
<u>Republic of the Marshall Islands</u>																	
Annual Grant Section 211	29,700	6,573	36,273	29,200	7,046	36,246	28,700	7,499	36,199	28,200	7,933	36,133	27,700	8,346	36,046	180,897	721,461
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	3,620	18,620	15,500	4,050	19,550	16,000	4,501	20,501	16,500	4,971	21,471	97,851	275,569
Kwajalein Impact Section 212	18,000	3,983	21,983	18,000	4,343	22,343	18,000	4,703	22,703	18,000	5,063	23,063	18,000	5,423	23,423	113,517	379,359
Rongelap Resettlement Section 103 (f)(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,300
Enewetak Section 103 (f)(2)(c)(i)	1,300	288	1,588	1,300	314	1,614	1,300	340	1,640	1,300	366	1,666	1,300	392	1,692	8,198	29,962
<i>Total RMI Compact</i>	64,000	14,053	78,053	64,000	15,323	79,323	64,000	16,593	80,593	64,000	17,863	81,863	64,000	19,133	83,133	402,963	1,421,651
<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	72	372	300	78	378	300	84	384	300	90	390	1,892	6,914
<i>Total Compact-Other</i>	30,300	66	30,366	30,300	72	30,372	30,300	78	30,378	30,300	84	30,384	30,300	90	30,390	151,892	606,914
GRAND TOTAL	187,000	34,523	221,523	187,000	37,643	224,643	187,000	40,763	227,763	187,000	43,883	230,883	187,000	47,003	234,003	1,138,814	4,163,573

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
<u>ACTIVITY (P.L. 99-658)</u>																
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
<u>Subtotal Sec. 211</u>	<u>108,948</u>	<u>12,781</u>	<u>16,781</u>	<u>12,781</u>	<u>7,781</u>	<u>7,781</u>	<u>7,781</u>	<u>7,781</u>	<u>7,781</u>	<u>7,781</u>	<u>6,781</u>	<u>6,781</u>	<u>6,781</u>	<u>6,781</u>	<u>6,781</u>	<u>231,882</u>
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
<u>DIRECT PAYMENTS</u>	<u>192,467</u>	<u>23,523</u>	<u>26,356</u>	<u>21,221</u>	<u>13,571</u>	<u>13,642</u>	<u>13,785</u>	<u>13,857</u>	<u>14,071</u>	<u>14,143</u>	<u>12,656</u>	<u>12,779</u>	<u>12,902</u>	<u>13,025</u>	<u>13,148</u>	<u>411,142</u>
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 <i>Economic Assistance - Compact Extension</i>	<i>13,147</i>	<i>13,147</i>	<i>13,147</i>	<i>13,147</i>	<i>13,147</i>	<i>13,147</i>	<i>13,147</i>	<i>13,147</i>								<i>105,176</i>
Economic Assistance									24,574							24,574
5 Infrastructure Projects									20,000							20,000
<i>Direct Assistance to Palau - Compact Extension</i>	<i>13,147</i>	<i>13,147</i>	<i>13,147</i>	<i>13,147</i>	<i>13,147</i>	<i>13,147</i>	<i>13,147</i>	<i>13,147</i>								<i>105,176</i>
<u>Direct Assistance to Palau</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>111,824</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>123,824</u>
Total, Direct Assistance to Palau	13,147	13,147	13,147	13,147	13,147	13,147	13,147	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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