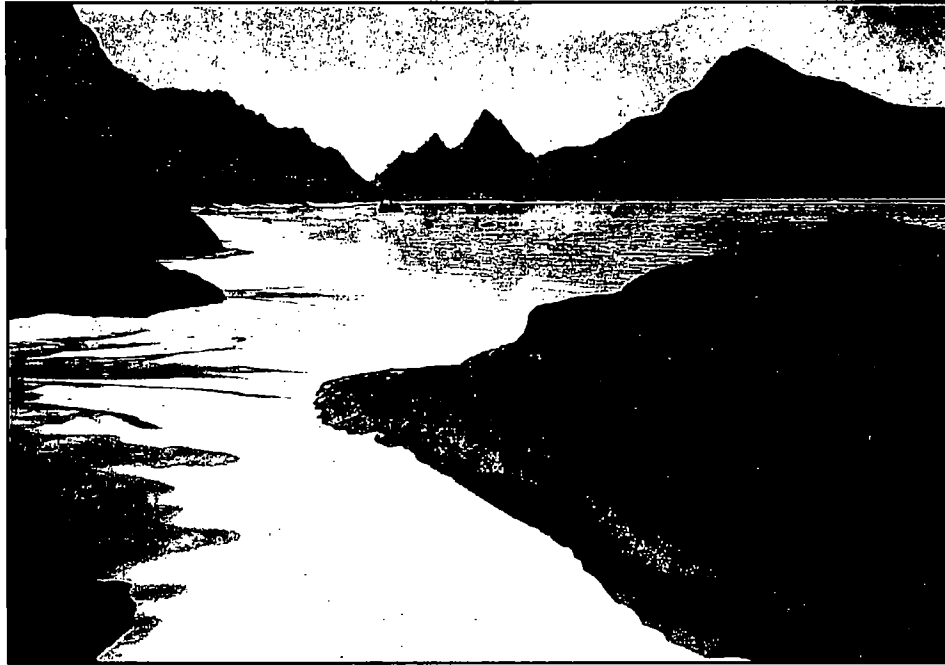


A REPORT ON THE STATE OF THE ISLANDS



August 1995



U.S. DEPARTMENT OF THE INTERIOR
OFFICE OF INSULAR AFFAIRS

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August 1995

Prepared by the
Office of Insular Affairs

**Secretary of the Interior
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COVER:

Ofu Beach, National Park of American Samoa

Photo by Doug Cuillard courtesy of the National Park Service



**U.S. DEPARTMENT OF THE INTERIOR
OFFICE OF INSULAR AFFAIRS**

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INTRODUCTION

This fourth annual "State of the Islands" report is in response to the Senate Committee on Appropriations' Report 102-122, which requested the Secretary of the Interior to submit annually a report on the state of the United States insular areas. The committee requested that the report include basic economic development information on the U.S. Virgin Islands (USVI), Guam, the Commonwealth of the Northern Mariana Islands (CNMI), American Samoa and the Republic of Palau (which was then a trust territory); as well as "data on direct and indirect Federal assistance, local revenues and expenditures, employment and unemployment, the adequacy of essential infrastructure, an assessment of local financial management and administrative capabilities, and Federal efforts to improve these capabilities."

This report is divided into the following major sections:

- o A description of the Department of the Interior's evolving role and responsibilities with regard to the U.S. insular areas, including its current mission and initiatives for improving Federal coordination of insular development assistance.
- o Summaries, by each insular area, of major political developments, relations with the Federal Government, current economic conditions, relevant government administrative issues, and information about the state of basic infrastructure.
- o Tables and statistics on insular government spending and revenues, Federal funding, population, employment and economic indicators, active capital improvement projects and technical assistance grants.

The information compiled in this report was obtained primarily from the insular area governments and the Department. All economic indicators and reports of local revenues and expenditures were obtained from the insular governments. The discussion of essential infrastructure draws heavily from the field reports of the Operations and Maintenance Improvement Program team, Louis Berger International, Inc., and the Barrett Consulting Group, Inc., as well as from the insular governments.

Although a broad array of information exists on the insular areas, it has proven difficult to extract it in ways that are meaningful and appropriate for this report. Some basic economic measures, such as gross domestic product, are not available from all the insular areas. Other types of information, such as Federal program support, were varied and inconsistent. The financial data provided by the insular areas include Federal program resources actually in use by the governments.

Chapter 1

THE DEPARTMENT OF THE INTERIOR'S ROLE IN THE INSULAR AREAS

1.1 Reinventing the Department's Handling of Insular Affairs

As a result of President Clinton's Reinventing Government initiative, the Department took a major step in 1995 to redefine and restructure its relationship with the U.S. insular areas. Under phase two of the Administration's reinvention initiative, with its goals of streamlining Executive Branch agencies and making the Federal Government more efficient, the Department closed the Office of Territorial and International Affairs (OTIA), transferring essential insular area functions to the Assistant Secretary for Policy, Management, and Budget (PMB).

The Secretary based his decision on a review of the Department's insular responsibilities and the development of self-government in the islands. For more than a year prior to the announcement, OTIA officials discussed with congressional and insular leaders the evolving role of OTIA in insular affairs. These discussions reviewed several options for more efficiently carrying out OTIA's budgetary and program responsibilities. Throughout the decision-making process, continuing the Department's vital insular responsibilities and fulfilling its commitments to the islands were guiding principles.

Under this reorganization, the Department transferred the handling of its essential insular responsibilities to an Office of Insular Affairs. The office is comprised of 25 full-time positions, down almost 50 percent from the 48 full-time positions authorized for OTIA in Fiscal Year (FY) 1995. A political appointee, with the title of Director, heads the office and reports directly to the Deputy Assistant Secretary - Policy in PMB. The insular affairs staff, organized into operations and policy teams, carries out financial and technical assistance responsibilities as well as programmatic, economic and political analyses relating to the unique Federal-insular relationships. OTIA's International Affairs section was transferred to the Office of Policy Analysis and one OTIA budget position was transferred to PMB's Office of Budget.

The Department similarly streamlined OTIA's field offices, closing offices in Guam and the United States Virgin Islands, while maintaining offices in American Samoa, the Commonwealth of the Northern Mariana Islands and the Republic of Palau.

The Secretary also created a Federal Interagency Policy Group on Insular Affairs under the Domestic Policy Council. The interagency group, composed of policy-level representatives from major Executive Branch agencies, is responsible for the coordination, review, and modification of cross-cutting Federal policy for the insular areas.

Prior to reorganizing insular functions, the Department submitted reprogramming requests to the House and Senate Appropriation Committees, reflecting this downsizing and restructuring plan and the reallocation of some FY 1995 funds. The committees approved the restructuring proposal in April 1995. The President's FY 1996 budget was amended to reflect the future savings, estimated at \$6 million over five years, to be achieved by the reorganization. For the sake of clarity, this report will refer only to OTIA as the Departmental agency handling insular affairs in FY 95.

1.2 The Department's Evolving Role in Insular Affairs.

The streamlining of insular affairs was an appropriate step both in terms of the Administration's reinvention initiative and the evolving nature of the Department's relationship with the U.S. insular areas. That relationship has changed markedly over the last decade. As the insular areas achieved greater degrees of self-government and self-sufficiency, the Department's role has become that of facilitator of Federal relations and assistance.

Interior's role began in 1931 with the Navy Department's transfer to the Department of jurisdiction for the USVI. Guam, which had been under Navy control since its acquisition during the Spanish American War in 1898, was transferred to the Department's jurisdiction in 1950. American Samoa, parts of which had been ceded to the United States as early as 1900, was similarly transferred from the Navy to the Department in 1951.

In the past, the Secretary of the Interior exercised broad authority in the insular areas. Chief executives of the insular governments were appointees of the President or the Secretary, and the Secretary had the legal authority to supervise and give binding directions to them. Since the installation of popularly elected legislatures (Guam 1950, USVI, 1954, American Samoa, 1961, and CNMI, 1979) and governors (Guam and USVI 1971, American Samoa 1978, the CNMI, 1979), each of the U.S. insular areas has become responsible for the administration of local government functions. Although the Congress has placed with the Secretary certain continuing budget and program coordination authority and responsibility concerning U.S. insular affairs, the local governments are not entities of the Department, nor are they agencies or instrumentalities of the Federal Government.

Interior's relationship with other U.S.-affiliated Pacific islands stemmed from a post-World War II trusteeship. The Northern Mariana Islands, Palau, the Marshall Islands, and the Caroline Islands were grouped into the Trust Territory of the Pacific Islands (TTPI) by the United Nations in 1947. Under the Trusteeship Agreement with the U.N. Security Council, the United States exercised administrative jurisdiction over the TTPI. The Navy administered the TTPI until 1951, when that authority was given to the Secretary of the Interior. Under the trusteeship, the Secretary had broad legal authority over the trust islands, including the power to appoint governing officials, amend budgets, and veto local laws.

Following an act of self-determination by its voters, the Northern Mariana Islands became a U.S. Commonwealth in 1976. The Covenant between the CNMI and the United States became fully effective by Presidential Proclamation in 1986. The Marshalls and the Federated States of Micronesia became sovereign states in 1986. As the Republic of the Marshall Islands and the Federated States of Micronesia (FSM), these islands are now affiliated with the United States as freely associated states. Palau became a freely associated state on October 1, 1994. As freely associated states, Palau, the Marshalls, and the FSM are sovereign and their relations with the United States are handled by the Department of State. The Secretary of the Interior, however, continues to have Federal program coordination and monitoring responsibility for U.S. funds annually provided these island states under the terms of the compacts of free association.

1.3 Fiscal Year 1995 Insular Affairs Budget

In FY 95, OTIA had budget authority of \$582.2 million dedicated to activities affecting four U.S. insular areas and three freely associated states. Of this amount, \$389.7 million was budgeted for the freely associated states, including grants for operations, capital improvement, special trust funds, and Federal services. Approximately \$80.1 million was budgeted for "Assistance to Territories", including government operation subsidies and construction grants to American Samoa (\$28.5 million); Covenant grants to the CNMI (\$27.7 million); compact impact to Guam (\$2.5 million), and special program grants.

The FY 1995 budget authority also included \$92.6 million in special fiscal assistance payments to Guam (\$39.9 million) and the USVI (\$52.7 million). These fund transfers to the island treasuries consist of Federal income tax collections from Federal employees on Guam and federal excise taxes on Virgin Islands rum exports. OTIA's operating budget of \$16.1 million contained additional territorial assistance funding, including: technical assistance (\$6.9 million), infrastructure maintenance assistance (\$4.4 million), substance abuse assistance (\$.7 million), disaster assistance (\$2 million), management control assistance (\$1.5 million), and brown tree snake control (\$.7 million). The FY 1995 appropriation contained \$4.3 million for OTIA's salaries and other operating expenses.

The OTIA workload consists of management of financial and technical assistance grants, and policy responsibilities for seven insular governments and the Department's international programs. OTIA manages and continuously monitors several hundred grants, ranging from major insular government operations and construction funds to small technical assistance awards, to ensure these grants are used in accord with federal laws and regulations. In addition, mandated audits must be reviewed, answered, and monitored for corrective action.

OTIA has received two Departmental commendations for financial management. On April 8, 1995, PMB Assistant Secretary Bonnie Cohen commended OTIA for the high quality of its FY 94 Annual Report and Financial Statement and the unqualified endorsement the report received from the Department's Inspector General. Cohen called the IG's endorsement "a significant accomplishment and congratulated OTIA's Assistant Secretary and Chief Financial Officer. The

IG's "clean" opinion found that OTIA's financial reports, internal accounting control structures, and management control processes were in full compliance with all federal laws and regulations. OTIA's FY 1993 Annual Report and Financial Statement also received unqualified endorsement from the IG. The FY 1993 financial statement and procedures were the first to be audited under the financial reporting requirements of the Chief Financial Officers Act of 1990.

OTIA's program and policy coordination is carried out with numerous federal departments and agencies. This work is often performed through issue specific working groups of Federal representatives which meet with insular officials to address issues. Memoranda of understanding and other cooperative agreements are used to set out common goals and courses of action, and to assign responsibilities for accomplishing the aims of the groups. Continuous liaison with island officials is maintained. OTIA also tracks and analyzes pending federal legislation which could affect insular areas. Frequent requests for information must be answered by OTIA staff.

A detailed description of the major insular assistance programs funded and monitored under OTIA's FY 95 budget follows:

Compacts of Free Association

OTIA has responsibility for coordinating and monitoring appropriations made pursuant to the Compacts of Free Association with the FSM, the Marshall Islands, and Palau. The relationship with these governments is defined by the Compact of Free Association Act of 1985 (Public Law 99-239) and the Palau Compact of Free Association Act (P.L. 99-658). Under the compacts, the United States agreed to provide financial assistance for fifteen-years ending in 2001 for the FSM and Marshalls and in 2009 for Palau.

The FY 1995 direct financial assistance for the FSM and Marshalls was \$144.5 million, with \$92.2 million for the FSM and \$52.3 million for the Marshalls. In FY 1995, Palau received direct assistance of \$190.9 million. This first year Compact funding for Palau contained several front-loaded, one-time grants for the island, including a \$66 million investment trust fund, a \$52.9 million construction fund, and a \$41.1 million energy fund. In addition, the United States has agreed to build a road system on the large island of Babeldaob, currently estimated to cost \$53 million.

Government Operations Subsidies

American Samoa's economy is currently unable to generate a level of local revenues to assure that essential public services are provided to its citizens. Therefore, the Federal Government annually provides direct support for American Samoa general government operations through OTIA. In FY 95, American Samoa received \$23 million under this program. The allocation of the Department's operations grants in American Samoa is made according to American Samoa's administrative and legislative practices.

Capital Improvement Grants

The Department has annually budgeted for the construction of needed capital improvements in the insular areas when the lack of local funding poses a threat to health and safety or when such improvements are essential to economic development.

Capital improvement funding in FY 1995, exclusive of CNMI Covenant funds, was \$5.5 million. American Samoa received all of those funds. Construction grants are made subject to terms and conditions that include the insular governments' compliance with the provisions of OMB Circular A-102, OMB Circular A-128 (requirements of the Single Audit Act), and other laws and regulations governing federal grant funds. OTIA uses the services of the Army Corps of Engineers, Honolulu Engineer District, to provide engineering expertise in its review and oversight of construction grants in the Pacific insular areas.

Covenant Grants

Section 702 of the Commonwealth Covenant (P.L. 94-241 as amended by P.L. 99-396) provided multi-year financial support to the CNMI to attain the mutual goals of the U.S. and the CNMI to improve the CNMI's standard of living, develop the CNMI economy, and lessen its dependence on U.S. assistance. The first agreement provided \$192 million from 1978 to 1985 for government operations and capital improvements.

The second multi-year agreement, covering the fiscal years 1986 through 1992, provided a total of \$228 million for government operations and capital development. The covenant provides that the CNMI will continue to receive the assistance, i.e. \$27.7 million, until the Congress provides otherwise by law.

Congress was not able to reach agreement on the disposition of this program for FY 92 through FY 95, and therefore the CNMI received \$27.7 million in each of those years. Use of these funds is subject to the terms of an agreement made between the CNMI and the Department. These grants are subject to the Department's oversight and audit.

Fiscal Assistance to U.S. Territories

In FY 95 OTIA has budget authorization for \$92.6 million for fiscal assistance payments to Guam and the USVI. This permanent, indefinite appropriation, authorized under the Guam and USVI organic acts, provides the mechanism to transfer to the island treasuries certain tax revenues collected by the U.S. Treasury. For Guam these funds consist of federal income tax collections, mainly from federal employees on Guam. For the USVI, they are federally collected excise taxes on USVI rum imported into the United States customs territory.

Each year, Guam and the USVI governments estimate these tax collections for the upcoming fiscal year and are given an advance payment (before the fiscal year begins) based on that estimate. The amounts advanced for FY 95 were \$39.9 million to Guam and \$52.7 million to

the USVI. When actual tax collection figures are available from the U.S. Treasury, an adjustment is made to correct any under or over-payment that was made in advance. Figures included in the budget are only preliminary estimates of those advances and do not restrict in any way the final estimates development by the governments or the amount of the advance payment.

Technical Assistance Program

A total of \$6.9 million was appropriated for technical assistance projects in FY 95. Technical assistance funds are used to provide the insular areas with funding for projects designed to encourage economic development opportunities, to enhance health care and education, to improve government efficiency, and to assist the economies in becoming self-sufficient.

Technical assistance is provided through grants, reimbursable support agreements with other federal, state and local agencies, contracts with private firms, or through direct assistance by OTIA staff. It may be in the form of research, planning and program assistance, studies, demonstration projects or personnel services. A list of the active technical assistance grants is appended to this report.

Operations and Maintenance Improvement Program

In FY 95 the OTIA budget included \$4.4 million for the Operations and Maintenance Improvement Program (OMIP) for the insular areas. These funds, when matched by local government funds, are used to protect federally-funded infrastructure components and to assist the islands in providing consistent and reliable utility services. The islands' geographic isolation, tropical climate, and the frequency of major storms require that construction conform to exacting standards and be optimally maintained.

1.4 Major Issues and Initiatives in Federal-Insular Area Relations

In carrying out its responsibilities, the Department and OTIA, at the request of insular governments, and in cooperation with them and Congressional oversight committees, participated in a number of initiatives aimed at addressing insular area issues. Major FY 95 projects included:

CNMI Immigration and Labor Reform

OTIA coordinated a federal effort to address critical immigration, labor, and law enforcement problems in the CNMI. The problems stemmed from the influx of non-resident workers, mostly from the Philippines and China, CNMI control of immigration, a low minimum wage, inadequate CNMI labor laws, and lax enforcement of existing immigration and labor regulations. This combination of factors allowed alien laborers to be subjected to discrimination, exploitation, and abuse. This large immigrant labor population, more than half the population of about

57,000, is having a significant adverse effect on the CNMI's social, economic, and political institutions.

The Congress appropriated \$7 million in FY 95 to develop a plan for addressing these problems through federal interagency coordination and cooperative efforts with the CNMI. CNMI Governor Froilan Tenorio encouraged and welcomed a heightened federal effort to address the problems. As coordinator of the federal effort, OTIA entered several agreements with the CNMI and federal agencies to strengthen immigration and labor law enforcement in the CNMI:

- 1) \$1.5 million for the CNMI, with assistance from the U.S. Immigration and Naturalization Service (INS) will develop, purchase, and install a computerized immigration identification and documentation system to track non-U.S. citizens entering, residing, and leaving the CNMI;
- 2) \$1.5 million for the CNMI to acquire the necessary training and staffing to strengthen local immigration and labor law enforcement;
- 3) \$2.2 million for the U.S. Justice Department to strengthen enforcement of federal civil rights and labor laws;
- 4) \$1.6 million for the U.S. Department of Labor to strengthen the enforcement of applicable U.S. labor laws in the CNMI;
- 5) \$200,000 for the U.S. Department of the Treasury to provide training and investigation of violations of federal firearms, organized crime, and counterfeiting laws.

OTIA sent a six-month progress report on this effort to Congress on April 24, 1995. The report concluded that the effort was making progress, but an increased federal presence and continued federal oversight are needed. The CNMI's report to Congress noted progress in strengthening local labor, immigration, tax, and wage laws.

American Samoa Fiscal Management and Law Enforcement Improvement

Over the past several years, the American Samoa Government (ASG) has experienced a deteriorating financial situation. Government spending increased, debts rose, public employment remained high, while revenues decreased or remained flat. Local government corruption exacerbated the problem. In response to an Interior Department Inspector General's audit which indicated ASG's deficit was more than \$60 million, Governor A.P. Lutali and other local leaders requested federal assistance to improve the fiscal management, accountability, and law enforcement capabilities of the ASG. At the direction of Congress, an ASG-Interior Joint Working Group was established to implement a plan of action to address the problems identified in a GAO report. OTIA concluded several agreements with the ASG and federal agencies to address these problems.

To assist ASG in improving its overall financial management, OTIA worked with local leaders to identify and hire a financial planning group to help ASG prepare a long-term financial recovery plan. CORE, Inc. began its work in American Samoa in May to assist ASG in preparing a long-term financial recovery plan. After their preliminary review, CORE officials concluded that ASG can institute immediate revenue-enhancing measures, including modest increases in local government fees for hospital, court, airport, seaport, telephone, hotel, and golf course services. This enhancement could provide \$3 million in annual additional revenue to the cash-strapped government. CORE also recommended mid and long-term cost containment measures for ASG. CORE will submit a financial recovery plan to the ASG-Department Joint Working Group established two-and-a-half years ago at Congressional direction.

OTIA and Interior's Information Resources Office are working with ASG to fully automate ASG's financial accounting systems. On April 8, OTIA officials signed a grant with Governor Lutali, providing the local government with \$1.6 million for the purchase and installation of a computerized financial management system. The grant will also be used for procuring auditing and accounting support services. In addition, a team from the Internal Revenue Service set up a training program for local officials in tax collection and enforcement. OTIA also assisted ASG to improve local government fiscal management practices through the Insular Management Control Initiative, which funds training of local government financial management personnel. The ASG and OTIA also are working together to establish a cooperative management and maintenance program to improve medical services in the local hospital.

At Governor Lutali's request, a team from the Department of Justice/FBI, in cooperation with ASG, conducted an assessment of white collar crime involving public funds and the need for investigative and prosecutorial assistance to supplement local capabilities. The Justice report concluded that major local government fraud, including the theft and misuse of federal funds, is contributing significantly to American Samoa's worsening financial condition and neither local nor Federal law enforcement capabilities are adequate to deal with the problem.

OTIA, working with the Justice Department on the issue of federal law enforcement in American Samoa, developed Administration legislation that would confer on the U.S. District Court of Hawaii limited jurisdiction for the enforcement of federal statutes in the islands. This jurisdiction would also provide for the collection of debts owed to the United States by residents of American Samoa. At present, but for a few minor exceptions, no federal court has jurisdiction over American Samoa and this void has made it extremely difficult, if not impossible, for the United States to enforce its laws in that territory and to collect debts owed to it by inhabitants of that territory.

The jurisdiction would be limited to civil, criminal, and regulatory statutes of the United States and only at the suit of the United States. This is intended to allow American Samoa to develop and protect its culture and customs, especially the extended family, traditional chiefs (Matai), and communal land tenure systems. The legislation would specifically provide that the court not have jurisdiction over litigation that directly affects a Matai title or communal property. This limitation stems from the U.S. legal obligations under the Treaties of Cession.

Freely Associated State Economic Restructuring

OTIA has worked closely with the State Department and the Interagency Group on Freely Associated States to review economic development under the Compact. A year-long review in conjunction with freely associated state (FAS) and Asian Development Bank (ADB) officials recommends refocusing, restructuring, and improving economic performance in the FAS for the second half of the Compact. The recommendations include undertaking the annual bi-lateral consultations anticipated, but never held, under the Compact; and the establishment of multilateral donor consultative groups and in-country economic advisory teams.

As part of this effort in FY 95, OTIA coordinated an international effort that worked with FSM and Marshalls leaders and representatives of the ADB to develop a systematic plan for comprehensive economic reform in those FAS. The project aims at helping those islands institute investment, trade, and other economic policies to effectively use U.S. funding under the Compact and to prepare the islands for the post-Compact era. The goal is to assist the islands in achieving economic growth through greater private sector development, and thereby increasing economic self-reliance.

Currently, U.S. Compact funds account for more than 50 percent of the islands' Gross National Product, but have gone primarily to maintain large public sectors. The islands are not achieving the private sector development needed to prepare them for the phase-out of U.S. Compact funding in 2001. All of the major parties to the effort agreed that the ADB would send Policy Advisory Teams to the islands to develop recommendations for achieving these reforms. All major aid donors (U.S., Japan, ADB) agreed to support the reform recommendations developed by the teams. The donors expect the islands to adopt and implement the ADB's recommendations and have indicated that any post-Compact aid would be tied to the success of these reforms. OTIA expects to fund the U.S. share of the reform project's cost -- \$2 million over three years - - from Technical Assistance. The next ADB meeting is set for Manila in December, 1995, at which time the islands are expected to present detailed policy reform and public investment programs modelled on the ADB's recommendations.

Insular Development Act

On behalf of the Administration, OTIA developed an Insular Development Act of 1995, which was reflected in the President's FY 96 budget proposal. The initiative was in response to several developments, including the changing needs of the U.S. insular areas and the austere budgetary environment of the 104th Congress, which made increases in discretionary funding extremely unlikely. The legislative proposal called for allocating most of the \$27.7 million in mandatory financial assistance to the CNMI for more critical insular area needs.

Under the proposal, which called for the reallocation to be made annually through FY 2001, American Samoa would receive \$15 million in FY 1996 for essential infrastructure development which the local government has no other means of funding. Guam would receive \$4.5 million as a contribution toward the costs incurred by the local government from the increased demands

for education and social program benefits by immigrants from the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau. The U.S. Virgin Islands would receive \$2 million for public infrastructure work. This proposal would reduce the mandatory funding to the CNMI to \$6.1 million, which would be used for capital improvement projects, administration and enforcement of immigration and labor laws, and reimbursement to the local government for increased costs of services to immigrants from the freely associated states. The President's FY 96 budget proposal also reflected the closing of OTIA and the concomitant savings of \$1.2 million annually in administrative costs.

Insular Fisheries Amendment

An Exclusive Economic Zone fisheries initiative developed in FY 95 by an OTIA-led federal team resulted in the Administration's submission to Congress of an amendment to the Magnuson Fisheries Conservation and Management Act. The amendment would empower the U.S. Pacific insular areas to manage the renewable Exclusive Economic Zone (EEZ) fishery resources in cooperation with the Secretary of Commerce. The legislation would allow the governments of Guam, the Northern Mariana Islands, and American Samoa, where practicable, to benefit from the sustainable exploitation of these resources, while retaining in the Federal Government all of its authority over these U.S. EEZ fisheries. Federal fees collected for fishing in the EEZ adjacent to these islands would be transferred from the U.S. Treasury to the island treasuries under the same federal policy that provides for the coverover of other federal taxes and fees to the island governments. The proposal was developed over the past two years with fishery officials from the Pacific insular areas through the auspices of the Western Pacific Regional Fisheries Management Council. Guam Delegate Robert Underwood agreed to introduce the Administration bill as a floor amendment to H.R. 39 -- the Magnuson Act reauthorization. Senator Daniel Inouye agreed to introduce the measure in the Senate.

Guam Political Status Policy Review.

The Administration chose Stanley Roth, Special Assistant to the President and Senior Director for Asian Affairs at the National Security Council, as the new Special Representative for Guam Commonwealth talks. He replaced former Counselor to the Secretary Michael Heyman, who resigned when he was appointed Secretary of the Smithsonian Institution. Guam Delegate Robert Underwood and Governor Carl Gutierrez have formally requested that the discussion continue so that an Administration position on the Guam Commonwealth Bill can be presented to the 104th Congress. Guam leaders indicated that if sufficient progress could not be achieved in the 104th Congress, Guam leaders would have to reconsider the status issue and seek guidance from the electorate.

Disposition of Federal Lands in the Insular Areas.

In the USVI, the disposition of Water Island has been an important policy initiative. The OTIA has been working to dispose of federal title to this 500-acre island, the fourth largest island in the USVI. A 40 year-lease, signed in December 1952, has expired and the Federal Government

has been negotiating with the holder of the master lease and 140 sub-leaseholders who have an interest in the disposition of the property.

The Department of Defense (DOD) proposed closing and realigning four U.S. Navy installations on Guam. The recommendations would have eliminated 2,265 civilian jobs and transferred 2,104 military personnel off the island. The proposal was part of the DOD's recommendations on 146 military installations in the United States, presented February 28, 1995, to the independent Defense Base Closure and Realignment Commission (BRAC). Guam Delegate Robert Underwood and Guam Governor Carl T.C. Gutierrez urged the BRAC to retain some DOD missions on Guam and establish a transition period during which DOD and Guam could work to develop some of the major facilities to be closed as commercial enterprises. Some of the properties - particularly the Ship Repair Facility - could be converted into commercial operations, according to Guam leaders, thereby creating hundreds of jobs to replace some of those lost.

OTIA officials met May 11 with BRAC Commissioner Al Cornella, at his request, to discuss OTIA's views regarding the DOD proposal. OTIA Acting Assistant Secretary Allen Stayman, who had met earlier with Guam representatives on the issue, explained the current state of political relations between the Federal Government and Guam, including the on-going Commonwealth discussions, outlined the declining federal financial assistance programs for the island, and emphasized the substantial economic impact a precipitous DOD cut-back would have on the Guam economy. Stayman supported Guam's request for modifications in the original DOD proposal.

On June 23, 1995, the BRAC recommended the retention of several Navy missions previously scheduled for transfer and the conveyance of several thousand acres of Federal land determined to be excess by the Defense Department. Navy supply vessels homeported at Guam could be retained as could a squadron of Navy helicopters, if DOD operations officials deem it necessary. The Navy could also realign its Public Works Center at Guam, rather than close it, to provide support for the vessels and helicopter missions. The Commission further recommended that the Navy release all of the excess property listed under its GUAM LAND USE PLAN '94 to the Government of Guam -- about 4,000 acres. Some of this land, according to Guam officials, is critical wildlife habitat and Guam and Federal officials will be discussing what agreements and procedures will be needed for handling the disposition of habitat property.

Creation of an Insular Affairs Council

Secretary Babbitt on June 20, 1995, convened the initial meeting of a newly organized Insular Affairs Working Group of the Domestic Policy Council to coordinate, review, and, if needed, recommend modifications of cross-cutting federal policy for the insular areas. The Secretary recommended setting up the Group as part of the Department's insular affairs reorganization. The Group would develop recommendations for the President on insular policies and consult with departments and agencies concerning the implementation of such policies. The Group will be made up of Assistant Secretary and Assistant Administrator level officials whose agencies

have responsibility for policy issues that significantly affect the U.S. insular areas of Guam, the CNMI, American Samoa and the U.S. Virgin Islands.

Rongelap Resettlement

OTIA carries out the Department's responsibilities for overseeing the health and welfare of the people of Rongelap Atoll in the Republic of the Marshall Islands as well as the management of the Rongelap Atoll Resettlement Trust Fund established by Congress. The Rongelapese left their island in 1985, expressing concern that the atoll was still unsafe because of the radiological exposure it had received during the U.S. nuclear weapons testing program in the early 1950s. In 1986, the Compact of Free Association Act of 1985 (P.L. 99-239) in section 103(i) provided for the resettlement of Rongelap. From FY 1992 through FY 1995, Congress appropriated for the corpus of the trust fund \$11.7 million (\$6.7 million through OTIA and \$5 million through Department of Defense). During that period Congress also appropriated \$1.6 million for further radiological studies and related scientific and health monitoring activities. In FY 1995 Congress also appropriated \$1.2 million for the preparation of the Rongelap resettlement Plan, financial management reform, Rongelap local government institution building and resettlement programs.

As a result of radiological studies in 1992 and 1993, and continuing annual monitoring, human habitation may resume but resettlement organization and planning have not moved forward due to problems and unresolved issues among the Rongelapese. During 1994 and 1995, OTIA, working with representatives of the Rongelap Atoll Government and the Republic of the Marshall Islands, have laid the groundwork for the atoll's resettlement. A comprehensive resettlement plan is under development, emergency needs of the Rongelap community (most reside on Majetto in the Marshalls) have been addressed, and the capabilities of the Rongelap Atoll Government were improved, including the establishment of an annual budget process for the local government. That budget is funded from the interest income of the Rongelap Resettlement Trust Fund.

Additional Insular Agreements/Initiatives in FY 95

CNMI Utility Agreement Signed: On March 20, Assistant Secretary Leslie M. Turner signed an agreement with Governor Froilan Tenorio of the Commonwealth of the Northern Mariana Islands (CNMI) aimed at improving the management and strengthening the autonomy of the CNMI's water and power utility. The ultimate aim of the agreement is to prepare the Commonwealth Utility Corporation for sale to the private sector. Among the major steps to be taken under the agreement are a feasibility study on selling some of the utility's operations, implementation of audit recommendations, restructuring of the utility's debt, and preventing future political interference in the rate setting and debt collection operations. The agreement, which also contains provisions for monitoring and enforcement, allows the CNMI to use Covenant funding from fiscal years 1993, 1994, and 1995. Those funds had been held by OTIA pending resolution of CUC issues. OTIA-administered Operations and Maintenance Improvement Program funding can also be released for CUC use, provided satisfactory progress continues to be made on the goals of the agreement.

CNMI Environmental Working Group: OTIA formed a federal interagency partnership with the CNMI government to address environmental issues impacting the CNMI. Over the last twelve months, the group has been working to resolve conflicts between economic development and the conservation of wetlands, to facilitate the regulation of coastal resources, and to protect endangered species. In addition to OTIA officials, the group includes federal representatives from the U.S. Fish & Wildlife Service, U.S. Environmental Protection Agency, U.S. Army Corps of Engineers, National Marine Fisheries, and the National Oceanic and Atmospheric Administration/Coastal Resource Management Program. The CNMI participants are from the Governor's office, Attorney General, Historic Preservation, and Departments of Public Works and Land and Natural Resources.

As a result of this group's efforts, several understandings were reached regarding the roles of the CNMI's Coastal Resource Management Office and Department of Land and Natural Resources, and the U.S. Fish and Wildlife Service in gaining compliance with the goals and objectives of the Federal Endangered Species Act. A memorandum of agreement was also reached between the CNMI Department of Public Works and the U.S. Environmental Protection Agency. In addition to these agreements, an ombudsman position has been established in the CNMI government to facilitate communication to developers on the development permit process. Federal agencies have provided training to enhance the ombudsman's capability. The U.S. Army Corps of Engineers is publishing a brochure for the public explaining the federal environmental laws and regulations and development permit process. The CNMI is working with the Federal agencies to create a wetlands bank in the determination of high and low value CNMI wetlands.

Statistical Improvement Initiative: OTIA has undertaken a program through technical assistance to bring the statistical capability of the U.S. insular areas as close as possible to the capabilities of the states. This will make it possible to make meaningful comparisons among the insular areas and with the states. Assistance is provided through a reimbursable agreement for the services of Dr. Michael Levin of the Census Bureau, and through grants to the insular areas for training and data collection. During FY 1995, OTIA is assisting each insular area with a census or survey designed to establish mid-decade benchmarks for comparisons with the decennial census. These surveys will also help to determine population and housing estimates for the 2000 census and to test questionnaire items.

The CNMI is the only insular area to undertake a full census for 1995. The census is being financed from local funds and is necessary to measure the rapidly changing demographic characteristics of the CNMI. Guam is conducting a consumer expenditure survey with the objective of revising the market basket for determining the consumer price index. The Virgin Islands is conducting a population and housing survey to update census data. American Samoa is conducting a survey of population, housing and expenditures. Each of these surveys benefitted from an OTIA technical assistance grant, and all contain some common survey items to permit comparisons among the insular areas. All insular areas also participated in a series of OTIA-sponsored workshops in Honolulu in March 1995 covering trade statistics, cause of death coding, statistical yearbooks and medical statistics yearbooks.

Insular Energy Initiative: The near-total dependence of the insular areas on imported oil and the crucial role of energy in developing sound island economies led OTIA, with support from the U.S. Department of Energy (DOE), to propose an energy partnership with the insular areas in 1994. American Samoa, Guam and Palau responded by establishing Energy Planning Committees to coordinate island efforts and provide a focus for the Federal agencies. The goal of the initiative is to develop reliable, economical energy systems capable of supporting island energy needs by incorporating energy efficiency, conservation, and indigenous renewable energy.

The first priority identified by all three Energy Planning Committees was to increase energy efficiency in buildings. Energy audits of these buildings were conducted utilizing DOE funds. Nearly \$500,000 in utility savings for the ASG were identified. In FY 95, OTIA provided an \$85,000 grant for a variety of demand-side management activities, including implementation of audit recommendations, to reduce energy consumption and increase energy efficiency in government buildings. An additional grant of \$45,000 funded conservation and energy efficiency in the commercial/industrial sector.

In FY 95, American Samoa and Guam received a DOE grant of \$130,000 to jointly develop an energy efficient building code, utilizing the State of Hawaii's code as a starting point. Audits of most government buildings have been completed in Guam, utilizing a DOE grant. They now seek matching funds for implementation. Palau plans to begin similar audits in FY 96, in accord with the 1994 Executive Order on Energy Conservation in Government Buildings. The 1995 Energy Efficiency and Conservation Bill is under discussion in the Palau National Congress.

To foster interest in solar energy and science in general, OTIA provided Solar Sprint Car kits to American Samoa, Guam and Palau. The kits were developed by Mobil for DOE and include a syllabus, student instructions, solar panel and motor. They have become very popular in schools throughout the USA. On July 5, 1995, American Samoa held a solar car competition for students - the first such event in the Pacific area. DOE funded a prize for the winning school and a variety of related education and promotional activities. Local businesses funded student prizes. The event generated a great deal of enthusiasm and will become a regular part of the annual Science Fair.

Coral Reef Initiative: OTIA worked in partnership with the insular areas on an Administration initiative to sustainably manage coral reefs and related ecosystems. The initiative was announced at the UN Small Islands Developing States conference in May 1994 in response to Agenda 21 of the Earth Summit. OTIA provided funding for and participated in workshops in the Pacific and Caribbean for the purpose of identifying the major problems affecting coral reef ecosystems in the islands and developing plans of action to address those concerns. OTIA also funded Guam's participation as a member of the U.S. Delegation to the International Coral Reef Initiative Workshop held in the Philippines in May-June 1995, and helped fund a videotape on the status of coral reefs worldwide called "The Fragile Ring of Life", which featured the Republic of Palau, among other countries.

Palau Road Project: OTIA officials, with representatives of Interior's Office of Construction Management, and U.S. Army Corps of Engineers representatives met several times in 1995 with Palauan officials to work on agreements regarding the Babeldaob Road System to be built by the United States under the terms of the Compact of Free Association. In those meetings, Palauan officials laid out their preferred road alignment and U. S. officials agreed to review Palau's request for a 24-foot wide road of asphalt/concrete construction, as long as U.S. outlays will be equivalent to the original financial commitment under the terms of the compact. It was agreed that the work on the road system will comply with U.S. environmental standards and will maximize the use of Palauan contractors and construction workers. The Corps of Engineers, which will serve as construction supervisor for the project, sent technical teams to Palau in 1995 for further preliminary work.

Bilateral Working Group on Palau Environmental Affairs: Palau's greatest treasure is its marine environment. Sustainable conservation and sustainable development of this extraordinary resource as envisioned in Palau's National Development Plan are a vital component of preserving Palau's cultural heritage and are critical to ensuring Palau's future economic prosperity. Through an exchange of letters dated July 15, 1994, Secretary Babbitt and President Nakamura agreed to establish the Bilateral Working Group on Palau Environmental Affairs to coordinate the development of policies to protect and to preserve that environment. The Working Group is co-chaired by the U.S. Government and the Government of Palau. The delegations of the U.S. Government and the Government of Palau include, as appropriate, representatives of various departments, agencies and offices. The first meeting of the Working Group took place in Koror, Palau, on April 11, 1995.

Impact of the Compact: The Compact of Free Association Act of 1988 (P.L. 99-239), which establishes the relationship between the United States and the Federated States of Micronesia and the Republic of the Marshall Islands, authorized unrestricted immigration of FSM and RMI citizens into the United States, its territories and possessions. This enabled citizens of these island states to enter Guam and the CNMI and to lawfully engage in occupations as nonimmigrant aliens. Guam's habitual resident population of these aliens is estimated to have increased by 1,000 persons per year since 1986.

The Government of Guam estimates that it has expended more than \$68 million in services to Compact citizens since the Compact was implemented. These costs include \$30 million for public education and more than \$10 million in direct benefits for health and welfare programs. The Compact authorizes an appropriation to cover the costs of increased demands placed on educational and social services by Compact immigrants. The Department of the Interior has provided technical assistance to help Guam develop the statistical capability to better quantify the impact as well as to address some of the social problems of Compact immigrants. In FY 1995, \$2.5 million was appropriated as a contribution toward the costs Guam has incurred in providing social services to these Micronesian immigrants. The Department also proposed for FY 1996, the reallocation of \$4.6 million in mandatory funding from the CNMI section 702 Covenant funding to Guam for Compact impact costs. This funding is proposed as mandatory to the year 2001, for a total of \$27.5 million.

Chapter 2

AMERICAN SAMOA

2.1 AMERICAN SAMOA

American Samoa is an unincorporated and unorganized territory of the United States. It is "unincorporated" because not all provisions of the U.S. Constitution apply. It is "unorganized" because Congress has not provided the territory with an organic act, which would provide for the organization of the government and its relationship to the Federal Government. Congress has delegated authority over American Samoa to the Secretary of the Interior, who in turn authorized the territory to draft the constitution under which it operates. American Samoans are nationals of the United States and may become naturalized U.S. citizens.

American Samoa consists of five volcanic islands and two atolls. It is located approximately 2,300 miles southwest of Honolulu. American Samoa's capital, Pago Pago, is located on the largest island, Tutuila. The Manu'a Islands, which became part of American Samoa in 1904, are the other major islands in the territory. The population of American Samoa in 1994 was estimated at 54,760 persons. The total land area is 76 square miles, 56 of which form the main island of Tutuila. The total territorial sea area covers more than 150,000 square miles.

2.2 Political Status Developments and Federal Relations

Most American Samoa leaders express satisfaction with the island's present relationship with the United States, in part because the United States has kept its promise made in the Deeds of Cession to protect the Samoan culture, including the traditional land tenure system.

In 1977 the American Samoa people elected for the first time their own Governor and Lieutenant Governor. In 1981 American Samoa sent its first non-voting delegate to the United States Congress. The local legislature is called the Fono. Its upper house is comprised of eighteen senators, who are elected by county councils in accordance with traditional Samoan customs. The lower house is made up of 20 representatives who are popularly elected, plus a delegate from Swain's Island.

The head of the judicial branch of the American Samoa Government (ASG), the Chief Justice, and an Associate Justice, are appointed by the Secretary of the Interior. A panel of ten Samoan judges sit with and assist the Chief and Associate Justice, in deciding the wide range of cases before the High Court. Court proceedings are conducted, insofar as applicable, in accordance with the U.S. Federal Rules of Civil and Criminal Procedure and the Revised Code of American Samoa. Proceedings are conducted in Samoan and English, unless the presiding judge stipulates that the hearing be conducted in one language only.

The current governor, A.P. Lutali, previously held the office from 1984 to 1988. The Lieutenant Governor is Tauese Sunia. The Delegate to Congress, reelected to his fourth term in 1992, is Eni Faleomavaega.

The major focus of attention in the ASG's relationship with the federal government is working out a partnership which will enable the local government to improve its financial management and budget capabilities. Over the past several years, the ASG has incurred a cumulative operating deficit in excess of \$30 million. A General Accounting Office audit pointed to the lack of adequate fiscal management and budget discipline as the main causes of the government's poor financial condition. In the wake of that report, Congress directed the ASG and the Department of the Interior's Office of Territorial and International Affairs to form a joint working group to develop a plan of action to address ASG's fiscal management problems. Progress reports on ASG's plan of action are submitted semi-annually to Congress. OTIA entered into several agreements with other federal agencies to provide recommendations and assistance for rebuilding ASG's financial management capabilities and strengthening other governmental functions.

The American Samoa Government continues to have significant financial, budgetary, and internal control problems. The territory's deficit and financial condition are compounded by the high demand for government services from the rapidly growing population, a limited economic and tax base, and recent natural disasters. These factors have limited ASG's ability to reduce the deficit and will continue to plague ASG in the near future. The ASG has initiated measures aimed at controlling and reducing expenditures, while continuing its program of expanding and diversifying the local economy.

2.3 Current Economic Conditions

American Samoa's population is growing rapidly. The mid-year population estimate for 1994 is 54,760. This represents growth of over 17% since the 1990 census showed a population of 46,638, a much higher figure than was anticipated. This growth is the result of in-migration and a high level of births, including births to non-residents. A population survey being conducted in 1995 with technical assistance from OTIA will help to quantify the components of population growth. As might be expected this rapid population growth places a strain on the public infrastructure and on the ASG's ability to provide necessary services.

American Samoa's economy is still heavily dependent on federal expenditures and the two tuna canneries. In fact, 93 percent of American Samoa's economy is based directly and indirectly on U.S. federal expenditures and the canning industry. The remaining seven percent stems from a small tourism industry and a few small businesses.

Total employment in American Samoa declined from 13,810 in 1991 to 13,627 in 1992 and to 13,543 in 1993. Employment is distributed about equally among the three sectors: government, the canneries, and secondary industries -- primarily wholesale and retail trade, transportation and services. Cannery employment continued to decrease, by 2% in 1993. Employment in the

rest of the economy increased slightly, but the overall unemployment rate continued upward to 16.7 percent in 1993, in the face of a growing population.

American Samoa has experienced flat or declining real federal revenues for the last decade, except for post-hurricane periods in which federal recovery funds have added substantially to the total. Hurricanes Ofa in 1990 and Val in 1991 caused widespread damage and severe disruption to American Samoa's infrastructure and economic development efforts.

American Samoa's balance of trade reflects the dominance of the tuna canneries and annual changes are heavily influenced by changes in prices and the timing of export shipments. Total exports increased from \$317.7 million in 1992 to 488.2 million in 1993, resulting in a trade surplus of \$52 million.

Typically, local businesses are small, owned by independent local operators, and sell exclusively to the local market. They face high costs due to limited access to capital, the need to import most goods and raw materials, and high labor costs compared to the rest of the region. High costs and the distance to markets restrict their ability to export. Thus, local businesses are vulnerable to competition from neighboring islands with lower wage levels, and from larger, more efficient business in the United States.

American Samoa's current narrow economic base is not adequate to meet the demand for employment and reduce emigration by Samoa's young people. The ASG has sought to diversify its economy by seeking outside investment in light industries (particularly garment manufacturing), farming and fishing, tourism, and regional trade and services. However, the disadvantages of a remote location, lack of skilled manpower, limited infrastructure and the lack of significant comparative advantages (such as labor costs) over other Pacific sites have yet to be overcome.

Although tourism is not currently a major factor in American Samoa's economy, the development of this sector is a priority. The islands have not shared in the tourism boom experienced in the Western Pacific in the 1980's and have seen a precipitous drop in the 1990's. This drop was due to several factors, including the loss of international airline service, and several typhoons. Tourist arrivals totalled 5,400 in 1993, a decline of 2,300 from the 1992 figure and about half of the visitor level in 1991. American Samoa has little tourist infrastructure, with only one large hotel (80% government-owned) and a total of 205 hotel rooms on Tutuila island. Proposals for additional hotel rooms have been put forward, but have not received the necessary approvals or financing for construction. In addition to its need for upgraded tourist facilities, the tourism industry needs increased promotion, improved skill training, and increased international air travel services.

Development of ecotourism is one of the most promising growth areas. Because of ecotourism's perceived "gentle" effect on the local population and environment, the concept is supported within the community. Self-initiated development such as the building of hiking trails and the protection of cultural sites is especially appealing. A visitor industry of modest size which

focuses on the appreciation of Polynesian culture, the island's natural beauty, and the preservation of the environment can be an engine of economic growth at the grass roots level of villages and families.

Improvements in air service, privatization and expansion of the Rainmaker Hotel, recent growth in motel rooms and cruise ship calls and expansion of government tourism assistance could make tourism a prime potential growth sector.

A major step in ecotourism development was the establishment of the National Park of American Samoa in 1993. This is the only national park in which the Federal Government does not own the land, but leases it for 50 years from the American Samoa Government on behalf of the eight villages in the park. The National Park of American Samoa protects the only mixed-species paleotropical rainforest and the only Indo-Pacific coral reef in the national park system. The park's 8,000 acres are spread over three islands and include 1,000 acres of the finest coral reef in the territory. A unique feature of the park is its two species of Flying Fox Fruit Bat, including one which flies during the day, making it easily seen by Park visitors.

As the Park's master plan is being completed, a brochure is under preparation to be sent to tourism providers around the globe as a major marketing tool for the Park. The Park staff is also encouraging village-based tourism to permit visitors to experience Samoan culture at its best while helping to protect the park by providing an economic incentive to the people of the villages in the Park.

ASG also has been working on several small-scale projects which can help private sector expansion. The ASG has successfully concluded negotiations with a U.S. garment manufacturing firm to set up a factory in the territory. The ASG is also looking into other ventures under its industrial recruitment program.

2.4 Government Administration

In the past, American Samoa's technical capacity to track and account for its expenditures has been among the best in the insular areas. The ASG's financial statements since 1988 have received opinions qualified only in regard to fixed asset accounting. Management information sufficient to monitor the financial situation continues to be in place. However, the accounting function in the ASG is currently operating at a reduced level due to the loss of key personnel and the adoption of a new computer system.

The General Accounting Office's 1992 audit found that the laws prohibiting the expenditure of funds in excess of appropriated amounts have been disregarded, and procurement and contracting regulations have not been implemented. Accountability for such actions by responsible officials has not been enforced. High cost areas such as medical referrals, procurement, and personnel have not been well managed.

The plan of action developed by the ASG and submitted to Congress on April 12, 1993, provided an outline of activities the ASG would take to implement the recommendations of the GAO. These measures include the improvement of revenue collections, the enforcement of American Samoa law prohibiting the expenditures in excess of appropriated funds, and the implementation of sound practices in procurement and contracting. Besides stating this commitment to accepted management practices, the plan of action calls for reductions in personnel and improved management of medical referrals to reduce government expenditures. The plan also calls for filling vacancies in the Territorial Audit Office.

The Congress then directed the Interior Department to work closely with the ASG to more clearly define specific objectives arising from this general outline and to implement the plan of action. An ASG-Interior Joint Working Group (JWG) was formed and Memoranda of Agreements were signed in early 1994 to address the goals of the plan of action. These include agreements to have a team of Treasury Department officials make recommendations on financial management improvements and a team of Justice Department officials to recommend improvements in prosecutorial functions.

In 1995, OTIA worked with local leaders to identify and hire a financial planning group to help ASG prepare a long-term financial recovery plan. CORE, Inc. began its work in American Samoa May 8, 1995. After its preliminary review, CORE officials concluded that ASG can institute immediate revenue-enhancing measures, including modest increases in local government fees for hospital, court, airport, seaport, telephone, hotel, and golf course services. This enhancement could provide \$3 million in annual additional revenue to the cash-strapped government. CORE also recommended mid and long-term cost containment measures for ASG. CORE was scheduled to submit a financial recovery plan to the ASG-Interior Joint Working Group by September 1.

OTIA and Interior's Information Resources Office worked with ASG to fully automate ASG's financial accounting systems. On April 8, 1995, OTIA officials signed a grant with Governor Lutali, providing the local government with \$1.6 million for the purchase and installation of a computerized financial management system. The grant will also be used for procuring auditing and accounting support services.

At the same time, a team from the Internal Revenue Service set up a training program for local officials in tax collection and enforcement. OTIA also assisted ASG to improve local government fiscal management practices through the Insular Management Control Initiative, which funds training of local government financial management personnel.

At Governor Lutali's request, a team from the Department of Justice/FBI, in cooperation with ASG, conducted an assessment of white collar crime involving public funds and the need for investigative and prosecutorial assistance to supplement local capabilities. The Justice report concluded that major local government fraud, including the theft and misuse of federal funds, is contributing significantly to American Samoa's worsening financial condition and neither local nor Federal law enforcement capabilities are adequate to deal with the problem.

OTIA, working with the Justice Department on the issue of federal law enforcement in American Samoa, developed draft legislation that would confer on the U.S. District Court of Hawaii limited jurisdiction for the enforcement of federal statutes in the islands. This jurisdiction would also provide for the collection of debts owed to the United States by residents of American Samoa. At present, but for a few minor exceptions, no federal court has jurisdiction over American Samoa and this void has made it extremely difficult, if not impossible, for the United States to enforce its laws in that territory and to collect debts owed to it by inhabitants of that territory.

The jurisdiction would be limited to civil, criminal, and regulatory statutes of the United States and only at the suit of the United States. This is intended to protect American Samoa's culture and customs, especially the extended family, traditional chiefs (Matai), and communal land tenure systems. The legislation would specifically provide that the court not have jurisdiction over litigation that directly affects a Matai title or communal property. This limitation stems from the U.S. legal obligations under the Treaties of Cession.

OTIA also has provided technical assistance in a number of other areas since the formation of the joint working groups. These include establishing a cooperative management and maintenance program to improve medical services in the ASG hospital, initiating a Public Health Service evaluation of the off-island medical referral system, and extending Pacific Island Training Initiative programs to provide a long-term training program for ASG officials.

The commitment of the ASG to reform its practices is paramount to the success of the joint working group. The ASG developed financial recovery plans in 1988 and 1990 to deal with its then less daunting deficits. Audit reports indicate that key elements of the plans were not implemented and thus were not effective. Despite the best intentions of plans and technical assistance, the success of the most recent efforts will depend upon ASG's political will.

2.5 Infrastructure

Water System

The American Samoa Power Authority (ASPA) continues to progress toward the goal of providing safe drinking water to all villages in American Samoa. To date, 15 villages continue to rely on antiquated and poorly maintained surface water catchment systems. By the end of the year, 10 of these villages will be connected to quality water systems built and maintained by ASPA. The remaining villages are included in comprehensive plans to construct satellite water systems. A cornerstone of this effort will be acquisition of a new water well drill rig. The Tafuna Water System Improvements Project consists of replacing undersized, old, and corroded distribution pipes and construction, now underway, of a million gallon storage tank.

Waste Water System

The modification and expansion of the two wastewater plants at Utulei and Tafuna have been completed and the plants are fully operational. The Tafuna Plains sewer collection system (Phase I) has made significant progress. The Department of the Interior has assisted in funding a Hazard Mitigation Project to improve the sewage ocean outfalls. The project is currently under construction. Other Department of the Interior funded Capital Improvement Projects include new sewer collection system for the island of Aunu'u, and a sewer connection program within the Pago Pago Bay area. The latter program has been extremely successful; Approximately 220 homes have been connected through this program and another 50 homes will be served when the project is completed.

ASPA has implemented a combined water/wastewater rate charge to compliment the annual subsidy from the American Samoa Government. Unfortunately, the American Samoa Government has not been able to meet their financial obligations to ASPA, which is hampering the ability of the Wastewater Division Operations to perform its responsibilities. ASPA Wastewater is unable to meet the needs of the growing population without capital improvement funds. Re-authorization of the EPA Clean Water Act-Construction Grant funds are necessary if ASPA is to provide the people of American Samoa with a healthy standard of living.

Solid Waste Disposal

On March 1, 1995 the Governor of American Samoa, under Executive Order No. 5-1995, transferred the solid waste program to the American Samoa Power Authority. This fulfills a recommendation of the Operations and Maintenance Improvement Program (OMIP) team. The team has also recommended that solid waste disposal should be funded by user fees and not subsidized by other ASPA operations. There are currently still no charges to the consumer for waste disposal.

Other programs and studies underway include a recycling and reutilization study by EPA, a hazardous waste disposal options study (also by EPA), an EPA study to reduce hazardous waste, and a used battery recycling program. In addition, the American Samoa EPA has been working with a firm that is interested in removing and salvaging all scrap metal from the American Samoa Government, including several commercial vessels sunk on the reef in Pago Pago Harbor.

Power Generation and Distribution

The ASPA generates, transmits and distributes electric power throughout American Samoa. The over-all operation of the utility is considered a great success. Recently ASPA installed the fourth new high efficiency, low RPM generator. These were financed by savings realized from lower fuel and maintenance costs made possible by new state of the art diesels.

To protect this investment, modern programmed maintenance is being implemented at ASPA. The power infrastructure is also being hardened against natural disasters. Both the Satala and

Tafuna power plants have projects under review to make tropical storm resistant modifications to the plants. These will include reduced noise emissions and automation of controls for maximum fuel efficiency and reliability.

The distribution of electric power has also benefitted from completion of upgraded warehouse and shop facilities and from hardening of projects, including underground placement of feeders to the canneries and the Pago Pago business and government district.

Roads

The American Samoa highway system consists of 120 miles of federal highway designated roads and another 100 or so miles of paved and unpaved public roads. The designated federal highway roads are eligible for improvement using federal highway aid funds, but other roadways are the responsibility of the ASG Department of Public Works.

The highway system in American Samoa is in generally poor shape, due to the effect of hurricanes, the age of the roads, inadequate maintenance, and past road construction standards that do not meet the present heavy traffic loads. Federal funds are now being used for an extensive program to construct improved roadways that may be expected to last for some 50 years.

Funding for road maintenance comes from a portion of the territory's gasoline tax of 10 cents per gallon. Legislation is being prepared to increase the gasoline tax to reflect national averages to secure adequate funding to meet maintenance needs. However, the OMIP team has found that funds are accumulating in the road maintenance fund without any budget for their utilization. The OMIP team has made specific recommendations for improved road maintenance, including reduction in redundant staff, better planning, rental of equipment, and better training.

Seaports

The main commercial port facility of American Samoa is located in the harbor of Pago Pago. The facilities at the port are quite extensive since the harbor is used for a number of activities. The general condition of the port continues to deteriorate because of an inadequate maintenance budget, according to the OMIP team.

The container storage area needs resurfacing as a result of the fast deterioration in the heavily trafficked areas by local stevedoring companies and the public. Dust and mud are constant problems which add to the cost of operations for the stevedoring companies. These high costs are eventually passed on to the shippers. To date, no funding has been made available for a pavement resurfacing project, although it has been requested from the ASG every year for the past several years. To help alleviate crowded conditions at the port, the OMIP Fourth Year Review Report also recommends that an off-site container storage area be procured.

Principal OMIP recommendation is for the creation of Port Authority. The port is also in need of considerable technical assistance to better organize its operations. The OMIP team continues to recommend a master plan for all maritime facilities within Pago Pago harbor. The team has reviewed the scope of work for the Port Master Plan and has made several recommendations designed to create a Port Authority that is viable and could run the port efficiently.

A continuing problem has been port security. Fines totalling \$160,000 have now been assessed by the Coast Guard for providing inadequate safety and security. This is an increase of \$110,000 from last year and represents nearly a tenth of the port's budget.

Airports

The Pago Pago International Airport is owned and operated by the ASG under the Department of Port Administration. The OMIP team finds that the airport is generally well maintained since it has an independent source of funding. Its management is able to make use of opportunities to increase revenues, such as a new parking fee for use in maintaining the parking area.

The main runway at the airport is 150 feet by 9,000 feet and is paved with asphaltic concrete (AC). The secondary runway is 3,700 feet long and 75 feet wide. The airport has a tower with an FAA controller. There is an Air Rescue and Fire Fighting station at the airport, and two new fire trucks, each with 1,500 gallons pumping capacity, have been received.

The ASG proposes to build a 1,000 foot extension of the runway in order to promote the Pago Pago Airport as the pre-eminent airport of the South Pacific. Currently, the shorter runway limits the takeoff load of the airplanes, raising the cost to the airlines of using American Samoa. The extended runway would allow fully loaded cargo and passenger aircraft to land and take off which, coupled with the lower landing fees and fuel prices in American Samoa, would capture a larger portion of the trans-Pacific airline traffic. For example, Polar Air, a cargo carrier, recently stopped using Pago Pago for 4 flights a week because of weight restrictions on takeoff, but would return with 7 to 10 flights if the runway were lengthened.

Although the terminal is relatively spacious, it has difficulty handling the large influx of passengers that arrive on regular flights from Hawaii. The OMIP team continues to recommend improved maintenance of the terminal, including a new baggage conveyor belt, fixing the roofs, and replacing the maintenance shack. A passenger facility charge of \$3 has been approved by the FAA for collection beginning July 1, 1995. This fee will provide a source of revenue for the terminal improvement project, including the above recommended repairs.

The airfield at Ofu is 2,100 feet by 60 feet and is built of portland cement concrete. There is an 1,800-square foot terminal to handle passengers and cargo. This airfield can handle only light aircraft. A similar airport with a 2,400-foot by 75 foot-landing strip (the Fitiuta Airport) on Ta'u was completed four years ago. A new terminal building for this field was completed a year ago with funding from FAA grants.

Schools

The twenty-two elementary schools and six public secondary schools are in generally good condition. However, there is a continuing need for a comprehensive maintenance and operation program and there is a need for at least 65 new classrooms immediately and 150 by the year 2000. With a rapidly growing school age population, the territory is falling behind even with an aggressive program that built 24 classrooms in the past year.

Hospitals

American Samoa's hospital now operates as the American Samoa Hospital Authority, governed by a five-member Board of Directors. ASHA is co-managed under a contract with Mercy International Health Services, funded by a technical assistance grant from the Department of the Interior. The hospital still does not have the level of autonomy needed to gain effective control over its own operations.

The continued provision of basic health services is threatened by the severe cash flow problems of the ASG. Outstanding debts to vendors and providers have led to curtailed or delayed shipments of essential drugs and supplies, jeopardizing the health of patients and increasing costs. Alternative financing strategies are under review.

Nurses salaries have become more competitive, which should improve recruiting efforts. A Quality Management Program Plan has been completed. Maintenance of the hospital is improved under an OMIP grant. A survey by the Corp of Engineers has found the hospital structurally sound, but recommends major improvements, including a complete fire protection system. A five-year plan has been completed but additional funding for capital improvements will be needed. Maintenance of the facility must not be overlooked or the gains made may be lost. Increases in charges for patient service, including services for non-residents and those covered by insurance can provide significant additional funds.

Chapter 3

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

3.1 THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

The Commonwealth of the Northern Mariana Islands (CNMI) is a self-governing Commonwealth of the United States. The people of the CNMI chose to join the United States in a 1975 act of self-determination and were granted U.S. citizenship in 1986. Pursuant to a locally-adopted constitution, they elect a Governor, bi-cameral legislature, and Washington representative.

The islands' status is based on the "Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States". The agreement was signed by U.S. and CNMI representatives on February 15, 1975, signed by the President on March 15, 1976, and approved by the Congress of the United States by joint resolution on March 24, 1976 (Public Law 94-241; 90 Stat. 263). The first constitutional government of the CNMI took office in January 1978.

The Covenant was fully implemented on November 3, 1986, pursuant to Presidential Proclamation No. 5564, which terminated the Trust Territory of the Pacific Islands as it applied to the CNMI. Previous to its Commonwealth status, the CNMI was a member of the Trust Territory, which was created in 1947 by the United Nations. The United States was designated the administering authority of the Trust Territory under the terms of a trusteeship agreement.

As a Commonwealth, the islands are under the sovereignty of the United States. In general, Federal law applies to the CNMI. However, certain exceptions were provided in the Covenant: 1) the CNMI is not within the customs territory of the U.S.; 2) Federal minimum wage provisions do not apply; 3) Federal immigration laws do not apply; 4) the CNMI can establish its own tax laws; and 5) the Jones Act, requiring goods shipped between U.S. ports to be carried on U.S.- registered ships, does not apply to the CNMI.

The CNMI capital island of Saipan is located about 100 miles northeast of Guam, about 1,200 miles southeast of Tokyo, and 3,300 miles from Honolulu. The CNMI consists of 14 islands with a total land area of 183.5 square miles. The 1990 population was 43,345 persons. Estimates for 1994 place the population at 56,656 persons. Non-resident alien workers make up about half that population with local residents comprising the other 50 percent.

3.2 Political Status Developments and Federal Relations

In 1995, the major issues in the CNMI's relations with the Federal Government concerned joint efforts to address alien labor, immigration, and law enforcement problems in the CNMI. The problems stem from the large non-resident alien population, local control of immigration and minimum wage, and lack of adequate immigration and labor law enforcement in the CNMI. The large non-resident alien population, in turn, has dramatically impacted the social, economic, and political institutions of the CNMI.

National and international media brought world attention to allegations of exploitation and abuse of non-resident alien workers in the CNMI during late 1994 and 1995, stimulating U.S. and CNMI actions to address the issues. Congress earmarked \$7 million from the CNMI's \$27.7 million in Covenant 702 funding (P.L. 103-322) in FY 95 to address labor, immigration, and law enforcement concerns in the CNMI. OTIA established a federal interagency working group to develop the initiative which would help resolve the problems. This Federal working group and CNMI representatives developed a comprehensive plan to improve immigration, law enforcement, and labor conditions in the CNMI.

Major actions taken under the plan include the following:

- o OTIA awarded grants amounting to \$3 million to the CNMI to establish a computerized immigration identification and tracking system for non-residents and other local labor, immigration, and law enforcement projects.
- o OTIA entered into three Reimbursable Support Agreements with the Departments of Labor, Justice, and Treasury totaling \$4 million to provide federal labor, immigration, and law enforcement officials and training to the CNMI.
- o OTIA will provide \$2.2 million to the U.S. Department of Justice to strengthen enforcement of federal laws. The funds will be used to hire an additional Federal Bureau of Investigation special agent, Deputy Marshall, Immigration Officer, and Assistant U.S. Attorney and station them in the CNMI for two years. INS will assist the CNMI in development of the immigration identification and documentation system to ensure compatibility with the INS computer systems.
- o The U.S. Department of Labor will receive \$1.6 million to strengthen the enforcement of applicable federal labor laws. Two senior labor investigators have been assigned to the CNMI. Occupational Safety and Health Administration has entered into a cooperative agreement with the Northern Marianas College to develop outreach, training, and educational activities. The Office of Foreign Certification in the Employment and Training Administration will assist the CNMI to improve its alien certification program.
- o OTIA has provided \$200,000 to the U.S. Treasury Department through the U.S. Customs Service, the Bureau of Alcohol, Tobacco, and Firearms, and the U.S. Secret

Service for additional investigation and training capabilities in the CNMI. The initiative provides funds through FY 95 and FY 96.

In an April 24, 1995, report, the Administration recommended to Congress that Federal law be enacted: 1) to incorporate the current CNMI minimum wage law into the Fair Labor Standards Act (this would gradually raise the CNMI minimum wage (\$2.75 an hour) to the U.S. minimum wage (\$4.25) over several years; 2) to gradually phase out the amount of federal financial assistance to the CNMI for capital infrastructure improvements; 3) to earmark a portion of funds currently appropriated to the CNMI for the use of Federal agencies and the CNMI to address immigration and labor problems, including the construction of detention and corrections facilities; and 4) OTIA, in consultation with the Departments of Labor, Justice and Treasury, monitor the progress and developments pertaining to the resolution of labor and immigration problems in the CNMI.

Other issues in the CNMI's relations with the Federal Government have been addressed under Sections 702 and 902 of the Covenant. Provisions for major financial assistance to the CNMI from the Federal Government have been developed pursuant Section 702. Negotiations dealing with other political, economic, and social issues are handled under the Section 902 Consultations process.

The purpose of Section 702 financial assistance was to develop public infrastructure and government capabilities to build a basis for economic self-reliance. Financial assistance to the CNMI, some of which the local government was required to match, during the first seven years under the Covenant (1978-85) totalled \$192 million. During the second seven-year period (1986-92), \$228 million in Federal assistance, much of it which had to be locally matched, was provided to the CNMI. The second agreement also provided that the CNMI would continue to receive the assistance provided for FY 92, i.e., \$27.7 million, until the Congress provided otherwise by law. Congress was not able to reach agreement on the disposition of this program for FY 92 through FY 95, and therefore the CNMI received \$27.7 million in each of those years.

In February 1994 CNMI Governor Froilan Tenorio designated Brenda Tenorio and Vicente Salas as his Special Representatives to the Section 902 talks. In announcing his nomination, Governor Tenorio emphasized the need for these negotiations to consider the role and responsibility of the CNMI's elected Washington representative. That representative is not a Member of Congress as are the Delegates from Guam, American Samoa, and the U.S. Virgin Islands. However, there has been a move in the CNMI to have Congress create a Delegate seat for the CNMI.

In July 1994 President Clinton designated Edward B. Cohen as Special Representative for 902 consultations. Meetings were held in December 1994 to discuss topics to be covered under 902, the status of the Resident Representative and United States citizenship for alien children born in the CNMI. In his Position Paper, the President's Special Representative concluded that CNMI has the power to alter or maintain the current method of selecting and defining the role of its Resident Representative. The paper also stated that the President firmly believes that all

Americans should be represented in Congress and it is within the prerogative of the Congress to determine how and when such representation is to occur. The issue of ownership of submerged lands was added to the agenda in a July meeting.

Interior agencies, primarily the National Park Service (NPS) and OTIA, continued to work with CNMI leaders to develop American Memorial Park. This effort intensified in 1993 and 1994 to provide the park improvements in time for the 50th Anniversary of World War II's Mariana Islands Campaign in June 1994. Currently, the Department and the CNMI are negotiating a new amendment to the 1993 Memorandum of Agreement between the Secretary of the Interior and the CNMI Governor to include further provisions for administration of the park, distribution of the Trust fund, security and maintenance operations, and a new General Management Plan.

This past year OTIA also formed a joint federal/CNMI environmental working partnership to address environmental issues impacting the development of the CNMI. In the State of the Commonwealth Address in May 1995, the Governor considered the actions of this environmental working group to be a major impetus for developing the CNMI in an environmentally sound way.

3.3 Current Economic Conditions

The CNMI's economy is largely based on tourism, and has grown enormously since 1986. Tourist entries have steadily increased in the last three years from 488,330 in 1992 to 535,500 in 1993 to 583,500 in 1994. Total visitor expenditures were \$494 million in 1992, \$507 million in 1993, and \$554 million in 1994. Projections to the year 2000 foresee about 800,000 visitors a year, with spending approaching a billion dollars.

The tourism industry is largely Japanese: 70 percent of the visitors are Japanese and 64 percent of the hotel rooms are owned by Japanese firms. The CNMI visitor industry has sought to broaden its base and has met with some success by marketing to Taiwan, South Korea, Hong Kong, and other Asian locations.

The impact of tourism-driven economic growth is illustrated by the local revenues collected by the CNMI government in the past fifteen years. In 1980, local revenues were \$10.2 million. In 1986, when all provisions of the Covenant came into force, local revenues had increased five times to \$52.8 million. By 1995, estimated revenues were in excess of \$190 million.

The general trend of growth has not been without interruptions. The Commonwealth economy is tightly linked to Japan's. Thus, when Japan went into recession in 1992-93, Japanese investors and tourists became more cautious in their spending habits, and the CNMI economy suffered accordingly. During this period, although tourist numbers continued to rise, tourist spending levelled off. Real estate transactions dropped by 40 percent between 1991 and 1992. The local construction industry went through a sharp downturn as new construction almost ceased. At the same time, the government went into its first deficit in over a decade, as income fell well short of expenditures.

Since early 1994, the economy has been in a recovery. Although the real estate market remains volatile, both business grow revenues and government collections are up. Tourism numbers have continued to climb throughout. A 36-hole golf course opened at the end of the year, an 18-hole course on the island of Rota opened in June 1995, and another 18-hole course on Saipan should be finished by early 1996 (at that point the Commonwealth will have seven golf courses). Hotel occupancy levels are approaching 80 percent. Several small hotels have been constructed in recent years and several existing hotels have been expanded to bring the total number of hotel rooms to 3,338. It is expected that the rapid rise of the yen against the dollar in late 1994 and early 1995 will lead to a significant increase in tourist arrivals and spending in the second half of 1995.

In late 1994, the CNMI government also moved to resolve a major development-related issue concerning commercial land leases. Article XII of the CNMI Constitution limits ownership of land to persons of CNMI descent, making long-term leasehold the most common means for non-CNMI descent individuals (foreigners and U.S. citizen emigres to the CNMI) to acquire land for hotel development. In response to a number of suits in the late 1980s, CNMI courts had ruled that a sale of property on which a Japanese hotel was later built was invalid because the purchaser was an agent acting under the control of non-CNMI owners. The validity of a lease entered into by a hotel after the initial sale also was questioned. Faced with suits of this nature, some hotel developers paid multi-million out-of-court settlements to remove challenges to land sales and leases.

CNMI business leaders began expressing concern that Japanese investors were reassessing investments in the CNMI as a result of these Article XII land suits. Responding to these concerns, the CNMI government took steps in 1994 and 1995 to address the issue and remove the confusion surrounding the land lease issue. Passage of CNMI Public Law 8-32, among other measures, attempted to directly address investor concerns. The law established: 1) a six-year statute of limitations on Article XII suits; 2) severability of other contract provisions of a voided property transaction; 3) granting the courts authority to order through money judgements equitable payments and adjustments for the development of property to those adversely affected by a court decision voiding a previous property transaction; 4) and limiting the fees an attorney can collect in Article XII cases.

A 1995 court decision also has reflected a new "severability" attitude in the CNMI judiciary toward the land lease controversy. The Northern Marianas Supreme Court ruled January 4 of this year that Diana C. Ferreira has exclusive ownership of three parcels of land she bought from the Mafnas sisters in 1986. The sisters claimed that Ferreira's acquisition of the properties was void because the purchase money came from people who were not of Northern Marianas descent and therefore not eligible to buy land under Article 12 of the CNMI Constitution. Two years after Ferreira acquired the property, she leased it for \$5.9 million to Nansay Micronesia, Inc. for 55 years. The company then build a tourist hotel and related facilities on the property. The Court ruled that those who provided her the money have no legal rights to the land but Ferreira's purchase of the land is valid. That decision reversed a 1988 CNMI trial court judgement in favor of the Mafnas sisters. The trial court had ruled that Ferreira was acting as

agent for people not of Northern Marianas descent and, therefore, her purchase of the property was void.

The Commonwealth's only other major industry is garment manufacturing. It thrives under on a special exemption which allows CNMI garment factories to export into the United States duty free and without quotas. This industry is dependent almost entirely upon foreign workers and the importation of finished garments into the mainland United States market under General Note 3(a)(vi) of the tariff schedule. The garment industry engendered controversy in the early 1990's when reports of labor abuses and "sweatshop" working conditions brought international attention to the CNMI. The U.S. Department of Labor brought several actions to suit, including one that resulted in a \$9 million fine on the largest CNMI manufacturer and two cases in 1995 resulting in a total of \$828,757 in fines for overtime and back wages to 496 employees.

The CNMI reported the declared export value of garments (used to calculate CNMI user fees, an export tax on the industry) \$278.7 in 1992, \$296.7 million in 1993; and \$319.2 million in 1994. The garment industry does not pay the Business Gross Revenue Tax. The CNMI reports that user fees paid by the garment industry totaled \$7 million in 1990 and in 1992, \$8.9 million in 1993; and \$9.6 million in 1994. The industry paid \$51.7 million in wages in 1994.

According to the 1990 census, the garment industry employed 5,284 persons, of which 91 percent were non-resident aliens and 4 percent were from the Freely Associated States of Micronesia and the Republic of Palau. Total CNMI employment in that year was 26,488. The garment industry employed an estimated 6,141 workers in 1992 out of a total CNMI employment of 32,020.

The newest industry in the Commonwealth is casino gaming. This was legalized on the island of Tinian in 1989, but has taken several years to get off the ground. The first casino opened in May 1995. The Governor has proposed gambling also be legalized on Saipan. Currently, only the operation of slot machines is legal on Saipan.

Development in the CNMI has not been evenly spread throughout the major islands of Saipan, Tinian, and Rota. Yet each requires basic infrastructure, e.g., airports, medical facilities, telephone, power, water, etc. Rota and Tinian have experienced little development, but both islands need substantial improvements in their infrastructure.

The rapid pace of development on Saipan has created jobs that far outnumber the available local labor pool, making the importation of foreign workers an economic necessity, if current growth patterns are to be sustained. For the past several years, non-resident workers have outnumbered local residents. Non-residents are precluded by law from certain occupations and are clustered in the tourist, construction, garment, and domestic service industries. Approximately 50 percent of the resident work force is employed by the CNMI and other local governments which are the employers of first choice for CNMI citizens.

The CNMI passed its first major tax increase in many years in January 1995. Personal income taxes, business gross receipt taxes, excise taxes and the garment industry user fee all were significantly increased. Taxes are still much lower than in the U.S. mainland, but the tax increase has generated considerable controversy within the Commonwealth.

3.4 Government Administration

The Commonwealth government is organized along the standard lines of the United States model, with a popularly elected Governor, a bicameral legislature, and a two-tier judiciary. It is the single largest employer in the three populated islands. The CNMI and the local governments on Saipan, Tinian, and Rota employed an estimated 3,116 persons in 1994. The CNMI government's operational budget for FY 95 was \$190.5 million.

The present Governor was inaugurated in January 1994. His first major action was to attempt a sweeping reorganization of the government by Executive Order. The order was contested both in the Legislature and by litigation, although it was eventually put into effect. The delayed passage of the budget by the Legislature complicated efforts to reduce government spending and increase revenue generation.

The CNMI faces the dual challenge of responding to and addressing deficiencies resulting from its early economic successes, while at the same time, during the current period of declining foreign investment, continuing to encourage desirable private sector economic growth and investment. The rapid pace of development and the attendant increase in population has created enormous stress upon the CNMI's physical infrastructure and upon the social services provided by the government.

The Commonwealth's water and sewer systems are currently insufficient for the needs of its citizens and tourist economy. The disposal of raw sewage within Saipan's lagoon near its tourist beaches, where 80 percent of all hotel rooms are located, was a direct threat not only to public health but also to the island's image as a beach resort. Those threats have been significantly lessened with the construction of additional sewage treatment facilities.

Obtaining potable water is a problem due to the islands' geography and geology. The water and sewer infrastructure is heavily subsidized due to insufficient fees in the administration of water and sewer utilities.

Electrical infrastructure is currently in an excess capacity situation due to previous local legislation which mandated that all major hotels have internal generators to avoid stressing previously insufficient generating capacity. With the purchase several years ago of additional generators and the creation of a public utility authority, the CNMI is now beginning to attain increased efficiencies in electric power generation and distribution.

Although the 1987 Agreement of the Special Representatives to the CNMI Covenant, codified as Public Law 99-386, required the Commonwealth Utility Corporation to attain full cost

recovery, by 1994 this still had not been accomplished. As a result, using the aegis of the Operations and Maintenance Improvement Program (OMIP) and the Department's authority to approve the use of capital improvement project funds (CIP) under the Covenant Special Representative's Agreement, the Department entered into a new Partnership Agreement with the CNMI Government, the Commonwealth Utility Corporation (CUC) (a semi-autonomous utility authority created pursuant to the Covenant Agreement) and the Commonwealth Development Authority (a creditor to CUC) to help assure the viability and continued autonomy of the CUC. The Partnership Agreement, entered into on August 11, 1994, requires the following: (1) the performance of a feasibility study for privatization of CUC's assets and/or utility operations; (2) the implementation of audit recommendations (including those of the Inspector General and Metzler & Associates Management Audit) as well as other management initiatives to improve the efficiency and internal control environment of the CUC raised in the OMIP Plan of Action; (3) a rational restructuring of CUC's debt; (4) the resolution and ultimate disposition of utility operations within a privatized or improved public utility; and (5) the resolution and ultimate disposition of utility operations in Rota and Tinian within the context of a privatized or improved public utility.

Concurrently, all parties are working to implement the terms of this agreement. The result should be an improved private or public utility which achieves full cost recovery and meets the needs of the island(s) while operating in a professional, business-like manner.

The CNMI's primary seaport on Saipan is currently insufficient for the volume of ocean cargo arriving at the facility. The situation is being addressed by a \$36 million expansion project, which includes dredging the entrance channel and construction and refurbishing of additional docks.

Solid waste disposal is another matter of serious concern, as the present dump is located on the shoreline adjacent to fuel tank farms and the premier tourist beaches on Saipan. The Puerto Rico dump poses serious environmental, health, and aesthetic problems. Winds frequently carry offensive and occasionally toxic smoke (from a subterranean fire that flares up occasionally) over the hotel and nearby fuel tank area. When winds shift to the south, the smoke is carried over an elementary school and the hospital. The dump leaches poisonous material into the lagoon. The CNMI is working with federal agencies to develop a plan that would open a new solid waste landfill, close the Puerto Rico facility, and then set about extinguishing the internal smoldering and removing dangerous material before sealing the old landfill.

Management of the Commonwealth Utilities Corporation (CUC) has improved. Service has slowly become more reliable over the last four years, as CUC struggles to catch up with development. CUC has a new Board of Directors. It has completed a management audit which will act as a guide for future organizational improvements. CUC has begun discussions with the commonwealth Development Authority to restructure the debt which CUC owes CDA. Power rates are currently eleven cents (residential) and sixteen cents (commercial) per kilowatt hour respectively for residential and commercial users. Increases in these rates are necessary and the local government anticipates making those changes in 1994.

The CNMI needs to better coordinate its planning processes and streamline its personnel-heavy government. Public utilities and health service systems continue to receive local government subsidies and should implement more market-oriented user fees. The Commonwealth must also address improvement in the management of development funds. The Commonwealth Development Authority has not fully embraced the recommendations of the 1991 Interior Inspector General audit which indicated a need to better manage, account for, and control funds designated for capital projects. The first zoning law in the CNMI's history was signed into law in 1993 which set a framework which could lead to orderly development in Saipan. The Legislature rescinded the law in 1994.

Improvements in financial and budget management are expected from the installation of a new government computer system. The CNMI's finance and budget functions are already administered by highly qualified management personnel. The CNMI expects to soon complete audits of fiscal years since 1988 to bring the government into full compliance with the Single Audit Act. The CNMI has made significant progress in audits of all fiscal years since 1988 to bring the government into full compliance with the Single Audit Act. Audits for recent years through 1994 are about 85 percent complete.

The CNMI entered FY 94 and FY 95 without a direct operational subsidy from the U.S. Government. Covenant assistance continues to be directed to constructing the infrastructure still needed in the islands.

The Fifth Year Operations and Maintenance Program (OMIP) recommended that the CNMI plan for economic growth through the preparation of master plans and the establishment of a central planning office to update and modify those plans.

3.5 Infrastructure

Water System

Providing adequate water in the Northern Marianas is difficult due to the topography and geography of the islands. The circumstances in Saipan are the most problematic because the island is the locus of the CNMI's population, tourist, and government activity. Saipan has no rivers and only a few perennial streams. Except for a few small desalinization plants operated by commercial enterprises, rainfall is the only source of fresh water. This is recovered through catchments, pumped groundwater, or from the island's water lens.

While these water resources are renewable, they are finite, with extreme limitations placed on supply during the dry season. With the increase in population, it appears likely that the provision of water in the future may require rationing (continued water hours) and building codes requiring that catchment systems be included in residential and commercial construction projects. Desalinization is likely to become a more important source of supply as the technology improves and becomes less expensive. The Governor declared a State of Emergency in March

1995 due to the drought and lack of adequate water supply. In efforts to mediate the problem, a CNMI Task Force was established. The Task Force has documented over 50% of Saipan's water pipeline as old and leaking. Six water projects have been submitted to the Governor and CNMI Legislature as 1994 Capital Improvement Projects. Water problems on Rota and Tinian are less severe due to less demand on existing sources. Rota has two springs with a combined average flow of 2 million gallons per day (MGD).

The Commonwealth Utilities Corporations (CUC) manages the CNMI's water systems. Since 1990, it has completed over \$22.4 million in improvements to the water system. Another \$3.9 million in water projects is on-going. The system generates approximately 8.8 MGD. An unknown, but probably high-percentage amount of water is lost through leaks in the distribution system. Estimates of consumption are 100 gallons per capita per day for approximately 45,000 customers.

Saipan has 15 reservoirs with a capacity for storing 9.5 million gallons. The catchment system at the airport will provide 20 million gallons. Despite improvements such as building new catchments and drilling more wells, water in the CNMI is often brackish and unpleasant tasting and does not meet U.S. EPA standards. The high chloride concentration present in this water accelerates corrosion in pipelines and pumps, further contributing to water loss through leakage.

The CUC has recently appointed a Water System Manager who has attained a number of goals during the past year, including increasing the number of customers on 24-hour water service and removing them from a flat rate billing. The disinfection of the potable water supply has improved, and a spreadsheet system of recording maintenance history has been introduced. The OMIP Team continues to stress the need for a Water System Master Plan for each island, as well as better coordination with the CNMI Department of Environmental Quality.

The OMIP Fifth Year Review also recommends: 1) that CUC enhance revenue by raising water and wastewater rates in 24-hour service areas; 2) continue to improve their financial management system; and 3) develop a long-term plan for the water system to include continuing water metering and water loss reduction and to prepare a water master plan. All of these actions are currently being implemented pursuant to the Partnership Agreement.

Waste Water System

Saipan's sewer system is located only on the western side of the island. It consists of 25 miles of collection and 12 miles of interceptor sewers, 25 lift stations, two wastewater treatment plants and two inadequately designed ocean outfalls. The system was designed to accommodate a population half as large as Saipan's present population and is inadequate to the CNMI's needs. Much of Saipan relies entirely upon septic systems, which carries a danger of contaminating limited groundwater sources. The islands of Tinian and Rota rely completely on individual septic systems.

The central sewage system in Garapan was build just after World War II and discharges 100 yards off the end of commercial dock into Saipan's lagoon. The threat of contamination of the lagoon and a negative impact on nearby tourist areas is considerable. Emergency improvements to the Sadog Tasi treatment plant have been completed and the U.S. EPA Administrative Order has been lifted. However, the increased treatment capacity to 2 MGD is still insufficient, and is only two-thirds of the capacity of the original treatment plant. The Agingan Point treatment plant in the south previously had a primary treatment capacity of 1 MGD. The current flow is over 2 MGD, half of which was formerly bypassed to the sea untreated. New construction at Agingan Point, completed last year, has increased treatment plant capacity to 3 MGD.

Untreated sewage is also a problem in the interior of the island. Excess sewage often backs up in heavy rains, sometimes into school and tourist areas. The situation has led to closing of beaches and school grounds.

A Wastewater Master Plan and Facilities Plan was completed in 1993. This is an important document which can be used for operations and maintenance as well as future planning for capital improvement projects. The Plan provides projections for system needs and growth for the next 20 years.

Solid Waste Disposal

There is only one solid waste disposal area on Saipan at a location known as Puerto Rico on the northwestern lagoon. There is no municipal residential collection service offered by the government, but several contract collection services exist, charging about \$40 monthly. Private contractors collect commercial and industrial waste and dump without charge at the Puerto Rico site.

The existing dump site at Puerto Rico continues to be the most unsightly area on Saipan and a health hazard to anyone in the vicinity. Frequent fires pollute the nearby tourist beaches. It must be relocated as soon as possible. The design of a new proposed sanitary landfill in the Marpi area of Saipan was completed over a year ago. Other than excavation for the first cell of approximately 5 acres, no other construction has been accomplished. A private developer, United Micronesia Development Association (UMDA) had proposed to fund the construction and maintenance of the new landfill as a condition of approval of a public land lease for development of a hotel/condominium/golf course resort in that area. Unfortunately, this attempt at private financing has failed, and the CNMI government has not identified any additional source of funds to complete the project and close the Puerto Rico dump.

The Puerto Rico dump site remains a negative impact on the environment. Its closure has been further delayed due to the abandonment of the site at Marpi Depression. The U.S. Environmental Protection Agency issued a Compliance Order to the CNMI government. The Fifth Year OMIP Review suggest that relocation of the landfill site be a top priority.

Power Generation and Distribution

The electrical power generation and distribution system is managed by the Commonwealth Utilities Corporation. Upon commission of two new 13 MW diesel generators in March 1992, the installed capacity on Saipan is 105.0 MW. Rota has a capacity of 5.0 MW, and Tinian has 4.0 MW, making the system total 114.0 MW. Peak loads for Saipan, Tinian and Rota are 43.2, 2.7, and 2.0 MW, respectively. Saipan has a distribution network of 135 miles of a 13.8 KV system. Rota has 25 miles including both 13.8 KV and 4.16 KV power. Tinian has 35 miles of 4.16 KV system. Saipan has seven feeder lines emerging from the plant at Lower Base.

CUC's metering program is nearly complete. Less than 3 percent of its customers are unmetered. Line losses have dropped from 25 percent to 15 to 18 percent as new lines have been added or upgraded.

The Commonwealth Utilities Corporation has aggressively built up a diesel generator based power system. Unfortunately, the growth in its distribution capacity has not been matched by its financial operations. While CUC has incurred significant amounts of debt to the Commonwealth Development Authority and to Mitsubishi, its generator supplier, the CUC has not been permitted to set user fees at levels which enable the utility to recover its operating costs.

Under the Operations and Maintenance Improvement Program, the CUC has undertaken an aggressive strategic plan to improve its operations. The plan included the hiring of a consultant who conducted a Management Audit of CUC to evaluate and make recommendations pertaining to legal status, utility facilities and operations, management systems, procurement, staffing levels, budgetary expenditures, detailed budgets for each utility for each island, and options for possible rate increases if necessary to enable CUC to become financially self-sufficient. The audit has been completed, with primary recommendations for revisions to CUC's enabling legislation, cost reductions, possible rate increases, and a shifting from a production/construction orientation to one of customer service. Formal training programs for the CUC Board of Directors continue, further improvements are being made to the financial accounting system, and a Comptroller and a Data Systems Administrator have been hired.

Roads

A large percentage of Saipan's and Tinian's roads was paved either during the Second World War or shortly afterward when the islands were under U.S. Navy administration. The principal road on Rota (about nine miles in length) was only recently paved. The World War II roads are still in reasonably good condition on Tinian but are showing signs of rapid deterioration on Saipan where the traffic levels and axle loadings are much higher. In recent years, Beach Road, the main road on Saipan, was paved to a maximum width of 52 feet over several sections. It has been extended to a total length of about 9 miles. This year a small segment of Beach Road running through American Memorial Park was closed permanently to enhance the park. The airport access road has also been paved by overlaying the older pavement built by the Navy

during the late 1950's. The remaining primary paved roads are those built by the Navy, which total about 25 miles in length. On Tinian, almost all of the paved roads were built by the U.S. Navy.

There are about 225 miles of roads throughout the CNMI. During the last several years the Commonwealth has reconstructed and paved about 33 miles of major roadways and about 36 miles of local streets. Additional construction is scheduled throughout the islands. The major thoroughfares of Saipan, particularly the primary highways of Beach Road from Garapan south to Chalan Kanoa, and Middle Road are becoming increasingly congested. Average daily traffic on Beach Road in the vicinity of Susupe exceeds 27,000 vehicle trips. To assist in handling the congestion, five traffic lights, the first in the CNMI, were installed and on Beach Road last year and are now operational.

Airports

The Commonwealth Ports Authority (CPA) administers airport facilities in Saipan, Rota and Tinian. Saipan International Airport is the air gateway to the CNMI and serves as the primary airport. Terminal facilities are modern and well maintained. An air traffic control tower was constructed in 1994 and commissioned in January 1995. The Federal Aviation Administration trained local residents to become certified air traffic controllers. The 8,700 ft. runway is capable of handling DC-10 and B-747 aircraft.

Tinian and Rota each have modern terminal facilities. Tinian airfield has a 5,986-foot runway and an apron capable of handling two B-727 aircraft. The airport is not equipped with navigational aids and cannot support night flights. Rota's airfield has a single 6,000 ft. runway and is equipped with navigational aids.

Ports

The primary commercial port in the CNMI is at Charlie Dock in Saipan's harbor. The harbor and docking area are undergoing extensive renovation and the channel areas of the harbor are being dredged. The CPA, which manages the harbor, entered into a construction contract with the lowest responsible and responsive bidder, Samsung Engineering and Construction of South Korea, to improve the Saipan seaport facility. Ground-breaking occurred in late 1993. The total cost is \$36.2 million.

CPA has authority to use \$10 million appropriated by the U. S. Congress for the harbor project, and has a commitment of \$13.5 million in Covenant development loan funds through the Commonwealth Development Authority. In October 1992, CPA publicly announced a Request for Proposals for construction of the Saipan Harbor Improvements Project. At that time, sufficient funds for only Phase I of the Project were available. In January 1993, the CPA was successful in securing a loan for the needed additional funds to go forward with both Phases I and II of the Project.

The facility was outmoded and in a deteriorated condition. Limited shore facilities for dockage and storage created numerous ship delays and increased costs. The channel depths of 28 to 30 feet were insufficient, and should be increased to safer depths of 38 to 40 feet. The redevelopment plans were developed in the 1980's by the Corps of Engineers.

Rota has two harbors. The West Harbor is the most modern port facility in the Commonwealth. It has an 800 foot channel leading to a turning basin and wharf.

Tinian Harbor was constructed by U.S. naval engineers during World War II. The harbor is the property of the CPA but is 80% under lease to the U.S. military. The harbor also is a center for fish transshipment. Facilities include a cold storage center with a capacity of 2,500 tons and new warehouse facilities. The harbor is protected by a 3,500 ft. breakwater which needs rehabilitation. The dock is 750 feet long and constructed of reinforced concrete.

Public Buildings

Schools: The school system of the CNMI is made up of a total of 25 schools. Of this number, 13 are public and 12 are private schools. The public schools are located on four of the islands. The school system in the CNMI is making progress in delivering maintenance services. Some repairs to schools are contracted to the private sector, although building maintenance is performed by the Public School System maintenance staff.

Hospitals and Clinics: The Department of Health and Environmental Services provides medical and health care for the citizens and visitors to the CNMI. The Commonwealth Health Center is located on Saipan. Health Care Centers are also located in medical facilities on Tinian and Rota and one dispensary is located on each of the northern islands.

Saipan

The Commonwealth Health Center is located on Saipan and is the principal medical facility in the CNMI. The hospital facilities are housed in four buildings of three floors, interconnected to each other to form a square box type structure. The buildings are constructed of reinforced concrete. There are two separate service buildings. One building houses the boilers, water heaters, medical gas plant and maintenance services.

The hospital is a 72-bed, full medical service facility, completed and opened to the public in 1986. The support facilities of the hospital include a 100,000 gallon storage capacity, water treatment system; reverse osmosis system of 120 gallon per hour capacity; air conditioning system by circulated chilled water of 200 ton capacity; steam and hot water systems powered by fuel oil; and two oxygen manufacturing plants for the production of medical gas.

With assistance from the U.S. Public Health Service, is reasonably well-run, clean, and orderly. However, the CNMI, like most states and territories, has a serious problem with spiralling health care costs. The problem is worsened by the need for frequent and expensive medical

referrals off island, to Guam, Hawaii, and the west coast off the United States. Cost overruns are the norm, supplies sometimes fall dangerously short, and it is difficult to retain experienced doctors and nurses.

Tinian

The Tinian Health Center was built as a primary health care facility. The building is of reinforced concrete and masonry construction with a flat concrete roof deck. The buildings consist of approximately 9,000 square feet of floor area in an "L" shaped building pattern. The building is air conditioned, with the exception of the area used as the medical laboratory. A separate building houses the emergency power generator set and hot water heaters.

Rota

The Rota Health Center is similar to the Tinian Health Center in design, size and type of construction. The Rota Health Center building varies somewhat in floor layout from that of the Tinian Center, being slightly larger in size. The building has a total floor area of 9,100 square feet, and is of reinforced concrete and masonry construction.

Other Buildings

The buildings maintained by the Building and Facilities and Maintenance Branches include the government quarters on Capitol Hill, a total of 152 housing units (an additional 19 units are maintained by others); and the government office buildings, which number 41 units, for a total of 193 government buildings and housing units. Construction of the units are principally of reinforced concrete and masonry materials. Most of the units date back to the Trust Territory,; the main government quarters were built during the naval administration (1954-62). The Governor has suggested selling the government quarters on Capitol Hill, but no action has been taken on this yet.

Chapter 4

GUAM

4.1 GUAM

Guam is a United States territory with a locally-elected government. The people of Guam elect a Governor, who serves a four-year term, 21 senators who serve two-year terms in a unicameral legislature, and a Delegate to Congress, who also serves a two-year term. The people of Guam became U.S. citizens in 1950 when the Congress enacted the Guam Organic Act, which established institutions of local government and made Guam an organized territory. Guam is an unincorporated territory because not all provisions of the Constitution apply to the island.

The local judicial system is made up of a Superior Court and a Supreme Court led by judges appointed by the Governor. Local judges are subject to confirmation by the voters every six years. A U.S. District Court for Guam is headed by a District Court Judge appointed by the President.

Guam consists of a single island of approximately 212 square miles. It is located 3,700 miles west-southwest of Honolulu. The population of Guam in 1995 was estimated at about 149,249. The annual rate of growth is 2.3 percent.

4.2 Political Status Developments and Federal Relations

The Administration appointed Mr. Stanley Roth, Special Assistant to the President and Senior Director for Asian Affairs at the National Security Council, as the new Special Representative for Guam Commonwealth talks to replace I. Michael Heyman, the former Counselor to the Secretary, who had been the Special Representative since November 1993. Under Mr. Heyman, discussions with Guam Governor Joseph F. Ada and other Guam representatives commenced in December 1993. Some progress had been made in finding workable compromise solutions to major outstanding issues.

The Clinton Administration's review of Guam's Draft Commonwealth Bill is attempting to resolve issues which remained after two previous Administrations were unable to reach agreement with Guam leaders on the status proposal. The Commonwealth Bill was drawn up by the Commission on Self-Determination and adopted by Guam voters in 1987 referendums. Earlier referendums had selected U.S. commonwealth status as the preferred option by a two-third's majority over statehood and independence.

Other major issues in federal relations with Guam in 1995 concerned Department of Defense (DOD) recommendations to eliminate and reduce U.S. military missions and installations on

Guam, federal compensation to Guam for impact of the Compact of Free Association, and a continuing disagreement over the establishment by Interior of the Guam National Wildlife Refuge.

As part of its recommendations on 146 military installations in the United States, DOD on February 28, 1995, proposed closing and realigning four U.S. Navy installations on Guam. The recommendations, made to the independent Defense Base Closure and Realignment Commission (BRAC), would have eliminated 2,265 civilian jobs and transferred 2,104 military personnel off the island. Guam Delegate Robert Underwood and Guam Governor Carl T.C. Gutierrez urged BRAC to retain some of the DOD missions on Guam and to establish a transition during which DOD and Guam could work to develop some of the closed facilities as commercial enterprises. Some of the properties - particularly the Ship Repair Facility - could be converted into commercial operations, according to Guam leaders, thereby creating hundreds of jobs to replace some of the lost DOD positions.

OTIA officials met May 11 with BRAC Commissioner Al Cornella, at his request, to discuss OTIA's views regarding the DOD proposal. OTIA Acting Assistant Secretary Allen Stayman, who had met earlier with Guam representatives on the issue, explained the current state of political relations between the Federal Government and Guam, including the on-going Commonwealth discussions, outlined the declining federal financial assistance for the island, and emphasized the substantial economic impact a precipitous DOD cut-back would have on Guam's economy. Stayman supported Guam's request for modifications in the original DOD proposal.

On June 23, 1995, the BRAC recommended that the Navy have the option of retaining several missions previously scheduled for transfer and urged the conveyance of about 4,000 acres of federal land determined to be excess by DOD. Navy supply vessels homeported at Guam and a squadron of Navy helicopters could be retained, if Navy operations officials deem it necessary. The Navy could also realign its Public Works Center at Guam, rather than close it, to provide support for the vessels and helicopter missions. While the BRAC agreed on closing the Navy's Ship Repair Facility, it recommended that the facility and associated piers and land be open to joint use by the Navy and Guam.

The BRAC further recommended that the Navy release the excess property listed under its GUAM LAND USE PLAN '94 and not yet transferred to the Government of Guam -- about 4,000 acres. Some of this land, according to Guam officials, is critical wildlife habitat and Guam and Federal officials will be discussing what agreements and procedures will be needed for handling the disposition of habitat property. As part of a 1993 BRAC recommendation, DOD in April, 1995, transferred the 2,000-acre Naval Air Station, Agana, to the Government of Guam, which subsequently moved major local government departments and agencies to the facilities. The relocation will save the local government an estimated \$3.5 million over the next year, according to Guam officials.

The Compact of Free Association Act of 1988 (P.L. 99-239), which establishes the relationship between the United States and the FSM and Marshalls, authorized unrestricted immigration of

FSM and Marshalls citizens into the United States, its territories and possessions. This enabled citizens of these island states to enter Guam and the CNMI and to lawfully engage in occupations as nonimmigrant aliens. Guam's habitual resident population of these aliens is estimated to have increased by 1,000 persons per year since 1986.

The Government of Guam estimates that it has expended about \$70 million in services to Compact citizens since the Compact was implemented. These costs include \$30 million for primary and secondary education and more than \$10 million in direct benefits for health and welfare programs. The Compact law included an authorization for appropriation of funds to cover the costs of increased demands placed on educational and social services by immigrants from the RMI and FSM.

The Department of the Interior has provided several million dollars in technical assistance to help Guam develop the statistical capability to better quantify the impact as well as to address some of the social problems of Compact immigrants. In FY 1995, \$2.5 million was specifically appropriated as a contribution toward the costs Guam has incurred in providing social services to these Micronesian immigrants. The Department also proposed for the FY96 budget, the reallocation of \$4.6 million in mandatory funding from the CNMI section 702 Covenant funding to Guam as an additional contribution toward Compact impact costs. This funding is proposed as mandatory to the year 2001, for a total of \$27.5 million.

The establishment of the Guam National Wildlife Refuge by the U.S. Fish and Wildlife Service (FWS) continued to be an issue in 1995. The refuge is the result of several years of effort by the DOI to address concerns of Guam leaders and Guam and national environmental groups for preservation of several endangered bird species on the island. The refuge consists of 22,873 acres. About 22,502 acres are an "overlay" jurisdiction on DOD-held lands, while the remaining 371 acres at Ritidian Point are held directly by the FWS.

Many Guam leaders, including the current Governor and Delegate to Congress, continue to oppose federal control of the refuge, preferring it be under local control. These leaders also object to the transfer of 371 acres of formerly DOD-held land at Ritidian Point to Interior as part of the refuge establishment. During 1995, the Guam government enacted legislation prohibiting the local government from providing any assistance to the FWS in managing the refuge, returned to the Interior Secretary a check for \$17,351 intended as compensation for lost tax revenue from some of the Ritidian Point property, and repeatedly spoke out against federal control of the refuge.

4.3 Current Economic Conditions

Guam's economy, which exhibited extraordinary strength from 1988 to 1993, is gradually recovering from a downturn during the 1993-1994 period. The outlook for sustained growth, led by a resilient visitor industry, is positive, though a return to the growth rates of the "boom" years is unlikely.

During that boom, Guam's gross island product increased by 69 percent from \$1.729 billion in 1988 to \$2.917 billion in 1993, an annual average growth rate of 11 percent. Total employment increased from 48,300 in 1988 to 66,500 in 1993 for an annual growth rate of 6.6 percent. Total personal income increased from \$1.327 billion in 1988 to \$2.240 billion in 1993, an 11 percent annual average rate of growth. Rapid expansion of the visitor sector was a major driver of overall economic growth. Total visitor arrivals increased from 586,000 in 1988 to 854,000 in 1992 -- a 10 percent annual increase.

The driving forces behind Guam's growth were outside investment, primarily from Japan, and the island's continuing popularity as a tourist destination. Japanese real estate development in Guam peaked in 1990, when Japan invested \$1.1 billion. That figure placed Guam behind only Hawaii, California and New York in Japanese investment in the United States. By 1991, Japanese investment in Guam had declined 45% to approximately \$600 million, and as a result of further declines in the Japanese economy, Japanese investment in Guam continued to slow in 1992 and the first half of 1993.

In 1993 visitor arrivals fell by 8.2 percent, total employment declined by 3.6 percent, gross island product increased by only 0.5 percent, and total personal income increased by 1.7 percent. This weak economic performance is attributed to several factors, including the aftermath of late 1992 typhoons, the effect of an August, 1993 earthquake on tourism, the impact of the recession in Japan, a sharp decline in construction activity, and the slow recovery of the U.S. economy.

Guam's economy appears to have bottomed out in 1994. Visitor arrivals rose 37 percent over the previous year and passed the one million mark, reaching 1.075 million by year's end. Though this milestone augured well for the future of the industry, the surge in visitor arrivals is only slowly translating into increased employment, as visitor demand has been met largely through increased utilization of the existing workforce and stock of hotels and other facilities. Total employment for 1994 decreased by 0.3 percent.

The near-term forecast for Guam's economy shows steady, gradual improvement, according to local government projections. The gross island product, which was \$3 billion in 1994, is expected to increase slightly to \$3.01 billion in 1995. Total employment is projected to increase by 1.8 percent, and personal income is expected to increase by 4.2 percent. Visitor arrivals are expected to total 1.139 million in 1995, an increase of six percent over 1994.

The longer-term prospect is also generally positive. Moderate growth is projected in gross island product, employment, and personal income in 1996 and 1997. Total employment is projected to increase by 1.8 percent in 1996 and 2.9 percent in 1997. Personal income is projected to grow by 4.7 percent in 1996 and 5.8 percent in 1997.

Guam's economy is now larger and more mature than in the 1980s and it is reasonable to expect more moderate rates of growth off this much larger economic base in the last years of this decade. Total visitor arrivals are projected to increase at an annual rate of about 7 percent to

1.230 million in 1996, and 1.324 in 1997. The slightly higher rate of growth in these will be due largely to new room capacity oriented to new Asian markets coming on line.

Guam's future visitor industry will be more diversified. Consistent with the experience of the past several years, growth rates in non-Japanese visitor arrivals are expected to exceed growth rates in Japanese visitors. Non-Japanese visitor arrivals are projected to grow at an 11 percent average annual rate, reflecting the continued expansion of tourism from South Korea and Taiwan.

Korean tourists in 1994 reached 118,538, a 73 percent increase over the previous year, making South Korea the second largest and fastest growing market for Guam's visitor industry. Taiwanese visitors increased 65 percent in 1994 to 58,791. These increases resulted from the establishment of direct air service between Guam and Taiwan/South Korea, tourism promotion in those markets by the Guam Visitors Bureau, and the inclusion of South Korea and Taiwan in the Guam Visa Waiver Program.

Japanese visitors, who account for about 70 to 80 percent of all visitors, are projected to grow at about a 5.5 percent average annual rate, but to drop below 70 percent of the total market by 1997. Retail spending by visitors remains strong, although visitors are tending to be younger, more budget conscious, and staying for a shorter amount of time.

The number of hotel rooms on Guam in 1994 increased to 6,873 from 6,616 in the previous year. In 1994 the hotel occupancy tax generated \$13.7 million for the local government, down from 1993's \$14.6 million and 1992's \$18.3 million. The 1994 decline, during a year when the number of tourists increased and the hotels experienced a 71 percent occupancy rate, is due to a legislatively enacted reduction in the tax, aimed at attracting more visitors.

Guam's economic expansion has also raised local investment capacity to record highs. Guam's newly increased ability to generate capital from local sources will be important in sustaining the island's growth. Bank deposits on Guam have grown 78 percent since 1987, and 15 percent between 1990 and 1992. In 1994, total bank deposits reached \$1.4 billion. Bank loans have increased more dramatically, more than tripling since 1987. Bank loans in 1994 stood at \$2.5 billion, up from the \$2.4 billion a year earlier. Another indicator of revival -- the value of construction permits -- totaled \$614 million in 1994, compared to \$431 the previous year.

Total employment, a statistic that usually lags behind other indicators of an upturn, was preliminarily estimated at 65,800 in 1994, down 5.5 percent from the previous year's 68,464. Total private sector employment, 44,460 in 1994, was down by 10 percent over the previous year. Tourism generated about 40 percent of direct and indirect employment in the private sector in Guam. The Government of Guam employed 14,850 workers in 1994, an increase from the 13,973 workers recorded the previous year. Federal employment on the island stood at 7,490 in 1994, down slightly from 7,692 in 1993. Public employees represent about a third of the total workforce. The unemployment rate in 1995 was 7.3 percent with an estimated 3,500 workers actively seeking employment.

Since the mid-1980s, job creation has outraced growth in the work force. A beneficial result of this has been low unemployment, but it is apparent that much of the growth in employment is the result of multiple job holdings. Guam has become dependent upon an in-migration of labor from Pacific Rim countries through the H-2 program and from Micronesians immigrating under the provisions of the Compact of Free Association allowing unrestricted entry into the U.S. These additions to the labor force from outside Guam are essential to economic growth but have increased demands for local government services as the laborers adjust to Guam's cultural and social modes.

The government sector remains a major economic force on Guam. The Guam government reported FY94 General Fund revenues of \$502 million, down about \$60 million from FY93's \$561.5 million. Most of that revenue was generated by the income tax (\$278 million) and Gross Receipts Tax (\$151 million). The Government of Guam preliminarily estimated its FY94 General Fund expenditures at \$395,602, which would be a decrease from the previous year's \$414,302.

According to the U.S. Bureau of the Census's Federal Expenditures by State and Territory for Fiscal year 1994, direct federal grants to the Government of Guam in FY94 amounted to about \$153 million, up from \$89 million in 1993. These include major grants from the U.S. Departments of Education, Health and Human Services, Transportation, FEMA, etc. Total Federal expenditures on Guam, including military spending and payments to individuals, as well as direct grants to the local government, are estimated by the U.S. Census Bureau at \$1,048 million for FY94.

The residents of Guam have seen many improvements in the island's standard of living over the last several years. Guam's economic success, however, has its less beneficial aspects. During the boom years, inflation on Guam had been higher than in the U.S. Mainland, and rents and land prices are much higher than in most mainland communities. Inflation was 11 percent in 1993, up from about 7 percent in 1992.

Guam's economic recovery has been complicated by Defense Department cut-backs over the past three years. As U.S. Defense spending and jobs on the island decline, the private sector is attempting to absorb these workers as well as generate employment opportunities for the new workers entering the labor force.

4.4 Government Administration

In 1993-1994, the downturn in tourism and declining DOD spending on the island lowered Government of Guam revenues, while expenditures remained relatively constant. The local government has been in a deficit-spending situation for the past four years, moving from a surplus of \$52.6 million at the end of FY90 to a deficit of \$184.7 million at the end of FY94. This deficit has been financed by borrowing from revenues in future years, borrowing internally from special funds and local government agencies, by issuing general revenue bonds, and by

delaying payments to vendors. Spending on capital improvement projects over this period has been dramatically constrained.

Governor Carl T.C. Gutierrez, who took office in January, 1995, has taken several steps to bring Government of Guam spending in line with revenues, to pay vendors, and to fund important capital projects. On June 30, 1995 Guam successfully sold \$115 million in general revenue bonds to pay overdue tax refunds to 30,000 local residents (about \$41 million), fund construction of a public high school, and to pay vendors.

The previous administration on Guam had issued about \$225 million in general obligation bonds, including a 1993 issue of \$175 million for the construction of Southern High School and other educational facilities, and a \$45 million issue in 1994 to pay overdue tax returns to residents. Standard and Poor gave Guam's June, 1995, bond issue a rating of BBB, and estimated that the local government's general fund direct debt to be about \$332.5 million.

Government of Guam autonomous agencies, including the Guam Airport Authority and the Guam Power Authority, also have issued bonds for capital work in the past several years. Total bond indebtedness of Government of Guam line and autonomous agencies is estimated at about \$850 million.

Governor Gutierrez has set six major financial management goals for his administration: 1) Eliminate the General Fund deficit; 2) Pay off the recently-issued Government of Guam bonds; 3) Streamline Government of Guam operations; 4) Restore public confidence in the Government of Guam as a provider of public services; 5) Maximize the economic benefits of island base closures; and 6) Create a \$30 million cushion in the General Fund.

Gutierrez, who has pledged to work closely with the island's private sector to strengthen the economy, said he would accomplish his goals, in part, by "tightening GovGuam's belt and establishing a "pay-as-you-go" government in which island residents pay the entire cost of the GovGuam services they receive." He also promised that government vendors would be paid promptly and that their faith in the government would be restored. Vowing no new taxes, Gutierrez said his Administration will more aggressively enforce existing tax laws, and collect back taxes. The Government of Guam in 1995 also enacted laws which will increase the property taxes of island residents and charge fees for government trash collection and solid waste dumping at the government landfill.

The Government of Guam also is attempting to improve its audit capability. The government has established an office of an independent auditor, but it is not yet adequately funded or fully staffed. The Guam Government needs to develop a sufficient capability to fully implement the requirements of the Single Audit Act. Audit coverage in Guam has been limited to the audits by the Department of the Interior's Inspector General and coverage by contracted private CPA firms. The Government often does not respond in a timely manner to the findings and recommendations of either.

4.5 Infrastructure

Earthquake Damage

As a result of the August 8, 1993 earthquake, public buildings, roads, bridges, and utilities suffered about \$40 million in damage. Most of the cost to repair the damage or replace the facilities was covered by private insurance or federal emergency assistance. A Presidential disaster declaration was not needed and, therefore, was not requested.

Public roads and bridges received about \$14 million in damage. Those costs were covered by U.S. Department of Transportation Emergency Recovery Funds. Public utilities, the hospital, and airport received about \$14 million in damage which was covered by private insurance. Government office buildings received about \$1.8 million in damage. Of the 36 public school facilities, 23 received slight damage and had to be repaired at a cost of \$426,000.

Commercial buildings received about \$113 million in damage while private residences sustained an estimated \$4 million in damages.

Water System

Approximately 74 percent of the water produced on Guam is provided by the Public Utility Agency of Guam (PUAG). The remainder is produced by the Air Force and Navy installations on Guam. The Guam government's water sources are groundwater and surface water (Ugum River). The Navy water source is a surface reservoir (Fena Lake) in the southern part of the island. The PUAG water originates primarily in an aquifer known as the northern lens, which is tapped by 94 active wells. According to the PUAG Well Monitoring Report, about 26 million gallons per day (MGD) are currently pumped from the northern lens. The \$12 million Ugum River project at the southern end of the island, completed a few years ago, added an additional 1 to 2 MGD of potable water to Guam's daily supply.

Since 1990 over 300 water leaks on the distribution system have been identified and repaired. The program has saved an estimated 6 million gallons per day. Despite the success, the Water Facilities Master Plan indicates that 30 to 40 percent of daily water production is unaccounted for. Leakage and un-metered use account for much of the total loss.

As a result of the August 8 earthquake, the Governor ordered a \$10 million emergency program to install generators at approximately 146 facilities, which included water wells, water booster pumps, sewage pump stations, and wastewater treatment plants. This work is currently proceeding under private contract, but it is being administered by the Guam Power Authority (GPA) since GPA will maintain the facilities after completion of the installations. In the aftermath of the earthquake, major water leaks were repaired immediately and a follow-up contract for a leak detection program for the entire water system is approximately 25 percent complete. The leak detection program is being paid for by funds appropriated by the Guam Legislature.

A Geographical Information System (GIS), the cost for which OTIA is sharing under the Operations and Maintenance Improvement Program, is currently underway for both GPA and the PUAG. As-built drawings and plans for existing utility facilities are being digitized for input into the GIS by both agencies, as well as the Department of Public Works, the Guam Telephone Authority, and others. When completed, the GIS will provide computerized base maps of the island infrastructure which will be an invaluable tool for the Government of Guam in managing growth so that the impacts of development on infrastructure and annual recurring maintenance and repairs costs can be properly planned, budgeted, and executed.

The OMIP Team continues to recommend the formation of an independent Guam Water and Sewer Authority, to incorporate the functions of the PUAG and place the operation and maintenance of Guam water and sewer activities on a more business-like basis. Under this concept, the PUAG would be strengthened by becoming an independent authority with a Board of Directors setting policy for the utilities and appointing a General Manager to operate and administer the water and sewer systems. The Board of Directors would have the authority to set rates, establish its own personnel rules, financial systems, and purchasing procedures.

Sewer System

Improvements have been made in the operation of the wastewater utility during the past year. The North District (ND) and the Agana sewage treatment plants (STP) are about to be released from Administrative Orders issued by the U.S. EPA for not complying with NPDES discharge standards. The transfer of Tumon Bay sewage to the ND plant and the completion of the ND STP rehabilitation have facilitated this change. PUAG has also reached agreement with the U.S. Navy in regard to the relocation of the Agat STP and the joint outfall has been designed and will be put out for bid in the near future. The plant will provide 20 MGD of secondary treatment capacity. The new Agat STP will phase out the Agat STP and the Port treatment facility will be phased out and the effluent pumped to the Agana STP.

The Umatac/Merizo treatment facility which involves land disposal continues under an Administrative Order due to runoff entering the adjacent stream. An inflow/infiltration rehabilitation contract is out for bid which should help mitigate this problem. The Inarajan STP on the southeast side of the island was damaged by last year's typhoons and it is currently in the process of rehabilitation.

Solid Waste Disposal

Guam also enacted legislation in 1995 to charge user fees for the collection and dumping of solid waste at the government landfill. That legislation will free up \$2.7 million in federal funding (provided in FY88 and FY89) to close the Ordot landfill, and develop a new solid waste dump.

In addition, a baseline study for a new site near Apra has also been submitted to the EPA. This new site is on land owned by the Guam government and a new landfill at that location is expected to be privately operated. The establishment of a new site remains of primary

importance because of the depleted capacity at the Ordot landfill site, the remaining useful life of which, without expansion, is now estimated to be approximately one year.

The Ordot site remains under an Administrative Order by the U.S. EPA. Guam has submitted to the EPA a feasibility study of four alternative schemes for interim expansion of the Ordot landfill.

A number of other positive developments have occurred during the past few years with regard to solid waste management. Key to these changes is a manager in charge of solid waste operations. The existing solid waste landfill at Ordot is now being operated more professionally. Waste is covered on a daily basis, the fill has been terraced, the waste stream is now being segregated to remove vehicle tires, scrap metal, aluminum cans, and cardboard. A contractor has also been hired to operate a tire-shredding facility at the landfill, and new legislation requires all cardboard to be bailed prior to delivery to the site. Waste-stream analyses conducted for the Guam government are being used as a guide to reduce waste volume. The Government of Guam has previously received U.S. EPA approval to use a site at Malojloj for the disposal of construction debris and yard waste. The items were banned from disposal at the Ordot landfill and Dededo transfer station in February, 1993.

Power Generation and Distribution

The Guam Power Authority (GPA), an autonomous agency of the Government of Guam, has the responsibility to provide electricity throughout the island. Total power consumption in 1991 was 862.4 million kilowatt hours (KWH). The average KWH per customer increased from 11,127 in 1990 to 12,064 in 1991, an increase of 8 percent. Average annual residential power cost per customer in 1991 was \$1070.40.

The tremendous pace of development on Guam has put a strain on existing power facilities. The island suffered serious inconveniences because of brownouts and load shifting over the past two years. GPA has listed power generating increases of 178 megawatts to be put on line by the end of the decade. Included in the roster is a 23 MW unit recently installed, and a 16 MW unit to be installed by the Navy. GPA installed two 23 MW units in 1993, and plans to install a 23 MW unit in 1994, and additional 35 MW slow speed diesel units in 1995 and 1998.

The balance of \$27 million on GPA's 1980 note with the Federal Financing Bank was prepaid by Guam in January 1993. The payoff was part of a GPA bond refinancing package that provided Guam with capital for financing the additional generating capacity described above.

Roads

The estimated length of the road network on Guam was approximately 975 miles at the end of 1992. Of that total, 420 miles of roads are classified as non-public roads. Many of these roads are located on federal government installations located throughout Guam. Of the 550 miles of public road, approximately 144 miles are the primary network (this includes some secondary roads); about half of this mileage is classified as urban roads. There are about 222 miles of

streets and 123 miles of local or collector roads. The primary network is paved. In the case of the streets and local roads, 330.3 (80 percent) are paved and the remaining 83 miles (20 percent) are unpaved. There are 27 bridges in the road system.

The Guam 2010 Highway Master Plan calls for capital investments in the primary road and highway system estimated to cost \$470 million over the next 18 years. A large portion of the funding to construct and maintain these highway improvements will come from bond issues backed by fuel taxes and vehicle registration fees which are allocated to the Department of Public Works (DPW).

Maintenance of the road system is currently divided among the Highway Maintenance and Construction Section of the DPW, the Rapid Response Office, and some Mayors. For this reason, the OMIP Fourth Year Review Report for Guam recommends the creation of a Highway Management System within the DPW to better manage highway construction and maintenance. In response, DPW authorities have recently submitted an application for maintenance assistance funds to hire a consultant to develop a comprehensive Highway Management System which includes an Information System, Planning and Programming Management, Design/Specification/Contracts Management/Construction Management, Operational Systems and Maintenance Management System.

Airport

The A.B. Won Pat Guam International Air Terminal and surrounding facilities are administered by the Guam Airport Authority (GAA). The airport facilities are first-rate, but the growth in passenger arrivals and cargo warrants increasing the capacity of the facilities. Guam has recently expanded its airport aprons to alleviate the problems of aircraft waiting in the taxiways.

The GAA hopes to triple the size of the airport with an ambitious \$253 million program to construct a new terminal at the eastern end of the existing facility. Terminal enlargement would increase the number of passenger gates to seventeen. The closing of the Guam Naval Air Station in 1995 provided additional acreage and facilities for expansion of the airport operations. NAS, which owns the airport's runways, was ordered closed by the Base Realignment and Closure Commission in August, 1993.

Guam authorities expect passenger traffic to reach 3.6 million passengers by 1995. The facility now handles some 1500 flights a month. The airport is a regional aviation hub and base of operations for Continental Micronesia's (the regional carrier) fleet.

Seaport

The Port Authority of Guam (PAG) administers the commercial port facilities at Apra Harbor. PAG is a public corporation and autonomous agency of the Government of Guam. Guam's port is a major transshipment center of the Western Pacific and is equipped to move containerized, unitized, break-bulk, and tuna cargo efficiently. The port has in recent years seen an average

increase of 23 percent in cargo growth. The PAG is expanding its container yard and is planning to spend \$100 million in reconstruction activities through the year 2005.

Public Buildings

The Government of Guam has the ability to acquire and maintain an adequate stock of public facilities. The Government has a lengthy list of capital improvements encompassing high schools, fire stations, youth centers and recreation facilities. The increase in local revenues directly attributable to Guam's economic boom has allowed the Government to fund these projects from its own resources.

Chapter 5

U.S. VIRGIN ISLANDS

5.1 THE UNITED STATES VIRGIN ISLANDS

The USVI is a United States territory with a locally-elected government. Residents born in the USVI are citizens of the United States and they elect a Governor, unicameral (15-member) Legislature, and Delegate to Congress. The USVI is an organized territory because Federal legislation - an organic act - has established the institutions of local government. It is an unincorporated territory because not all the provisions of the U.S. Constitution apply to the USVI. The territorial court system has jurisdiction for all local legal issues.

The USVI is located in the eastern Caribbean Sea, approximately 1,000 miles southeast of Miami and 45 miles east of Puerto Rico. The USVI is comprised of three main islands, St Croix, St. John, and St. Thomas, and many small cays and out islands. The capital, Charlotte Amalie, is located on St. Thomas. The estimated 1992 population of the 106,800 is based on a 4.9 percent increase from the 1990 census of 101,809.

5.2 Political Developments and Federal Relations

On January 2, 1995, the Honorable Roy Schneider was inaugurated governor of the USVI, while his running mate, Kenneth Mapp, became Lt. Governor. They campaigned as independents and were elected to their four-year terms in a special November 22, 1994 runoff election, defeating the Democratic Party candidates, then incumbent Lt. Gov. Derek M. Hodge, and Alfred O. Heath.

In the same runoff election, Victor O. Frazer, who also campaigned as an independent, defeated Democratic Party candidate Eileen Peterson, a former territorial judge, for the position of USVI Delegate to Congress. Frazer, serving a two-year term, is an independent in the House of Representatives.

The runoff contests were required because none of the candidates for these major offices had received the necessary majority of votes during the November 8 general election. In that vote, a majority of St. Croix voters approved casino gambling in a poll. That initiative was the basis of legislation that legalized casinos on St. Croix early in 1995.

A major issue in USVI-federal relations is the disposition of Water Island, a federally owned property off the south shore of St. Thomas. The 500-acre island is the fourth largest in the USVI. The December, 1992 expiration of a 40-year lease of the island has focused the Federal Government's efforts to dispose of the property. Congressionally mandated surveys have either

been completed or are underway. Decisions regarding final disposition are pending, awaiting the outcome of litigation between the master leaseholder and the DOI.

Political status is not a current issue in the USVI, although it was the subject of a vote two years ago. On October 11, 1993, a referendum was held to determine the islands' future political status. Of the 39,046 eligible voters, 10,732, or 27.5 percent of the electorate, voted. The options were statehood, incorporated territory, free association, independence, commonwealth, compact of federal relations, and status quo. The results were to be a basis for status discussions with the Federal Government. Of those who voted, 8,629 (80.4 percent) voted for Continued or Enhanced Territorial Status with the United States; 1,421 (13.2 percent) selected Complete Integration with the United States; while 525 (4.9 percent) chose "Removal of United States Sovereignty." Because a 50 percent plus one majority is required for a binding vote, the referendum left the status issue undecided.

5.3 Current Economic Conditions

The USVI government's revenue collections decreased 9% from FY 93, while operational expenditures decreased by 5% over the same period. The local government's revenues for FY 94 totaled \$381.4 million compared to operating expenditures of \$425.7 million, leaving an operational deficit of \$44.3 million.

Governor Schneider has proposed legislation that would end deficit spending and require a balanced budget. The Governor has promised to send the Legislature another proposal to stimulate the economy and bring in additional revenues to pay off the Government's nearly \$300 million in unpaid obligations.

Business activity experienced a downward turn in FY 94. Business gross receipts taxes collected in FY 94 decreased from \$88.4 million (FY 93) to \$79.2 million, a 10.3 percent decrease. Corporate taxes also decreased during the same period. Corporate taxes collected in FY 94 were \$31.2 million compared to \$33.8 million in FY 93. This suggests that corporate profits, in the aggregate, decreased in FY 94.

The downward trend in business activity has had an adverse impact on personal income. Individual income taxes collected in FY 94 were \$191.8 million compared to \$205.6 million in FY 93, which suggests that personal income, in the aggregate, decreased in FY 94. The revenue decline in 1994 followed a year of large increases in 1993. Much of the decline was attributable to specific problems on St. Croix, mentioned below. Federal grant funding (including OTIA grant awards) decreased from \$101.4 million in FY 93 to \$97.2 million in FY 94.

Tourism continues to be the major private sector industry and foundation of the USVI economy. During 1994, 1,920,900 visitors came to the USVI, down slightly from the 1,968,600 visitors in 1993. Tourist expenditures for 1994 totaled \$918.5 million, up slightly from 1993. Cruise ship excursionists accounted for 1,242,900 of the total visitors to the USVI during 1994. Cruise

passengers spent approximately \$271.3 million while in the islands. Average occupancy rates at accommodations averaged fifty seven and one half (57.5) percent during 1994, down three percent compared to the 1993 average. The 1994 occupancy rate was the lowest in thirteen years, primarily a reflection of St. Croix's continued problems in attracting overnight visitors. Legislation permitting casino gambling on St. Croix was approved in 1994. Governor Schneider has appointed a Casino Control Commission to implement the law.

Total tourism employment totaled 9,630 during 1994, down three percent compared to the 9,910 tourism jobs during 1993. However, employment in hotels increased by two percent to 4,290 jobs in 1994. The industry accounts for approximately twenty (20) percent of total employment for the USVI.

Government employment remains the largest single source of jobs. The local government accounted for 12,080 of the 44,230 wage and salary jobs as of September 30, 1994. Total civilian employment as of September 30, 1994 was 47,230, down two percent from the 1993 total. Overall unemployment registered 5.6 percent during 1994, up two percentage points compared to the previous year. The St. Croix unemployment rate for 1994 was nine percent, an increase of four percentage points relative to 1993. St. Thomas/St. John unemployment was 2.6 percent during 1994, up by three-tenths of a percentage point from 1993.

The catalytic cracker at the Hess Oil Refinery in St. Croix has been operational since the fall of 1993 and employs some 300 workers. Cessation of operations at the Virgin Islands Alumina Corporation (VIALCO) began late in 1994, with the phase-down completed in March of 1995. The plant will be kept in "warm" status until a decision is made to possibly restart the plant in late 1995. The VIALCO plant employed 450 workers according to estimates provided by the company. By March of 1995 only 60 jobs remained. Peak plant employment accounted for 2.1 percent of all St. Croix jobs. When the 390 workers were laid off, St. Croix's unemployment rate increased to 10.3 percent.

VIALCO paid out a total of \$17.4 million in wages during 1993. Annual wages per employee, averaging \$36,743 in 1993 are nearly 70 percent higher than the territorial average and 85 percent higher than the territory's private sector average.

5.4 Government Administration

The USVI government continues to experience a budget shortfall. The operating budget deficit for FY 1994 was \$44.7 million.

Although the government has made some progress in its financial management capabilities, it has not yet advanced to the point where its general ledger accounts can be audited. This lack of accurate, up-to-date financial information is a major contributing factor to the government's management problems. Independent GVI agencies, such as the Port Authority and the Water and Power Authority (WAPA), are able to produce annual financial reports and received audit opinions.

5.5 Infrastructure

Water System

Because of low annual rainfall, water conservation is of critical concern and requires constant attention. Water is obtained by three systems: catchments with cisterns, saltwater conversion, and wells. The WAPA is responsible for the desalinization plants and distribution system. Production costs for saltwater conversion are significant, consequently system integrity and the efficiency of the meter operations are of paramount importance.

Water distribution rehabilitation and replacement projects are in progress as part of a \$20 million water program on St. Thomas and St. Croix. The DOI has contributed \$8.7 million in capital improvement grants since 1987 for water distribution improvements.

Saint Thomas

A significant portion of the population rely on roof catchments and water cisterns for potable water. When rainfall is scant or cistern capacity is small, trucks obtain water from the WAPA or wells and haul it to the desired location. The demand on the WAPA distribution system ranged between 3.0 to 3.5 MGD and supplies the town of Charlotte Amalie and the east end of the island. Expansion of the water production facilities was completed on St. Thomas during 1992 with the addition of 1.4 MGD to the system.

Desalinization produces 4.45 MGD using sea water and waste heat from the electric power plant for the conversion. The distribution system consists of 2,300 metered connections on fifty (50) miles of water mains. The lines have six (6) booster pump stations and approximate storage capacity of 50 MG. Funding has been provided for plant expansion through the issuance of water bonds.

The old saltwater flushing system used by the town of Charlotte Amalie has seriously deteriorated. This has resulted in electrolysis along the potable water lines, causing disintegration of the pipes. According to the recent "*Water Loss Reduction Program Study*" the 65 percent system loss in 1988 has been reduced to about 45 percent with system leakage identified as being accountable for 90 percent of actual loss. Due to the corrosive nature of the soils on St. Thomas, all piping systems are being replaced with Poly Vinyl Chloride (PVC) material.

Saint John

A recently completed desalination plant provides 155,000 GPD and eliminates the past practice of barging half of St. John's water supply from St. Thomas. An elevated storage reservoir with an attendant pump station complement this new facility by providing increased service potential. Water service has been provided to the residents of Coral Bay.

Saint Croix

Groundwater and desalinization are the main potable water sources on St. Croix. The daily water demand is between 2.5 and 3.2 MGD; production is 3.65 MGD with about .5 MGD coming from groundwater. The distribution system has 70 miles of mains, six primary booster pump stations, and 18 million gallons of storage capacity (CH2M Hill, Master Plan Study, 1987). Production facilities have recently been completed on St. Croix, adding .55 MGD to the system. St. Croix's system losses about 30 percent of the water it carries.

Waste Water System

All three islands have wastewater treatment plants (WWTPs) and sewage collection systems. The extent of the systems vary by island. Many private residences and hotels have their own disposal systems which are not connected to the public system. The former use individual septic systems, while the latter use small private treatment plants. All of the WWTPs discharge effluent to either an inland stream or the ocean. The towns of Charlotte Amalie on St. Thomas and Christiansted on St. Croix use saltwater sewage flushing systems as a potable water conservation measure. The Department of Public Works (DPW) is responsible for operations and maintenance of the public sewer systems on all three islands.

The USVI government recently negotiated an Amended Consent Decree with the EPA including all wastewater treatment facilities and associated pump and lift stations and sewer lines. Major operational improvements are in progress or completed at several existing facilities. A sewer line rehabilitation program has been developed with preliminary cost estimates.

St. Thomas

Most of the private residences on St. Thomas rely on individual septic systems. There are eight sewage treatment facilities on St. Thomas, seven secondary WWTPs, and an anaerobic pond at the airport. The plants do not always attain secondary treatment discharge requirements. The Nadir plant is also treating effluent from the Bovoni plant.

The U.S. EPA awarded a grant for the construction of a regional Waste Water Treatment Plant (WWTP) at the solid waste landfill site which is located on the eastern end of the island. When built, it will initially eliminate five existing plants, and later, the plant at Vessup Bay.

The DPW had been operating an aerated lagoon with better than primary treatment capacity; however, long sewer detention times and low oxygen levels result in occasional odor problems which severely impact on airport operations and tourism. A new site and treatment facility to replace this lagoon is proposed at Red Point Peninsular, south of the airport. Funding has not yet been identified.

Sewer Line rehabilitation and replacement are estimated to cost \$17 million including preparatory cleaning and inspection.

St. John

The principal plant at Cruz Bay exceeds its design capacity of 20,000 GPD. The effluent is discharged to an interior saltwater pond and does not meet TPDES primary standards. Design for a new 210,000 GPD plant and for a new 2,750 feet long outflow line is complete.

The outflow contractor has been issued a notice to proceed and the WWTF invitations for bids will be re-advertised.

St. Croix

This island has a single WWTP constructed to primary TPDES standards with a capacity of 4.0 MGD. The present flow to the plant is 2.5 MGD. This plant primarily serves the communities of Christiansted and Frederiksted. The treatment plant has an 8,000 foot ocean outfall.

The sewage collection system consists of eighty seven (87) miles of gravity and force mains with three (3) major sewage lift stations and twelve (12) feeder pump stations. The majority of the system is concrete which is subject to deterioration from hydrogen sulfide gas, which produces sulfuric acid. Because of the long detention time for flows arriving at the WWTP, hydrogen sulfide is sometimes generated from the aged condition of the sewage. This condition has deteriorated the sewer mains to the point of repeated collapse and failure, which frequently requires raw sewage bypass during repairs to mitigate public health hazards and protect the environment.

Sewer line rehabilitation and replacement estimated cost is thirty (30) million, including preparatory cleaning and inspection.

Solid Waste Disposal

The solid waste operations - collection and disposal - on all three islands are under the direction of the Department of Public Works. Additionally, litter enforcement and training are provided by DPW. Solid waste collection is a combination of curbside collection and roadside garbage bins. Improvements to the collection system include construction of convenience centers which will include redemption centers.

Solid waste collected is disposed of via landfill. Land limitations may adversely affect this method of disposal. Presently, planning studies and cost analysis are being performed to establish the most efficient collection and disposal system and their associated costs. The establishment of tipping fees will be recommended with proposed rate structures.

The landfill on St. John is closed and a transfer station, which is used to transfer solid waste to St. Thomas, has been in operation for over two (2) years. Bulk waste and junked vehicles are removed regularly by barge. Final closure plan has been submitted to the Department of Planning and Natural Resources and EPA for approval.

Recycling programs have been established through redemption centers funded through the Anti-litter and Beautification Commission fund. DPW has recently recommended a program entitled "Management Plans for Scrap Metal (junk vehicles) and used oil. Also, compacting facilities were also proposed, but funding could not be identified. Diverting components of the waste stream that make up significant percentages will maximize the remaining useful life of the landfills and reduce the financial burden for collection and transportation.

Power Generation and Distribution

The System

The WAPA serves approximately 47,000 electricity customers on the island of St. Thomas, St. John, Water Island, Hassel Island, and the Island of St. Croix. Major generating facilities are located on St. Thomas and St. Croix, while a standby facility is located on the Island of St. John. Transmission and distribution of power is typically 13,800 volts, 3 phase, 60 Hertz throughout the islands. Billing, collecting and providing customer service are the additional functions carried out by the WAPA organization. WAPA has been commended by the Operations Maintenance and Improvement Program (OMIP) program for its strong management and dedication of its personnel.

St. Thomas

The Krum Bay generating plant has a combination of four (4) combustion gas turbines and two (2) conventional steam turbine-generators. Total output is approximately 450 million kilowatt-hours (MKWH) annually with a total of 123 million watts (MW) of installed capacity. The demand for power is increasing steadily. Preparations are presently underway for the installation of a new thirty-six (36) MW unit in an attempt to keep up with the demand.

Power distribution is by a combination of overhead and underground high-voltage feeders. Typically these operate at 13,800 volts; however, a 34,500 volt feeder is in service to a major substation overlooking the harbor area. Sub-feeders extend to major load centers on the east end of the island and also to a cable termination structure which feeds St. John Island via a submarine cable. Construction is almost completed on a thirty-four (34) KV substation on the east end of St. Thomas.

St. John

St. John has a demand of approximately 7 MW and is served by two (2) submarine cables, each rated at 7 MW. A standby diesel-electric generator, rated 2.5 MW, is maintained for use in emergency situations. Management, generation, maintenance, and distribution functions are handled by the St. Thomas staff. Plans have been completed and funding has been requested for the installation of a 34 KV to 18.8.KV substation on St. John which will allow operation of the cable at 34KV.

St. Croix

Power production at the Richmond Plant consists of two (2) steam turbine generators, four (4) combustion turbine-generators. In total, these have the capacity to generate 115 MW.

Seaports

The Virgin Islands Port Authority (VIPA), a semi-autonomous governmental agency, owns, operates and maintains six (6) seaports and two (2) airports in the territory.

St. Thomas

Crown Bay, St. Thomas

At the Port Authority publicly owned Crown Bay Marina Port in the Sub Base section of St. Thomas, cruise ships have been arriving at the three (3) berth facility in ever increasing numbers. Cargo ships are now utilizing the 900 foot cargo bulkhead. A Federally funded Economic Development and Agriculture project to pave the roadway, install lighting and a drainage system, has been completed. Little Switzerland built the first warehouse at the Port of Crown Bay to be used as their main Caribbean warehouse facility, and Barbel Enterprises has completed a second warehouse facility. Future phases of the project include additional warehousing and a commercial center that will provide a mixture of tourist and local oriented shops and restaurants.

Charlotte Amalie Harbor, St. Thomas

Located on the Waterfront of Charlotte Amalie, St. Thomas is the site of the newly constructed Virgin Islands Port Authority

"Edward Wilmoth Blyden IV Marine Facility" which serves as a crucial linkage for passengers travelling between the British and U.S. Virgin Islands. The facility was opened in May 1994 and houses the Port Authority's Marine Division, the Federal Inspection Services (Customs, Immigration and Naturalization), and a restaurant.

St. John

Cruz Bay, St. John

At Cruz Bay, St. John, the Virgin Islands Port Authority "Loredon Lorence Boynes Sr. Dock" was dedicated in May 1994. Named in honor of a native son, " Captain Boynes", the reconstructed thirty-five (35) foot dock can accommodate four (4) berths for ferry boats traveling to and from Red Hook and Charlotte Amalie Harbor, St. Thomas. Dinghy dock parking is available. The passenger terminal accommodates the port's dock master's office, a ferry service ticket sales booth and a seated passenger waiting area.

The Creek facility, adjacent to the Captain Boynes Dock, continues to be the main port for cargo traffic to St. John. Maintenance dredging of the Creek at the northeast corner of Cruz Bay, has been completed, providing a seven (7) foot depth draft for vessels utilizing the facility.

St. Croix

Fredericksted

The grand opening and dedication ceremony for the new Virgin Islands Port Authority "Ann E. Abramson Marine Facility" at Frederiksted, St. Croix was held on July 15, 1994. The facility can accommodate two (2) large cruise ships and two (2) mini cruise ships simultaneously, with a draft of twenty (20) to fifty (50) feet. The facility also accommodates naval vessels, limited cargo operations and local pleasure vessels. Since the opening of this facility, St. Croix has seen a thirty (30) percent increase in cruise ship port of call over 1989 when the facility was destroyed by Hurricane Hugo.

Christiansted

Located on the eastern end of the island of St. Croix, at the Gallows Bay Port in Christiansted, the Schooner Channel is being utilized by mini cruise ships such as the Renaissance III. The channel was deepened and widened to facilitate mini cruise ships as well as other recreational cargo vessels. The control depth for the channel is sixteen and one half (16.5) feet.

Container Port, South Shore

The Krause Lagoon, adjacent to the Port Authority Container Port on the southern shore of St. Croix, accommodates tanker vessels bringing in molasses to the Virgin Islands Rum Distillery, a major source of revenue to the Virgin Islands Government.

Plans have been prepared for the development of a new molasses tanker pier on the south shore of St. Croix. This facility will accommodate molasses and other bulk material.

Airports

St. Thomas

The construction of the Cyril E. King Airport Terminal was completed and opened in October 1990. The new 7,000 foot runway and parallel taxi was commissioned in December 1992. With the extension of the runway and parallel taxiway to 7,000 feet, the system has been classified within the rank of the Federal Aviation Administration (FAA) as a "safe runway". The increased runway length can now accommodate direct jet service from the continental United States.

The twenty-year master plan for this facility has been completed. Work on the general aviation apron and construction of a major storm drain has been completed.

St. Croix

The focus of the Virgin Islands Port Authority has shifted to the Alexander Hamilton Airport on St. Croix, where design plans are underway for the renovation and expansion of the terminal facility to serve beyond the year 2010. The current airport runway and parallel taxiway are 7,600 feet and are in excellent condition. An independent lounge for cruise line passengers is included in the design plans.

Public Buildings

Schools

As of December 9, 1994, a total of 29,730 students attended USVI public (22,126) and private (6,604) schools. The government's Department of Education administers 32 schools. Sixteen are on St. Thomas, fourteen are on St. Croix, and two are on St. John.

General maintenance of the physical facilities is poor and vandalism is a constant problem. The Department of Education reports that improvements have been made to school roofs and drainage systems. The OMIP program notes that an effective program of preventive maintenance has not been implemented, and continues to recommend (for the past four years) the development and implementation of a Operations and Maintenance Master Plan for the Department of Education.

Medical Facilities

The St. Thomas and St. Croix Hospitals were built in the early 1980's and opened to the public in 1982. The St. Thomas Hospital was intended to be a full-service medical center with a 250-bed capacity. The St. Croix Hospital opened at the same time and is of equal capacity. The St. Croix Hospital was closed by the heavy damage inflicted by Hurricane Hugo, and a temporary modular hospital was constructed nearby. The Department of Health and the hospitals on St. Thomas and St. Croix are now all operated as separate entities with separate staffs.

In FY 91 and FY 92, the Federal Government appropriated \$15.2 million and \$15.3 million, respectively, to improve health care facilities. These funds coupled with payments from FEMA and local funds are being used to restore existing facilities and fund new construction.

Phase one and two of the St. Thomas Hospital Renovation Project are completed. This includes major repairs to the facilities roof and extensive interior renovations. Phase three and four, the incinerator/stand by generator and the air conditioner chiller replacement are not yet completed. Phase three is approximately sixty five percent completed.

The Juan F. Luis Hospital and Medical Center (formerly the St. Croix Community Hospital) was rededicated on October 28, 1994. The construction cost of this project totaled \$18 million. Work performed included roof repairs, asbestos abatement, demolition and extensive interior and exterior renovations.

The Eldra L.M. Schulterbrandt Community Health Center, a rehabilitation facility for the psychologically unbalanced, was dedicated on October 26, 1994. The construction cost of this project was approximately \$800,000. Construction of the \$4.7 million Ingeborg Nesbitt Clinic/Urgency Center in Fredericksted, St. Croix is approximately ninety nine (99) percent complete. The Myra Keating Clinic on St. John is open and operational. The construction cost of this project was \$4.2 million.

Correctional Facilities

Juvenile Facility

The USVI government has issued a Request for Proposal (RFP) - A/E - for a Youth Rehabilitation Center at Anna's Hope, St. Croix. This \$1.5 million facility, will house 40 pre and post trial juveniles. Construction activity is projected to commence in July of 1995.

University Facilities

The University of the Virgin Islands has awarded a professional contract for the architectural/engineering design of its Sports and Fitness Center. The University anticipates that construction activity on this \$5.3 million project will commence in September of 1995.

Chapter 6

PALAU

6.1 PALAU

The Republic of Palau is a sovereign state associated with the United States through a Compact of Free Association. The three hundred mile-long archipelago, made up of more than 200 islands, is located 500 miles east of the southern Philippines and 800 miles southwest of Guam. The land area of Palau is 196.1 square miles. The largest island -- Babeldaob -- accounts for 151 square miles of the total. The population in 1994 was estimated at 17,299 persons, concentrated on Koror and Babeldaob and seven other inhabited islands. The population growth rate is approximately 3.4 percent.

The island has a constitutional government, modelled on the U.S. Presidential form, with three co-equal branches -- the Executive, Legislative, and Judicial. The head of state is an elected President, who serves a four-year term. The bi-cameral legislature has a House with 16 delegates (one from each state in Palau) and 14 Senators, elected on the basis of population. Members of both houses serve four year terms. The Judicial branch is comprised of a Supreme Court, the National Court, and the lower Court of Common Pleas. Judges are appointed by the President from a list of nominees recommended by the Judiciary Nominating Commission. All judges hold office for life. The Republic of Palau is a federal system with a national government and 16 state governments, each of which has a constitution, governmental structure, and elected officials.

Prior to becoming a freely associated state, Palau was a district of a United Nations Trust Territory of the Pacific. Palau was the last remaining entity of the trust territory, which was administered by the United States from its creation in 1947. Until 1986 the trust isles included the Marshall, Caroline, and Northern Mariana Islands as well. Following a November 9, 1993, plebiscite, Palau ended its status as the last trust territory and emerged on October 1, 1994, into the international community.

6.2 Political Status Developments and Federal Relations

The paramount issue in Palau's relations with the United States during a decade-long political-status impasse was resolved democratically in 1994. Although the Government of Palau and the United States signed the Compact of Free Association in January 1986 and it was enacted in November 1986, it could not take effect until approved by Palauan voters.

In eight separate referenda or plebiscites, the voters of Palau cast ballots on the implementation of the Compact of Free Association with the United States. As a consequence of the Palau's Constitution's nuclear ban and the U.S. Government's steadfast policy worldwide that it will "neither confirm nor deny" its use of nuclear-powered vessels, article XIII, section 6, of the

Palau Constitution of 1979 (in effect from January 1, 1981) mandated a seventy-five per cent approval of the Compact.

After six unsuccessful attempts to meet the three-quarters majority, a proposed amendment to the Palau Constitution was offered to the voters under article XIV, section 2, of the Constitution. The amendment, which would lower the nuclear ban waiver requirement to a simple majority, was approved on November 4-5, 1992, in Palau's regular general election by greater than the required figures, that is, by more than a simple majority of the votes cast on the amendment and by two more than twelve of Palau's sixteen states. On November 9, 1993, in the eighth plebiscite on the Compact (held pursuant to Palau Public Law No. 4-9), sixty-eight per cent of those voting approved the Compact.

The current President of Palau is the Honorable Kuniwo Nakamura, who was elected in 1992. The Vice President is the Honorable Tommy Esang Remengesau Jr. The Nakamura administration worked in 1994 with officials of OTIA and the U.S. Department of State on political, financial and programmatic transition matters to implement the Compact. The Palauan representatives raised several concerns regarding Compact implementation. U.S. officials noted their country's intention not to exercise military use rights during peacetime, to give Palau equivalent consideration regarding Federal programs as it has the Marshall Islands and the Federated States of Micronesia and made other assurances related to communications, civil aviation, road construction and nuclear provisions.

The U.S. representatives believed that Compact issues were best addressed within their context after the agreement took effect. The U.S.-Palau transition group set a tentative goal of fiscal year 1994 for ending the trusteeship and establishing Palau as a sovereign state in free association with the United States.

Under the terms of the Compact, the United States will provide more than five hundred seventeen million dollars in mandatory, full-faith-and-credit financial assistance to Palau for 15 years. Palau has delegated to the United States the responsibility for Palau's defense.

6.3 Current Economic Conditions

Palau's economy remains dependent to a large extent upon the government sector but shows steady private sector growth. The major source of Palau government funding continues to be annual grants from the U.S. Government. In FY 94 Palau reported total revenues of \$104,735,000, of which Federal funding accounted for \$87 million and local revenues totaled \$18.1 million.

Of the federal assistance for FY 94, \$29.1 million were OTIA administered grants: \$18.5 million for government operations; \$4 million for construction; \$4.4 million for technical assistance; and \$2.3 million for OMIP. In addition, Palau received direct federal grant assistance from other major U.S. agencies, including \$27.1 million from Education; \$8 million

from HHS; \$8 million from Agriculture; \$2 million from Labor; \$8.3 million from EPA. In FY 93, Palau reported a total of \$31.3 million in federal grant revenue.

The Government of Palau's \$18.1 million in FY 94 local revenues represented an increase of 5.4 percent over FY 1993. The FY 94 local revenues included \$4.8 million in Business Gross Revenue taxes, \$3.5 million in salary and wage taxes, \$2.9 million in import taxes; and \$2.8 million in utility collections; \$1.1 in licenses and fees, and \$1.2 in other taxes.

Growth of the private sector in Palau is reflected in the Business Gross receipts for FY 94, \$119 million, an 11 percent increase over FY 93's \$107 million. Business Gross receipts taxes increased from \$4.1 million in FY 93 to \$4.8 million in FY 94, a 13 percent increase. The value of construction permits jumped 60 percent in FY 94 to \$7.2 million from FY 93's \$4.5 million.

Growth in the overall economy also is reflected in the Wage and Salary Tax collections for FY 94 of \$3.5 million, which represents a 13 percent increase over the FY 93 collections. Peak load power consumption rose from 10.7 megawatts in FY 93 to 12.1 megawatts in FY 94, a 13 percent increase.

Palau's work force was made up of 6,118 employees in 1994. Thirty-four percent (2,054) worked for the local government, while 66 percent (4,064) were in the private sector. In that sector, the service industry accounted for 25 percent (1,566) while construction and mining employed 984 workers.

Tourism, and an accompanying hotel construction industry, are expected to lead the economic growth of the island over the next decade. Palau had 44,073 visitors in 1994, a 5.5 percent increase over the 40,497 visitors in 1993. The Hotel Occupancy Tax increased 5.6 percent in FY 94 to \$716,000 from \$678,000 in FY 93. Tourists spent about \$20 million while on the island, including airfare and hotel accommodations.

Visitor arrivals to Palau have increased at an average rate of about 16 percent per year from a base of 5,640 in 1980. Japan accounts for 46 percent of visitors, the United States, 19 percent, Taiwan, 10 percent, and the Philippines, 9 percent. Tourist and business arrivals are about 85 percent of total visitor arrivals. The remainder arrived for employment or other purposes. Visitor arrivals by country of origin, 1993, were: Japan-17,903; U.S.-5,907; Taiwan-3,334; Europe-1,614; Asia/Pacific-1,579; Philippines-949; Aust/NZ-458; Other-381.

The average tourist/business visitor's stay is 4 to 5 days and the non-air travel spending is about \$100 to \$150 per day. The seasonal peak of December-February is about 20 percent above the annual monthly average, or 50 percent above the low months of June and October. There is a second, lower peak in July, due to Japanese holiday travel. Most tourists, perhaps as many as 75 percent, come for SCUBA diving, snorkeling and related water activities.

Palau's current tourism industry includes about 75 businesses. Thirteen hotels employed 493 persons and 24 restaurants nightclubs employed 227 staff. Total sector employment was 968 people (only about 175 are full time), of whom 51 percent were female and 53 percent foreign. There were 580 rooms available in 1994, 435 located in Koror State. The Palau Pacific Resort, the only international standard resort hotel, added an additional 60 rooms in late 1994.

The total current value of tourism to the national economy of Palau is difficult to precisely estimate. The contribution to GDP could be as high as \$12 million, around 11 percent of GDP. Government revenue from the sector was just over \$2 million in 1993, around 10 percent of total domestic revenue. In 1992 hotels and restaurants were estimated to have contributed \$8.7 million (9.7 percent) to GDP based on the relative numbers employed. Other tourism services contributed around \$3 million.

The long-term direction of economic development in Palau is being examined by the Palau National Master Development Plan. The objective of the Plan is to build economic self-reliance and improve the living standard of the people of Palau through private and public sector development that maximizes general public benefit while preserving the environment and safeguarding the culture of Palau.

6.4 Government Administration

The Government of Palau has instituted several projects to improve financial management systems. (A 1988 General Accounting Office review found significant financial problems and widespread internal control weaknesses.) The emphasis is on more timely and accurate financial reporting. Improved budgetary policies and collection procedures led to a revenue surplus of \$300,000 in fiscal year 1993, according to Government of Palau officials. Cash drawdown procedures also are undergoing modifications and improvements.

The OTIA-funded Pacific Island Training Initiative, under the direction of the USDA Graduate School, provides training in financial management through the local government's Division of Employee Training and the Palau Community College.

The Division of Revenue and Taxation has been upgraded to a bureau, and the Division of Finance and Accounting, under the Bureau of the National Treasury, has been moved to an improved facility. Other upgrading activities include further training and retraining of financial management employees and the creation of a program to recognize outstanding employees of the Ministry of Administration.

The Government of Palau also has revised its Executive Branch organizational structure, placing greater resources and emphasis on revenue collections and customs enforcement. A new Bureau of Revenue, Customs and Taxation was created as a separate entity from the Bureau of the National Treasury. To place more emphasis on training and skill development, a new Bureau of Human Resources Development has been created under the Ministry of Commerce and Trade.

The Ministry of Health also has been reorganized to provide more efficient management, and the Palau Board of Health is now functioning. The Board will administer and operate the Palau National Hospital, government clinics and dispensaries. The new Palau National Hospital began operations in December 1992.

Passage of Palau Public Law 4-23 is aimed at improving the government's civil service hiring, management, evaluation, and compensation procedures. A civil service reclassification effort is underway, beginning with the Ministry of Administration. Within the next year and a half, the reclassification is expected to encompass all employees in the Public Service System.

6.5 Infrastructure

Water System

The Bureau of Public Works, within the Ministry of Resources and Development, is responsible for operations and maintenance of the water and wastewater services in Palau. Water service in Palau has improved in the past year due to better revenue collection and the completion of a Japanese Government-financed Koror-Airai water system improvement project.

The Koror-Airai water system serving Koror State, Palau's governmental, civic and commercial center and the neighboring state of Airai, derives its source from Ngirimel Dam, with a storage capacity 20 million gallons, the Ngirikiil River diversion and a few deep wells located in Airai, Koror and Arakabesang. The most important source is the Ngirikiil River with an average daily flow of 20 million gallons, although during the drought of 1983 the river flow was down to slightly above 800,000 gallons per day.

The Koror-Airai water system consists of: 1) two twelve-inch 3.2 mile-long water transmission lines from the Ngirikiil diversion dam pump station to the Ngirimel Dam; 2) a 16-inch and a 12-inch 1.1-mile-long water gravity lines from the dam to the Airai pump station; 3) Airai water treatment plant; 4) a newly installed 12-inch 4.9-mile-long transmission line from the Airai plant to Ngermid and Topside reservoirs; and 5) over 20 miles of 6-inch, 8-inch and 12-inch distribution lines throughout Koror and Airai States and five storage tanks with a 4-million gallon capacity.

The system serves a population of about 11,700 persons at present. There are 2,000 connections, of which about 1,700 are metered. The rate charged for metered customers is eighty cents per one thousand gallons. Unmetered customers are charged a flat rate of seventeen dollars per month, which is a twelve-dollar-per-month increase from previous years. Nearly all water consumers in Koror and Airai are now on twenty-four-hour water service. A program of metering all unmetered customers and an aggressive leak detection program are urgently needed.

Due to the existing Airai water treatment plant's being limited to filter and chlorinate only, the quality of the water produced does not meet U.S. Public Health Service standards for public water systems. A chemical pretreatment facility is needed.

In 1994 a U.S. Government grant was received to design and construct a pretreatment facility at the Water Treatment Plant (WTP). This design is now underway, and construction could start in 1995 and be completed by early to mid-1996; however, funding for the project has not been secured.

Approximately 2,000 of the 4,000 people living outside the Koror-Airai water system's service area are without public water supplies. These people must rely on rainwater caught in 55-gallon drums for their water needs. The remaining 2000 people use several small village systems which serve fewer than 100 households each. All of the village systems have surface water sources or shallow wells as their water sources. The best of the surface water systems provide only basic filtration and chlorination of the raw water before it is pumped into the distribution system.

There are several small distribution systems located in the states on the island of Babeldaob. Four systems were built by Japanese private companies in the States of Melekeok, Ngarchelong and Ngaremlengui and serve approximately 1,000 people. Six other small water systems were constructed under a U.S. rural water systems construction grant in the late 1980's and early 1990's: two in the State of Aimeliik and one each in the States of Ngatpang and Ngaraard; and one each in the island States of Peleliu and Angaur. These six systems serve about 1,700 people. Five villages, comprising about 1,000 people, received individual household rainwater catchment tanks which were constructed under this Federal grant.

Construction has begun on two additional village systems in the States of Ngaraard under the U.S. rural water systems grant. During 1995 construction is expected to begin on three additional centralized village water systems, as well as 4 to 5 more village individual household rainwater catchment systems. To date, nearly \$9.5 million have been made available to the Government of Palau for water system improvements, with approximately \$3.5 million remaining to be expended.

Sewer System

The principal wastewater system in Palau serves the population located on the islands of Koror, Malakal and Arakebesang. The current service population is about 8,000 persons. The system consists of a one-million-gallon-per-day (MGD) wastewater treatment plant (WWTP), 20 miles of collection sewers and 37 sewage pumping stations, of which three are main line primary pumps.

The treatment plant is located on Malakal Island. Sewage is pumped to the plant, treated and discharged through an outfall to the lagoon. The current average daily flow is about 1.25 MGD. Because existing flows to the treatment plant exceed its design treatment capacity, and additional areas of Koror still need to be connected to the sewer mains, there is a need to expand the plant. Wastewater disposal in the other states of Palau as well as those houses not served by the collection system is accomplished with individual household systems ranging from flush toilets (emptying to septic tanks) to pit and over-the-water privies.

In 1994 a U.S. Government grant was received to design and construct an expansion to the WWTP in order to double its one-million MGD capacity. This design is underway, and it is expected that construction will commence in mid-1995 and be completed by early 1996.

The Operations and Maintenance Improvement Program (OMIP) Team continues to recommend the creation of a Public Service Corporation (PSC) to administer both the water and wastewater facilities in Palau on a more business-like basis.

Solid Waste Disposal

The primary landfill site for Koror and Airai States is on the access road to "M" Dock on the island of Koror. The site is nearing capacity, and the Government of Palau is contemplating expanding the landfill onto adjacent government-owned property. The existing landfill has encroached into the inner harbor waters. Pollution in the harbor is inevitable due to deterioration of organic matter and hazardous waste in the landfill. Minimal amounts of cover material become available only when excess earth material is excavated from construction sites elsewhere and brought to the public dump to be disposed.

The Bureau of Public Works is responsible for operations and maintenance of the public dump. The State of Koror has assumed responsibility for collection of waste from the islands of Koror, Malakal and Arakebesang. Currently there is no fee charged for this service, although a local ordinance requires property owners to maintain properties clear of debris. The landfill operations do not meet accepted criteria for analysis of the waste-stream, placement of waste, compaction, cover, drainage control and proper security fencing.

Power Generation and Distribution

Palau Public Law No. 4-13 was signed into law on February 16, 1994, and entered into force on March 9, 1994. It created the Public Utility Corporation, which took over from the Bureau of Public Works in the Ministry of Resources and Development the operations and management of the government-owned electric power system.

There are two electric-power generating sources, namely the Aimeliik and Malakal power plants. The two power plants were made in February 1995 to operate in a synchronized manner, supplying electricity to Koror, Airai, Aimeliik and Ngatpang and, before the end of 1995, to Melekeok and Ngchesar.

The Aimeliik power plant has a rated (name plate capacity) generating capacity of 12.8 MW from four 3.2 MW Crossly Engine/Brush Generator sets built by a Japanese company under license. Installation of a fifth set remains to be completed. Daily production reports show a peak demand for the plant of 10.4 MW.

Aimeliik generates power at 13,800 volts which is stepped-up to 34,500 volts for transmission on two circuits approximately six miles to the Nekken Forestry Station. One circuit is

terminated there for future use. The other circuit extends approximately six additional miles to the Airai Substation where the voltage is stepped down to 13,800 for distribution to the Koror area.

The Malakal Plant has currently in operation a complement of one White-Superior power generating set, two ALCO sets and one Caterpillar set with a combined rated generating capacity of six (6) megawatts. However, due to old age and the poor condition of all these generating sets, the Malakal power plant can generate at best four and three quarters (4 3/4) megawatts. In fact, due to the costs of mechanical and electrical repairs, the three other generating units with a combined rated generating capacity of three (3) megawatts are currently out of service. The Malakal Plant remains in poor condition and should be either upgraded or phased out as additional generating capacity is added to the Aimeliik Plant.

A peak load of 12.07 megawatts was reached in January 1995. With the availability of a combined capacity of only twelve and three quarters (12 3/4) megawatts, including a stand-by reserve capacity, it is highly likely that the Government of Palau may ration electric power by the end of 1995 or early 1996.

The Government of Palau is currently a recipient of multi-phase, multi-year grant assistance from the Government of Japan to develop and to improve electric power transmission and distribution lines (34.5 kilovolts and 13.8 kilovolts) which, when completed in late 1996, will cost approximately twelve (12) million dollars. The first phase of this project, which was completed in February 1995, extended 34.5 kilovolt and 13.8 kilovolt lines originating from the Airai substation to the Malakal power plant and a 10 MVA, 13.8 kilovolt/34.5 kilovolt substation at the Malakal power plant. This installation will enable the Aimeliik and Malakal power plants to operate in a synchronized manner in addition to making the system more reliable.

The second phase of this project, which is currently under construction, is extending a 34.5 kilovolt line from the Nekken area of Aimeliik to the Koksai area. This phase of the project will be completed by November 30, 1995. The third phase of the project will bring from Koksai 34.5 kilovolt transmission lines to the Yamato area of Ngaremlengui and appropriate step-down substations enabling 13.8 kilovolt distribution lines to the village of Ibobang in Ngatpang and the village of Imeong in Ngaremlengui. This phase will be completed by the end of 1996.

The OMIP Team reported that the Aimeliik generators have been operating well beyond their scheduled maintenance and must be overhauled or risk failure. Because of the peak load demand, the Malakal Power Plant must remain on-line as backup while generators at the Aimeliik Plant are being overhauled. The Department of the Interior has provided Palau with a \$396,000 grant under the OMIP, conditioned on the creation of a Public Utility Corporation, which includes funding to accomplish this necessary maintenance.

The OMIP Team continues to stress as a top priority the creation of a PUC to properly operate and maintain the electric power facilities in Palau on a more business-like basis. Legislation to

establish a PUC recently passed the Palau Government and is pending review by the Department of the Interior.

Roads

The total estimated length of the road network on Palau is approximately 110 miles. There are two road networks. The first is the responsibility of the national government, while the second is the responsibility of the sixteen state governments. It is estimated that a total of thirty miles has been paved, of which 20.5 miles are in Koror, the most populous state of Palau and its center and temporary capital. The national road is paved to the airport across a bridge which connects Koror with Airai State, on the Island of Babeldaob.

Most of the unpaved network of roads, approximately seventy miles, is on the island of Babeldaob. Road construction on Babeldaob is a necessity for the development of that island, which is one of the largest in Micronesia and accounts for about one hundred sixty square miles of Palau's total land area of 196.1 square miles. During 1993 the Government of Palau began the implementation of a national road project, rerouting and replacing the coral-capped surfaces of many of the Babeldaob roads in order to provide greater access throughout the island's coastal areas and interior. This work has improved approximately thirty miles of roads which can be used in all weather conditions but which require constant maintenance.

The OMIP Team Fourth Year Report Review indicates that the construction of unpaved roads on the island continues without any design and professional engineering supervision. The Team has recommended that this activity be transferred to the Capital Improvement Program (CIP) Office in Palau due to severe environmental impacts caused by erosion.

The Koror-Babeldaob Bridge is in visible need of repair, with numerous cracks and an obvious four-foot sag in the center cantilevered arch, which spans a deep channel about twelve hundred feet wide. The Government of Palau is currently beginning the process of repairing the bridge with A U.S. grant. A construction contract to repair the bridge was awarded in March 1995.

In 1993 approximately one million dollars in U.S. funding were spent through a competitively bid contract to repair several structural road failures and extensive pot holes in the primary roads of Koror and Airai States. The failures occurred as the result of a deterioration in the original surface and possibly inferior aggregate used in the asphalt mix.

The Compact of Free Association contains a provision for construction by the United States of fifty-three miles of road on the island of Babeldaob. The agreed-to specifications are for a road eighteen feet wide with a double bituminous surface. The Government of Palau is currently working with TIA and TIA's project manager, the Army Corps of Engineers, on the implementation of this U.S.-financed road.

Seaports

The main commercial port facility in Palau is located in the State of Koror at Malakal Harbor on Malakal Island. The port is operated by the Belau Transfer and Terminal Company, which is under contract to the State of Koror. The Ministry of Commerce and Trade, within the Government of Palau, also has responsibility for the port. The finger pier is of pre-World War II Japanese construction. Its quay wall is apparently built of concrete blocks. Dimensions on the two faces of the dock currently utilized for cargo ships are five hundred ten feet by four hundred twenty feet. Because of land taken by a fish processing plant, the length of the dock on the third side is only about one hundred feet instead of four hundred twenty feet. The depth alongside the dock varies from twenty-six to twenty-nine feet. The general condition of the port remains poor, although housekeeping activities at the port have improved during the past year, and ships can still load and unload their cargoes without major delays.

The OMIP Team continues to recommend the creation of a Port Authority to operate and maintain the port and to resolve the dispute over the legal ownership of the port between the national government and the State of Koror.

Airports

The Palau International Airport, located in Airai State, has one runway, one hundred fifty feet wide by seventy-two hundred feet long. It is paved with asphalt concrete. The runway is overlaid with one-inch-thick, open-graded asphalt concrete over the existing pavement to provide a skid-resistant pavement in lieu of runway grooving. A seventy-five-foot-wide taxiway leads to a three-hundred-thirty-foot by five-hundred-foot aircraft parking area, which is served by its own taxiway.

There are only two aircraft parking aprons at the airport. The size is not sufficient for the traffic at the terminal. The pavement on the apron is deteriorating but could be fixed at a low cost if done immediately. OMIP Team examiners recommend that a two-inch asphalt overlay be added to the apron in the next two years.

In 1994 a U.S. Federal Aviation Administration (FAA) grant was used to design and bid out the construction repairs and rehabilitation of the taxiway and parking apron. A contract has been awarded, and construction will be completed in 1995.

The FAA has given Palau an emergency generator large enough to operate the navigational aids and runway lighting. Navigational aids and runway lighting including are constantly under repair due to their years of service.

Some repairs to the terminal facility have been put into place. The corrective measures consisted of strengthened columns and foundations, the installation of additional columns placed in the middle of sagging beams and repairs to the second story floor and to the roof. However, the OMIP Team reports that the terminal continues to deteriorate. Its roof still leaks, and

sections of concrete have dropped off the underside of the ceiling. In addition, the entire electric power distribution system within the terminal building is composed of inferior materials and meets no recognized electrical safety code. The system presents a significant fire and shock safety hazard.

In 1994 an architect/engineer was hired under a U.S. FAA grant to evaluate the terminal building. The evaluation determined that a new terminal building should be designed and constructed and the old building demolished. In 1995 an architect/engineer will be selected to design the new terminal, again using an FAA grant. Construction is expected to start in 1996 and be completed in early 1997, when the old terminal will be demolished. Repairs are being made to the old terminal building in order to keep it safe and functional until then.

The OMIP Fourth Year Review Report recommends the creation of a Port Authority for Palau which would include the airport facilities.

Public Buildings

Maintenance of other public facilities has generally improved in the past year, especially within the Ministry of Education.

The Palau public school system consists of the Palau High School and twenty-two elementary schools. The total number of buildings is seventy-six. The school facilities vary in construction from reinforced concrete with pre-cast concrete walls to hollow masonry or wooden frame. Roofs are typically galvanized metal sheeting. Some quonset-type buildings are also used for classrooms. The elementary schools in Koror have been refurbished. Palau High School has had its roof replaced and its electrical systems repaired.

In 1994 two new classroom buildings were built at two of Koror's largest elementary schools. Each building has two stories with four classrooms. Also, construction is underway on a new, two-story, eight-classroom building at the Palau High School, the country's main secondary school.

The Palau National Hospital was completed in 1992 and was designed to be a maintenance-efficient structure. In addition, there are 13 dispensaries located throughout Palau's sixteen states. The Government of Palau is taking steps with OMIP's assistance to establish professional maintenance capabilities to maintain government-owned facilities properly and efficiently.

Chapter 7

FEDERATED STATES OF MICRONESIA

History

In 1525 Portuguese navigators in search of the Spice Islands (Indonesia) came upon Yap and Ulithi. Spanish expeditions later made the first European contact with the rest of the Caroline Islands. Spain claimed sovereignty over the Caroline Islands until 1899. At that time, Spain withdrew from its Pacific insular areas and sold all of them to Germany, except for Guam which became a U.S. insular area.

German administration encouraged the development of trade and production of copra. In 1914 German administration ended when Japanese naval squadrons took military possession of the Marshall, Caroline and Northern Mariana Islands.

Japan began its formal administration by a League of Nations mandate in 1920. During this period, extensive settlement resulted in a Japanese population of over 100,000 permanent residents throughout Micronesia. (The indigenous population was then about 40,000.) Sugar cane, mining, fishing and tropical agriculture became the major industries.

The United Nations created the Trust Territory of the Pacific Islands (TTPI) in 1947. Kosrae, Ponape (now Pohnpei), Truk (now Chuuk), Yap,¹ Palau, the Marshall Islands and the Northern Mariana Islands all constituted the TTPI. The United States was the TTPI's administering authority.

The President of the United States appointed a High Commissioner of the Trust Territory. Until 1979 the High Commissioner appointed a district administrator for each of the TTPI's districts to oversee its programs. In support of the evolving political status, the United States recognized the FSM constitution in 1979 and the establishment of the FSM Government at both the national and state levels.

Political Status

The Governments of the FSM and the United States signed the final version of the Compact of Free Association on October 1, 1982. President Ronald Reagan signed the Compact into law on January 14, 1986 (Public Law 99-239). The Compact was fully implemented on November 3, 1986 (see Presidential Proclamation No. 5564).

¹ These four districts comprise the Federated States of Micronesia (FSM).

Under the Compact, the status of free association recognizes the FSM as a sovereign state with the capacity to conduct foreign affairs. The Compact places full responsibility for the FSM's defense with the United States (the mutual security relationship can be changed or terminated only by mutual agreement).

The Compact also provides grant funds and Federal program assistance for fifteen years. The funding procedures provide for a graduated reduction after the fifth and tenth years. The majority of funds from the Compact are provided through the Department of the Interior.

Government

The constitution separates the executive, legislative, and judicial branches. Its incorporation includes a bill of rights and a provision for traditional rights. It provided a unicameral legislature of fourteen members, four members elected at large on a nationwide basis and ten members elected from congressional districts apportioned by population.

The current chief executives are the Honorable Bailey Olter (of Pohnpei), President of the FSM; the Honorable Jacob Nena (of Kosrae), Vice President of the FSM; the Honorable Johnny David, Governor of Pohnpei; the Honorable Sasao H. Gouland, Governor of Chuuk; the Honorable Petrus Tun, Governor of Yap; and the Honorable Thurston Siba, Governor of Kosrae.

The judiciary branch is headed by the Supreme Court which is divided into trial and appellate divisions. Each state government has its own legislative and court system.

The Economy

Total U.S. Government payments to the FSM and its four states in fiscal year 1993 were \$101.2 million. This amount included Compact funding and other federal program payments. Total locally generated revenues for the national and state government totalled \$56.5 million in fiscal year 1993. These U.S. funds account for about two-thirds of the national income and gross domestic product. U.S. funding is used largely for employment of public servants, who account for one quarter of the labor force.

The result of the high wage levels and relatively cheap imports has discouraged productive economic activities. Agriculture and fisheries production for the local market has declined and manufacturing is nearly non-existent. Tourism and fishing for export have shown some growth and have additional potential. However, the FSM faces what the Asian Development Bank calls "an extraordinary adjustment problem".

The ADB believes that the FSM will have to adjust to decline of about two-thirds in per capita income between 1990 and 2002. Without this adjustment the ADB believes there would be a sharp decline in health and education expenditures, the dismissal of a large portion of government employees, a sharp cut in imports, and a drastic decline in employment opportunities

for most of the population. The result of this would be an increase in out-migration above already high and growing levels.

The Office of Territorial and International Affairs is working with the ADB in a project to coordinate aid from all U.S. government sources as well as the ADB, Japan, Australia, and other donor countries. This project also envisions implement strategies to achieve the necessary adjustment of the economy.

Chapter 8

MARSHALL ISLANDS

History

The Marshall Islands were claimed by Spain in 1592 but were left basically undisturbed by Spain for nearly three hundred years. In 1885 Germany took over the administration of the Marshall Islands and located trading stations on the islands of Jaluit and Ebon to carry out the flourishing copra (dried coconut meat) trade. Marshallese *iroij* (chiefs) continued to rule under indirect colonial German administration.

At the beginning of the First World War Japan assumed control of the Marshall Islands, first under civil and then later a naval administration. Japan's headquarters remained at Jaluit.

United States marines and soldiers with naval and air support took control from the Japanese in early 1944 following intense fighting on Kwajalein and Enewetak Atolls. In 1947 the United States entered into agreement with the United Nations Security Council to administer the former Japanese mandate, of which the Marshall Islands were a part, designated the Trust Territory of the Pacific Islands.

In recognition of the evolving political status, on May 1, 1979, the United States recognized the Constitution of the Marshall Islands and the establishment of the Government of the Marshall Islands. The Marshall Islands Constitution incorporated both American and British constitutional concepts.

Political Status

After thirteen years of negotiation, the Government of the Marshall Islands and the Government of the United States signed the final version of the Compact of Free Association on June 25, 1983. The people of the Marshall Islands approved the Compact in a United Nations-observed plebiscite on September 7, 1983. The United States Congress subsequently reviewed the Compact and included several amendments which were accepted by the Government of the Marshall Islands. President Reagan signed the Compact into law on January 14, 1986 (Public Law 99-239). The Compact entered into force for the Marshall Islands on October 21, 1986 (Presidential Proclamation No. 5564).

The status of free association recognizes the Marshall Islands as a sovereign, self-governing state with the capacity to conduct foreign affairs consistent with the terms of the Compact. The Compact places full responsibility for the Marshall Islands' defense with the United States.

The basic relationship of free association continues indefinitely; the economic and defense provisions of the Compact are subject to renegotiation at the end of fifteen years.

A major subsidiary agreement of the Compact with the Marshall Islands allows the United States continued use in Kwajalein Atoll of the U.S. Army missile test range for up to thirty years. Kwajalein Atoll consists of some ninety islands surrounding the largest lagoon in the world. Under a lease agreement with the Marshall Islands Government, the U.S. Department of Defense uses the atoll and controls many of its islands.

Another major subsidiary agreement of the Compact provides for settlement of all claims arising out of the nuclear testing programs which the United States conducted in Bikini and Enewetak Atolls from 1946 to 1958. The U.S. Congress provides most of the Compact funding through the U.S. Department of the Interior.

Government

The legislative branch of the government is made up of the Nitijela (parliament) and the Council of *Iroij*. The Nitijela has thirty-three members from twenty-five districts who are elected for concurrent four-year terms. Members of the Nitijela bear the title of senator.

The executive branch is under the leadership of the President, who is elected by the Nitijela from among its membership. Cabinet members are selected by the President also from the Nitijela. The Honorable Amata Kabua, an *iroijlaplap* (paramount chief), was elected as the first President of the Marshall Islands in 1979 and was subsequently re-elected to four-year terms in 1984, 1988 and 1992.

The Marshall Islands judiciary consists of the Supreme Court, the High Court, district and community courts and the Traditional Rights Court. Trial is by jury. Jurisdiction of the Traditional Rights Court is limited to cases involving titles or land rights and other disputes arising from customary law and traditional practice.

The Economy

The primary feature of the Marshallese economy over the past decade had been its lack of growth in spite of large receipts of funds under the Compact of Free Association. According to analysis by the Asian Development Bank real gross domestic product per capita declined from 1987 through 1992, when it was about \$1,500. Two-thirds of this amount is directly attributable to Compact assistance of \$40 million, military base use payments and other U.S. federal grants totalling up to another \$40 million in 1992.

The lack of economic progress in the Marshall Islands reflects the failure to use Compact Assistance for development purposes, with most of the funding used to subsidize consumption, particularly public consumption of services such as utilities and health care, as well as government owned enterprises, such as an airline and coconut oil plant. The extremely rapid population growth rate of 4.2 percent annually has also had a negative effect on per capita economic growth.

The relatively high standard of living and high cost structure has operated as a disincentive to investment in private productive activities. The most promising such investments are in fisheries and tourism. Both will require outside capital and expertise along with training of Marshall Islanders. Even under optimistic assumptions, however, increases in exports of fish and tourism services could not make up for the expected loss of Compact and other U.S. funding.

Strategies to avoid the anticipated severe economic decline expected with end of Compact funding in 2001 are under preparation by the Asian Development Bank as leader of a consortium of suppliers of aid. The Office of Territorial and International Affairs is cooperating with the ADB through its technical assistance program.

OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS
ACTIVE TECHNICAL ASSISTANCE GRANTS
AUGUST 1, 1995

GRANTEE	NO	AMD	FY	PROJECT DESCRIPTION	GRANT AMOUNT
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CNMI	1		92	PIR-91-1-NMI PIRAAP DETECTOR DOG PROGRAM	160,000.00
	2		92	PIR-91-2-NMI ON-ISLAND ANTI-SUBSTANCE ABUSE CONF	10,000.00
	3		92	PIR-91-3-NMI PIRAAP CONFERENCE	15,000.00
	5		92	PIR-91-5-NMI PIRAAP RANGER TRAINING	15,000.00
	13		92	PIR/91-13-NMI FBI REGIONAL TRAINING	3,000.00
	17		92	PIR-91-17-NMI ANTI-DRUG YOUTH ACTIVITIES PROGRAM	30,000.00
	18		92	PIR-91-18-NMI FBI REGIONAL TRAINING	2,000.00
	19		92	PIR-91-19-NMI PROJECT COOK SUPPORT	3,000.00
	20		92	PIR/92-20-NMI DUI/BREATHALIZER TRAINING PROGRAM	7,000.00
	21		92	PIR/92-21-NMI PIRAAP/MCOP TRAINING CONFERENCE	2,000.00
	32	1	93	CHC COMPUTER SYSTEM ROTA & TINIAN	250,000.00
	62		93	COMPACT IMPACT MITIGATION	394,960.00
	65		93	SEISMOGRAPHIC EQUIP. & TRNG.	48,500.00
	68		93	TECH. ASST. FOR SMALL BUSINESS	17,227.00
	69		93	SUPPLY & PHARMACY WORKSHOP	2,922.00
	70		93	IMPACT OF COMPACT MITIGATION	396,600.00
	71		93	LABOR FORCE SURVEY PROCESSING	9,957.00
	72		93	OCCUPATIONAL SAFETY & HEALTH TRAINING	10,843.00
	73		93	SURVEY OF MICRONESIANS IN CNMI	39,050.00
	74		93	COST BENEFIT STUDY OF ALIEN LABOR IN THE CNMI	80,000.00
	75		93	JUNIOR STATESMEN SUMMER SCHOOL - 1993	4,800.00
	42		94	PUBLIC SCHOOL MAINTENANCE PLAN	25,000.00
	63		94	MELON FLY ERADICATION	44,000.00
	77		94	ESTIMATES WORKSHOP/STATE DATA CENTER MTG.	3,700.00
	79		94	PIALA ANNUAL CONFERENCE	19,836.00
	80		94	STATISTICAL TRAINING (1990 CENSUS MONOGRAPH)	18,750.00
	80	1	94	STATISTICAL TRAINING (1990 CENSUS MONOGRAPH)	1,600.00
	80	2	94	STATISTICAL TRAINING (1990 CENSUS MONOGRAPH)	10,808.00
	82		94	IMPACT OF COMPACT MITIGATION	400,000.00
	83		94	BROWN TREE SNAKE PROGRAM	55,000.00
	84		94	TECHNICAL ASSISTANCE FOR SMALL BUSINESS	24,000.00
	85		94	JUNIOR STATESMEN SUMMER SCHOOL 1994	6,000.00
	86		94	CHILDHOOD VITAMIN A & OTITIS MEDIA STUDY	4,500.00
	87		94	CNMI FISHERIES MANAGEMENT PROJECT	22,350.00
	24		94	ON-ISLAND ANTI-SUBSTANCE ABUSE CONFERENCES	5,000.00
	25		94	PIRAAP REVIEW MEETINGS	5,000.00
	26		94	FY 94 DOI/US ARMY RANGER C/N TRAINING	12,000.00
	27		94	FBI PACIFIC TRAINING INITIATIVE	8,000.00
	28		94	ANTI-SUBSTANCE ABUSE PSAS	8,000.00
	30		94	ALTERNATIVE YOUTH ACTIVITIES	35,000.00
	31		94	NMI CRIMINAL RECORDS IMPROVEMENT SYSTEM	150,000.00
	32		94	NMI X-RAY/VIDEO EQUIPMENT (AIRPORT)	42,000.00
	35		94	DARE TRAINING	3,400.00
	84	2	95	TECHNICAL ASSISTANCE FOR SMALL BUSINESS	12,000.00
	88		95	STATISTICAL PROGRAM TRAVEL AND PER DIEM	25,500.00

OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS
ACTIVE TECHNICAL ASSISTANCE GRANTS
AUGUST 1, 1995

GRANTEE	NO	AMD	FY	PROJECT DESCRIPTION	GRANT AMOUNT
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CNMI	89		95	IMMIGRATION AND NATURALIZATION MEETINGS	20,000.00
	90		95	BROWN TREE SNAKE PROGRAM	120,000.00
	36		95	94/95 PIRAAP BLOCK GRANT	228,000.00
*TOTAL CNMI					2,811,303.00
FSM	52		91	TAX AND REVENUE CONSULTANT-YAP STATE	46,000.00
	56		91	TOURISM/EDUCATIONAL VIDEO	32,000.00
	47	1	92	CUSTOMS ADVISOR	46,000.00
	1		92	PIR/91-1-FSM PIRAAP DETECTOR DOG PROGRAM	45,000.00
	2		92	PIR/92-2-FSM ON-ISLAND ANTI-SUBSTANCE ABUSE CONF	25,000.00
	3		92	PIR/91-3-FSM PIRAAP CONFERENCES	15,000.00
	5		92	PIR/91-5-FSM PIRAAP RANGER TRAINING	4,000.00
	8		92	PIR/91-8-FSM ONDCP CONFERENCE	3,000.00
	9		92	PIR/91-9-FSM FBI REGIONAL TRAINING	5,000.00
	11		92	PIR/91-11-FSM FSM COMMUNITY/STATE BASED MH/ASA	79,000.00
	13		92	PIR/91-13-FSM SECURE FAXNET SYSTEM	12,000.00
	17		92	PIR/91-17-FSM ANTI-DRUG YOUTH ACTIVITIES PROGRAM	60,000.00
	18		92	PIR/91-18-FSM FBI REGIONAL TRAINING	3,000.00
	25	3	93	COMPUTER ADVISOR/TRAINER	60,000.00
	52	1	93	TAX AND REVENUE CONSULTANT YAP	46,000.00
	62		93	SUPPLY & PHARMACY WORKSHOP	9,440.00
	63		93	ENVIRONMENTAL SPECIALIST POHNPEI STATE	30,500.00
	64		93	TOURISM CONSULTANT	85,596.00
	65		93	OTIA COMPUTER TRAINING COURSE	3,100.00
	66		93	FIREARMS INSTRUCTOR TRAINING	33,000.00
	19	1	93	PIR/91-19-FSM PROJECT COOK SUPPORT	9,000.00
	20		93	PIR/92-20-FSM DUI/BREATHALIZER TRAINING PROGRAM	25,200.00
	30		94	MARKETING STUDY	34,358.00
	42		94	WANG/DILOG	5,586.00
	55	1	94	VITAL STATISTICS WORKSHOP	12,269.00
	67		94	YAP STATE HISTORIC PRESERVATION PLAN	13,000.00
	69		94	MICRONESIAN INVESTMENT QUARTERLY	84,250.00
	70		94	US/FSM ECONOMIC CONSULATION	20,000.00
	71		94	MULTI-AGENCY ANTI-FRAUD PROJECT	140,557.00
	74		94	MEDICAL EPIDEMIOLOGY TRAINING	13,232.00
	75		94	DEV. PROF. HEALTH LEADERSHIP IN CHUUK STATE, FSM	18,796.00
	24		94	ON-ISLAND ANTI-SUBSTANCE ABUSE CONFERENCE	25,000.00
	25		94	PIRAAP REVIEW MEETINGS	25,000.00
	26		94	FY94 DOI/US ARMY RANGER C/N TRAINING	20,000.00
	27		94	FBI PACIFIC TRAINING INITIATIVE - FY94	11,000.00
	28		94	ANTI-SUBSTANCE ABUSE PSAS	10,000.00
	30		94	ALTERNATIVE YOUTH ACTIVITIES	60,000.00
	34		94	KOSRAE ANTI-SUBSTANCE ABUSE PROGRAM	150,000.00

OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS
ACTIVE TECHNICAL ASSISTANCE GRANTS
AUGUST 1, 1995

GRANTEE	NO	AMD	FY	PROJECT DESCRIPTION	GRANT AMOUNT
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FSM	35		94	PROJECT DARE TRAINING	30,000.00
	44	1	95	ANTI-DURG TRAINING	7,851.00
	68		95	STATISTICAL TRAINING	4,500.00
	68	1	95	STATISTICAL TRAINING	2,000.00
	72		95	PHARMACEUTICAL SUPPLY MGMT. WORKSHOP	6,000.00
	73		95	FSM HEALTH CARE WORKERS' TB TRAINING	15,750.00
	76		95	STATISTICAL PROGRAM TRAVEL AND PER DIEM	17,500.00
	36		95	FY1994/95 PIRAAP BLOCK GRANT	564,000.00
*TOTAL FSM					1,967,485.00
GENERAL	42		91	SEA GRANT-PACIFIC AQUACULTURE PROGRM	366,160.00
	49		92	PICHT-CCM COMPUTER TRAINING INSTITUTE	155,885.00
	52		92	PACIFIC AQUACULTURE ASSOC.	205,400.00
	60		93	PACIFIC AQUACULTURE PROGRAM	174,440.00
	69		94	PACIFIC AQUACULTURE DEVELOPMENT PROGRAM	348,680.00
	70		94	PACIFIC ISLANDS NETWORK (PIN PROJECTS)	110,000.00
	70	1	94	PACIFIC ISLANDS NETWORK (PIN PROJECTS)	55,830.00
	71		94	PACIFIC ISLANDS NETWORK (INTERN PILOT)	38,500.00
	74		94	PIHOA/OTIA HEALTH CONFERENCE	40,000.00
	76		94	PUBLIC HEALTH CONSULTANCY ASTPHLD	43,120.00
	78		94	PACIFIC ISLAND OUTREACH 1994	1,025,000.00
	38		95	PACIFIC HEALTH EDUCATIONAL OUTREACH	237,000.00
	61	1	95	PACIFIC BUSINESS CENTER - ECOTOURISM KIT	5,700.00
	61	3	95	PACIFIC BUSINESS CENTER - ECOTOURISM KIT	79,010.00
	80	1	95	ENERGY ASSISTANCE	3,400.00
	81		95	UVI DISTANCE LEARNING TECHNIQUES	70,900.00
	83	1	95	NATURAL RESOURCE IDENTIFICATION PROJECT	208,000.00
	85		95	UNIVERSITY OF OREGON - MICRONESIAN PROGRAM	280,000.00
	86		95	PACIFIC AQUACULTURE DEVELOPMENT PROGRAM	396,000.00
	87		95	PACIFIC SEA GRANT PROGRAM	280,500.00
	88		95	PACIFIC SEA GRANT PROGRAM	99,000.00
	89		95	CLOSE UP	1,025,000.00
	91		95	VIDEO PRODUCTION ON PUBLIC HEALTH	150,000.00
	93		95	CNMI BULLETIN BOARD SYSTEM	31,211.00
	94		95	SIXTH ANNUAL CONFERENCE OF THE APIPA	12,000.00
	95		95	TECHNICAL ASSISTANCE FOR SMALL BUSINESS	12,000.00
	96		95	ACTION PLANNING AT THE UVI	231,490.00
*TOTAL GENERAL					5,684,226.00
GUAM	51	2	91	POLICE INVESTIGATOR AMD 2	72,000.00
	57		91	ENERGY BLDG. DESIGN WORKSHOP	20,000.00

OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS
ACTIVE TECHNICAL ASSISTANCE GRANTS
AUGUST 1, 1995

GRANTEE	NO	AMD	FY	PROJECT DESCRIPTION	GRANT AMOUNT
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GUAM	58		91	INTERCENSAL SURVEY	3,500.00
	54	1	92	CENSUS OF HABITUAL RESIDENTS	23,650.00
	62		92	ENGINEER ACHIEVEMENT CONF.	8,200.00
	63		92	IMPS WORKSHOP	4,200.00
	64		92	GADTC (AQUACULTURE)	170,800.00
	65		92	JUNIOR STATESMEN	4,600.00
	66		92	TAX COLLECTION & AUDIT TRAINING	270,698.00
	1		92	PRI/91-1-GU PIRAAP DETECTOR DOG PROGRAM	75,000.00
	3		92	PIR/91-3-GU PIRAAP CONFERENCE	15,000.00
	5		92	PIR/91-5-GU PIRAAP RANGER TRAINING	15,000.00
	8		92	PIR/91-8-GU ONDCP CONFERENCE	10,000.00
	19		92	PIR/92-19-GU PROJECT COOK SUPPORT	3,000.00
	67		93	COMPACT IMPACT MITIGATION	592,440.00
	68		93	ECRE CONFERENCE	4,000.00
	69		93	CENSUS CONFERENCE & WORKSHOP 93	3,600.00
	70		93	SUPPLY & PHARMACY WKSHP	2,722.00
	71		93	IMPACT OF COMPACT MITIGATION	594,900.00
	72		93	JUNIOR STATESMEN SUMMER SCHOOL	4,600.00
	49		94	VISITOR INDUSTRY TRAINING	50,000.00
	51	1	94	POLICE INVESTIGATION	69,633.00
	54		94	COMPACT IMPACT VERIFICATION	80,186.00
	61	2	94	COMPACT IMPACT INFORMATION/EDUCATION PROGRAM	179,000.00
	64	1	94	GUAM AQUACULTURE DEVELOPMENT TRAINING CENTER	117,000.00
	75		94	ESTIMATES WORKSHOP	3,700.00
	76		94	STATISTICAL TRAINING WORKSHOP-94	7,500.00
	77		94	CORRECTIONS MANAGEMENT CONSULTANT	75,000.00
	78		94	IMPACT OF COMPACT	600,000.00
	79		94	JUNIOR STATESMEN SUMMER SCHOOL 1994	6,000.00
	80		94	PHARMACEUTICAL SUPPLY MGMT. WORKSHOP	1,500.00
	26		94	DOI/US ARMY RANGER C/N TRAINING	8,000.00
	81		95	BASELINE STUDY OF GUAM'S PALUAN RESIDENTS	45,000.00
	82		95	STATISTICAL PROGRAM TRAVEL AND PER DIEM	15,500.00
	83		95	PIALA ANNUAL CONFERENCE	16,075.00
	84		95	1994 CONSUMER EXPENDITURE SURVEY	80,000.00
	85		95	TRAVEL FOR CORAL REEF WORKSHOP	2,000.00
	36		95	FY1994/95 PIRAAP BLOCK GRANT	315,000.00
 *TOTAL GUAM					 3,569,004.00
 MARSHALLS	2		91	NURSE MIDWIFERY PROGRAM AT COM-MAJURO	100,000.00
	51		91	INTERCENSAL SURVEY WORKSHOP	4,000.00
	52		91	INTERN'T RAINWATER CISTERN CONF	3,000.00
	30	4	92	EPA LEGAL COUNSEL	34,000.00
	49		92	RONGELAP RESETTLEMENT	987,400.00

OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS
ACTIVE TECHNICAL ASSISTANCE GRANTS
AUGUST 1, 1995

GRANTEE	NO	AMD	FY	PROJECT DESCRIPTION	GRANT AMOUNT
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MARSHALLS	56		92	CYTOTECHNOLOGY INSTUCTOR	63,488.00
	57		92	AUDIT OF EDUC. ADMIN. PERS.	23,177.00
	58		92	MANAG. & FINAN. INFO.SYS.DEPT. EDUCATION	31,000.00
	61		92	VOICE OF AMERICA INTERSHIP	7,000.00
	1		92	PIR/91-1-MAR PIRAAP DETECTOR DOG	45,000.00
	2		92	PIR/91-2-MAR ON-ISLAND ANTI-SUBSTANCE ABUSE	5,000.00
	3		92	PIR/91-3-MAR PIRAAP RANGER CONFERENCES	15,000.00
	5		92	PIR/91-5-MAR PIRAAP RANGER TRAINING	4,000.00
	8		92	PIR/91-8-MAR ONDCP CONFERENCE	3,000.00
	9		92	PIR/91-9-MAR FBI REGIONAL TRAINING GUAM	1,500.00
	13		92	PIR/91-13-MAR SECURE FAXNET SYSTEM	3,000.00
	16		92	PIR/91-16-MAR ANTI-DRUG/MENTAL HEALTH (PHASE II)	90,000.00
	17		92	PIR/91-17-MAR ANTI-DRUG YOUTH ACTIVITIES PROGRAM	30,000.00
	18		92	PIR/91-18-MAR FBI REGIONAL TRAINING	2,400.00
	19		92	PIR/91-19-MAR PROJECT COOK SUPPORT	3,000.00
	20		92	PIR/92-20-MAR DUI/BREATHALIZER TRAINING PROGRAM	6,300.00
	30	4	93	WATER MONITORING PROGRAM	34,000.00
	46	2	93	NAT. MANPOWER TRAINING PROGRAM	45,000.00
	55	1	93	MARINE RESOURCES ADVISOR	53,600.00
	63		93	MARSHALL ISLANDS VISITORS AUTHORITY	53,800.00
	65		93	SUPPLY & PHARMACY WORKSHOP	4,696.00
	66		93	ENEWETAK TRANSSHIPMENT & FISHING BASE	50,500.00
	67		93	ESTABLISH RED CROSS CHAPTER	5,050.00
	68		93	RECONSTRUCTION OF RALG FINANCIAL RECORDS	8,333.00
	69		93	OTIA COMPUTER TRAINING COURSE	3,300.00
	22		93	PIR/93-22-MAR MARSHALLS ANTI-SUBSTANCE ABUSE PROG	25,000.00
	30	5	94	ENVIRONMENTAL PROTECTION AUTHORITY LEGAL COUNSEL	20,000.00
	71		94	STATISTICAL TRAINING WORKSHOP-94	1,800.00
	72		94	SUSTAINABLE DEVELOPMENT PLAN	7,500.00
	75		94	RONGELAP PROFESSIONAL SERVICES	45,000.00
	77		94	PHARMACEUTICAL SUPPLY MGMT. WORKSHOP	4,000.00
	24		94	ON-ISLAND ANTI-SUBSTANCE ABUSE CONFERENCE	5,000.00
	25		94	PIRRAP REVIEW MEETINGS	5,000.00
	26		94	DOI/US ARMY RANGER C/N TRAINING	8,000.00
	27		94	FBI PACIFIC TRAINING INITIATIVE	3,500.00
	28		94	ANTI-SUBSTANCE ABUSE PSAS	8,000.00
	30		94	ALTERNATIVE YOUTH ACTIVITIES PROGRAMS	30,000.00
	35		94	PROJECT DARE TRAINING	11,500.00
	53	1	95	CANOES OF THESE ISLANDS	1,750.00
	53	2	95	CANOES OF THESE ISLANDS	10,400.00
	78		95	STATISTICAL PROGRAM TRAVEL AND PER DIEM	17,500.00
	36		95	94/95 PIRAAP BLOCK GRANT	194,000.00

*TOTAL MARSHALLS

2,117,494.00

OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS
ACTIVE TECHNICAL ASSISTANCE GRANTS
AUGUST 1, 1995

GRANTEE	NO	AMD	FY	PROJECT DESCRIPTION	GRANT AMOUNT
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PALAU	21	2	91	TAX & REVENUE ADV. EXTENSION	45,000.00
	43		91	POLICE ADVISOR	60,000.00
	37	1	92	LEGAL ADVISOR TO PRESIDENT	18,000.00
	51		92	LAND SURVEY PROGRAM	185,000.00
	2		92	PIR/91-2-PAL ON-ISLAND ANTI-SUBSTANCE ABUSE CONF	5,000.00
	3		92	PIR/91-3-PAL PIRAAP CONFERENCES	15,000.00
	5		92	PIR/91-5-PAL PIRAAP RANGER TRAINING	4,000.00
	8		92	PIR/91-8-PAL ONDCP CONFERENCE	3,000.00
	9		92	PIR/91-9-PAL FBI REGIONAL TRAINING	1,000.00
	13		92	PIR/91-13-PAL SECURE FAXNET SYSTEM	3,000.00
	17		92	PIR/91-17-PAL ANTI-DRUG YOUTH ACTIVITIES PROGRAM	30,000.00
	19		92	PIR/91-19-PAL PROJECT COOK SUPPORT	3,000.00
	53		93	CENSUS CONFERENCE & WORKSHOP 93	3,600.00
	55		93	LEGAL COUNSEL TO PRESIDENT	45,500.00
	56		93	SUPPLY & PHARMACY WORKSHOP	1,500.00
	58		93	JUNIOR STATESMEN SUMMER SCHOOL - 1993	4,500.00
	19	1	94	PUBLIC SAFETY ADVISOR	25,000.00
	57	1	94	1994 AGRICULTURAL CENSUS	25,142.00
	57	2	94	1994 AGRICULTURAL CENSUS	7,200.00
	60		94	REVENUE AGENT (AUDITOR) TRAINING	12,305.00
	62		94	STATISTICAL TRAINING WORKSHOP-94	4,500.00
	64		94	REHABILITATION MODALITIES TRAINING	20,000.00
	66		94	JUNIOR STATESMEN PROGRAM 1994	6,000.00
	67		94	PHARMACEUTICAL SUPPLY MANAGEMENT WORKSHOP	4,000.00
	68		94	HYPERBARIC MEDICINE TECHNICAL TRAINING PROJECT	16,300.00
	69		94	NATIONAL SEALANT CONFERENCE & WORKSHOP	3,400.00
	24		94	ON-ISLAND ANTI-SUBSTANCE ABUSE CONFERENCE	5,000.00
	25		94	PIRAAP REVIEW MEETINGS	5,000.00
	26		94	FY94 DOI/US ARMY RANGER C/N TRAINING	5,000.00
	27		94	FBI PACIFIC TRAINING INITIATIVE - FY94	2,500.00
	30		94	ALTERNATIVE YOUTH ACTIVITIES PROGRAM	30,000.00
	35		94	DARE TRAINING	5,500.00
	65		95	ECONOMIC PLAN	100,000.00
	70		95	STATISTICAL PROGRAM TRAVEL PER DIEM	22,500.00
	36		95	FY1994/1995 PIRAAP BLOCK GRANT	194,000.00
*TOTAL PALAU					920,447.00
SAMOA	84		92	CRIMINAL JUSTICE SYSTEM IMPROVEMENT	51,000.00
	85		92	IMPS WORKSHOP	4,200.00
	86		92	JUNIOR STATESMEN 93	4,000.00
	87		92	PHASE II TOXICITY STUDY	46,500.00
	3		92	PIR/91-3-AS PIRAAP CONFERENCES	15,000.00
	8		92	PIR/91-8-AS ONCDP CONFERENCES (91/92)	10,000.00

OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS
ACTIVE TECHNICAL ASSISTANCE GRANTS
AUGUST 1, 1995

GRANTEE	NO	AMD	FY	PROJECT DESCRIPTION	GRANT AMOUNT
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SAMOA	86	1	93	JUNIOR STATESMEN PROGRAM	16,000.00
	89		93	CENSUS CONFERENCE & WORKSHOP 93	3,600.00
	91		93	IRS AGENTS FOR AMERICAN SAMOA	150,000.00
	93		94	ESTIMATES WORKSHOP/STATE DATA CENTER	3,700.00
	97		94	AMERICAN SAMOA CANINE POPULATION CONTROL PROJECT	15,000.00
	99		94	PHARMACEUTICAL SUPPLY MGMT. WORKSHOP	5,500.00
	12		94	CRIMINAL JUSTICE RECORDS SYSTEM (PILOT)	30,000.00
	19		94	PROJECT COOK SUPPORT (SITE PREPARATION)	3,000.00
	25		94	PIRRAAP REVIEW MEETINGS	5,000.00
	26		94	FY 94 DOI/US ARMY RANGER C/N TRAINING	4,000.00
	28		94	ANTI-SUBSTANCE ABUSE PSA'S	8,000.00
	32		94	ASG X-RAY EQUIPMENT FOR AIRPORT	8,000.00
	104		95	ASG HOSPITAL MANAGEMENT IMPROVEMENT PROJECT	305,166.00
	36		95	FY1994/95 PIRAAP BLOCK GRANT	185,000.00
*TOTAL SAMOA					872,666.00
U.S. AGENCY	130		91	EPA-AM.SAMOA WASTEWATER SYSTEMS	5,000.00
	136		91	VI-PHS SUPPORT	20,000.00
	79	2	92	PBCP-BUSINESS DEVELOPMENT PROJECT	25,000.00
	108	1	92	U.S.COAST GUARD TRAINING	170,000.00
	140	1	92	RSA-GSA SPACE PLANNING PALAU	8,000.00
	144		92	USDA GRAD.SCH.-PACIFIC IS. TRNG. INITIAT	1,472,230.25
	147		92	SANDIA LAB-PV EDUC.& TRNG. MARSHALLS	150,000.00
	151		92	BLM-PALAU LAND SURVEY	165,000.00
	136	2	93	PHS. REG.II VI SUPPORT	22,200.00
	141		93	BUR. OF CENSUS-IMPS WORKSHOP HONO.	27,000.00
	159		93	USDA PITI/VITI FINANCE TRNG. PROGRAM	1,703,000.00
	85		94	TTPI FMS	70,000.00
	167	1	94	NPS ARCHITECTURAL INSPECTION OF ASG GOVT HOUSE	3,770.00
	171	1	94	APPRENTICESHIP AND TRAINING PROGRAMS	3,900.00
	175		94	TAX ADMINISTRATION NEEDS ASSESSMENT	25,702.00
	176		94	ENERGY RELATED PROJECTS	40,000.00
	177		94	USDA GRADUATE SCHOOL	1,703,000.00
	179		94	OTIA/US PUBLIC HEALTH SERVICE-IN SERVICE TRAINING	43,910.00
	180		94	INTEGRATED MICROCOMPUTER PROCESSING SYSTEM WKSHP	18,000.00
	183		94	U.S. COAST GUARD TRAINING	150,000.00
	185		94	OTIA/RSA W/ DEPT OF STATE INTERNATIONAL CONF.	26,800.00
	188		94	RSA OTIA/NATIONAL MARINE FISHERIES SERVICE	7,026.20
	176	1	95	MARIE MONSEN INSULAR ENERGY PROJECTS	27,500.00
	179	1	95	U.S. PUBLIC HEALTH SERVICES - TRAINING	30,000.00
	187		95	PACIFIC BUSINESS CENTER PROGRAM GRADUATE ASSISTANT	11,200.00
	187	2	95	PACIFIC BUSINESS CENTER PROGRAM GRADUATE ASSISTANT	48,750.00
	189		95	USCG - CONSULTATION FOR REMOVAL OF FISHING VESSEL	3,077.00

OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS
ACTIVE TECHNICAL ASSISTANCE GRANTS
AUGUST 1, 1995

GRANTEE	NO	AMD	FY	PROJECT DESCRIPTION	GRANT AMOUNT
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U.S. AGENCY	191		95	USIA - PRODUCTIONS DOCUMENTARY OF CORAL REEFS	30,000.00
	194		95	RSA/BUREAU OF RECLAMATION	45,000.00
	195		95	USGS HYDROMETEOROLOGICAL NETWORK	48,200.00
	197		95	USCG FY/95 TRAINING	141,000.00
	197	1	95	USCG FY/95 TRAINING	145,000.00
	205		95	PITI/VITI FY95	1,635,350.00
	207		95	YOUTH-TO-YOUTH PROGRAM AND CONFERENCE	100,000.00
	208		95	STATISTICAL TRAINING WORKSHOP-95	12,000.00
	209		95	DSM & RELATED EDUCATION ACTIVITIES	45,000.00
	210		95	CDCP	50,000.00
	211		95	FUNDING FOR TRAVEL FOR RESEARCHER	6,000.00
*TOTAL U.S. AGENCY					8,237,615.45
VI	39		91	SURVEY OF EMERGENCY COMMUNICATIONS	70,000.00
	44		92	UNIV. OF VI MASTER PLAN	82,500.00
	46		92	CONFERENCE ON THE CONSORTIUM OF AMERICA	24,870.00
	30	2	93	BIR. TAX SYSTEM	250,000.00
	19		94	INDUSTRIAL DEV. PROMOTION	2,501.00
	51		94	WH HEALTH TASK FORCE - APRIL MEETING	1,800.00
	52		94	ESTIMATES WORKSHOP/STATE DATA CENTER MEETING	4,700.00
	54		94	IMPS TRAINING AND CENSUS MONOGRAPH	8,000.00
	55		94	MAPPING FOR SAMPLING FRAMES	56,840.00
	57	1	94	CONFERENCE: ANTICIPATING THE NEW CUBA	8,600.00
	59		94	HEALTH CONFERENCE PARTICIPATION	1,900.00
	60		94	VIRGIN ISLANDS ATTORNEY GENERAL'S PROJECT	49,500.00
	61		94	VIRGIN ISLANDS IMPS WORKSHOP	28,780.00
	63		94	GVI FMS ASSISTANCE	20,000.00
	64		95	UNIX	4,500.00
	65		95	STATISTICAL PROGRAM TRAVEL AND PER DIEM	16,000.00
	66		95	VI HOSPITAL ASSESSMENT FOR ACCREDITATION	30,000.00
	67		95	CURRENT POPULATION STUDY (USVI)	120,000.00
	70		95	US IRS	66,332.00
*TOTAL VI					846,823.00
TOTAL					27,027,063.45

August 1, 1995

ACTIVE CIP AND OPERATIONS GRANTS IN AMERICAN SAMOA

1995 Grants

1. Operations Grant

Grant Total: \$22,232,000

Total drawn down as of July 21, 1995: \$20,379,337

Balance: \$1,852,663

2. High Court Grant

Grant Total: \$599,000

Total drawn down as of July 21, 1995: \$548,893

Balance: \$50,107

3. Tafuna High School

Grant Total: \$479,697

Total draw down as of July 19, 1995: -0-

Balance: \$479,697

- o The 1995 Congressional report language allows unused construction grant funds appropriated in this or prior years (except funds for ASPA) to be reprogrammed to Tafuna High School construction
- o The Governor sent a reprogramming request, dated July 13, 1995, to use the old 1988 seawall grant money towards repairs and construction at Tafuna High School
- o By letter of July 19, 1995, OTIA approved the request--we now need specific budget and plans from the Department of Public Works

4. Medical Equipment

Grant Total: \$699,000

Total drawn down as of June 30, 1995: -0-

Balance: \$699,000

- o Grant mailed to Governor for signature week of Oct. 17th
- o Grant signed by Governor on Oct. 25, 1994

5. Water Improvements

Grant Total: \$2,000,000

Total drawn down as of July 25, 1995: \$27,306

Balance: \$1,972,694

- o Plans for use of \$2 million for water projects were received on Dec. 28, 1994; plans approved on 1/12/95

The following seven projects are approved:

1. Water Resource Development \$400,000
2. Telemetry \$250,000
3. Masefau Storage Tank \$200,000
4. Fagasa Storage Tank \$250,000
5. Alao Storage Tank \$200,000
6. Tafuna Storage Tank \$250,000
7. Pago Harbor Rehabilitation Phase II \$450,000

6. **Wastewater**

Grant Total: \$994,000

Total drawn down as of June 30, 1995: -0-

Balance: \$994,000

- o Still waiting for wastewater plans for remaining \$994,000

7. **School Buses**

Grant Total: \$299,000

Total drawn down as of June 30, 1995: \$242,598

Balance: \$56,402

- o Grant mailed to Governor for signature week of Oct. 17th
- o Grant signed by Governor on Oct. 25, 1994

8. **School Fences**

Grant Total: \$250,000

Total drawn down as of June 30, 1995: -0-

Balance: \$250,000

- o Grants Administrator approved Tafuna Elementary School Fence Project in the amount of \$30,680 on June 30, 1995
- o There remains a total of \$219,320 available for other fence projects

9. **Library Building**

Grant Total: \$1,098,000

Total drawn down as of June 30, 1995: -0-

Balance: \$1,098,000

- o Grant signed by Governor on Oct. 25, 1994
- o On May 31, 1995, the Grants Administrator approved the plans for the Library

10. **Butler Building**

Grant Total: \$152,000

Total drawn down as of June 30, 1995: -0-

Balance: \$152,000

- o Grant signed by Governor on Oct. 25, 1994

11. **High Priority Hazard Mitigation Projects**

Grant Total: \$1,525,000

Total draw down as of June 30, 1995: -0-

Balance: \$1,525,000

- o The following 6 projects have been identified:

1. Underground power lines: \$500,000
2. Underground phone lines: \$375,000
3. Tula School berm: \$200,000
4. Public Safety Building roof: \$200,000
5. Tafuna housing: \$125,000
6. Hazardous material stores: \$125,000

- o As soon as OTIA receives and approves detailed plans in accordance with the grant terms, ASPA may begin work

1994 Grants

1. **Classroom construction**

Grant Total: \$1,027,371 (\$1,000,000 appropriated in 1994; \$20,647 administratively reprogrammed from the 1986 Fagatogo Road grant; and \$6,724 administratively reprogrammed from the 1987 Tafuna Industrial Park grant.

Total drawn down as of July 27, 1995: \$52,069

Balance: \$975,302

- o Grant was signed by the Governor on Dec. 3, 1993; as of 10/17/94, no plans received from Samoa
- o American Samoa has now hired much needed engineers and architects in DPW
- o OTIA staff met with DPW on March 24, 1994 and explained all the grant requirements; they will be working closely with OTIA Field Representative to develop and submit to OTIA plans for these funds as well as previous fiscal year classroom grant funds
- o On December 6, 1994, OTIA received certified plans for the Tafuna High School Admin. building and roof repair project. That total for this project is \$225,000. OTIA approved this project. \$98,116 is dedicated from the 1993 classroom grant account; and the remaining \$126,884 is earmarked under this 1994 grant account.
- o By letter dated Dec. 6, 1994 to the Director of Public Works, the OTIA Grants Administrator approved the project.
- o With the dedication of \$126,884 under this grant account for the Tafuna High School Admin. building and roof

repair project, there remains \$873,116 in 1994 classroom construction grant funds available for American Samoa to use once it has submitted the required plans.

- o On Jan. 4, 1995, plans for Tula Elementary School were submitted for \$708,515. The Grants Administrator sent an approval letter dated Jan. 5, 1995.
- o There now remains \$164,601 for which ASG needs to submit plans for school construction/renovation
- o On March 17, 1995, the OTIA Grants Administrator approved the Samoana Science Building project for a total of \$191,972 (\$164,601 remaining from the 1994 appropriation; \$20,647 from the completed Fagatogo Road project; and \$6,724 from the completed Tafuna Industrial Park project.
- o All appropriated classroom funds under this grant are now dedicated to specific projects.

2. **Wastewater Improvements**

Grant Total: \$1,200,000

Total drawn down as of June 30, 1995: \$1,200,000

Balance: -0-

- o Tafuna Plains Sewer Projects for \$1,200,000 was submitted by ASPA and approved by OTIA on Jan. 4, 1994
- o All OTIA funded work completed on September 30, 1994
- o On Oct. 4, 1994, OTIA requested a final narrative and financial status report to close out this grant

3. **Water Improvements**

Grant Total: \$1,800,000

Total drawn down as of June 30, 1995: \$275,612

Balance: \$1,524,388

- o Water Improvement Projects Plans for \$1,800,000 were submitted and approved by OTIA on April 5, 1994 (Pago Harbor Waterline Rehabilitation, Phase II for \$500,000; and Tank Painting and Cathodic Protection for \$1,300,000). Work is proceeding smoothly

4. **Hospital Improvements and Medical Equipment**

Grant Total: \$1,020,414.00*

Total drawn down as of June 30, 1995: \$319.613

Balance: \$700,801

- o Grant was signed by the Governor on Dec. 3, 1993
- o The field representative worked closely with the hospital administration to develop plans

- o On June 30, 1994, the LBJ Chief Executive Officer a plan for using \$649,736 for critically needed equipment and \$350,264 for renovations, including more roof repairs
- o Received the engineering certificate and sent approval letter on July 29, 1994--Work is started!!!!!!!!!!
- * On January 5, 1995, Grants Administrator approved the transfer of old hospital grant account balances (\$2,234 from 1986 and \$18,180 from 1989) to the 1994 hospital grant to be put towards operating room renovations. Therefore, the renovation total is now \$350,264 plus \$20,414 for a new renovation total of \$370,678.

5. School Buses

Grant Total: \$100,000

Total drawn down as of June 30, 1995: \$100,000

Balance: -0-

- o Grant was signed by the Governor on Dec. 3, 1993; as of 10/17/94
- o On January 19, 1995, the Grants Administrator approved the drawdown of \$170,000 for three school buses. This amount was paid using the left over 1991 balance of \$16,916; the \$53,084 earmarked in the 1993 grant for buses; and this \$100,000 in the 1994 grant.

1993 Grants

1. Classroom construction

Grant Total: \$198,300

Total drawn down as of June 30, 1995: \$112,524

Balance: \$85,776

- o Grant was signed by the Governor on Nov. 30, 1992;
- o \$47,100 has been set aside for classroom furniture (under the 1992 classroom grant a total of \$92,900 was set aside for classroom furniture--totalling \$140,000 in all for classroom furniture in accordance with the Governor's letter of July 26, 1994
- o On December 6, 1994, Field Rep. sent in certified plans for the Tafuna High School Admin. building and roof repair project. OTIA funds will be used for the building materials and the American Samoa Contractor Association will donate the construction labor. The MOU for this arrangement was signed on November 10, 1994.
- o There remains \$151,200 under this grant account (grant total for 1993 is \$198,300 less \$47,100 set aside for classroom furniture).

- o On January 9, 1995, the Grants Administrator agreed to set aside \$53,084 for school buses. The Congressional report language accompanying this appropriation provided that a portion of this 1993 grant amount could be used for buses as well as classroom construction.
- o On Jan. 19th, a drawdown totalling \$170,000 for the purchase of 3 school buses was approved. The funding came from the 1991 balance of \$16,916; the funding of \$54,084 set aside under this 1993 grant; and the funding of \$100,000 from the 1994 grant.
- o The cost of the materials for the Tafuna High School administration building and roof is \$225,000. OTIA sent a letter dated 12/6/94 approving this amount.
- o Of the \$225,000 amount, \$98,116 is earmarked under this 1993 grant account which completes the identification of use for all money under this 1993 account. The remaining \$126,884 will come out of the 1994 classroom construction grant account. See 1994 classroom grant.

2. Power System Improvements

Grant Total: \$3,271,950

Total drawn down as of June 30, 1995: \$3,271,950

Balance: -0-

- o Detailed plans were received on March 10, 1993 and approved on April 20, 1993, with a revision in July 1993
- o The projects are:
 - Satala Plant Upgrade - \$1,449,132
 - Waste Oil Handling - \$300,000
 - Manu'a Generator Improvements - \$104,950
 - Warehouse and Shop Improvements - \$200,000
 - Distribution System Improvements - \$217,868
 - Deutz 4.7 MW Generator - \$1,000,000
- o Projects are progressing with no problems reported

3. Wastewater Improvements

Grant Total: \$1,189,800

Total drawn down as of June 30, 1995: \$1,189,800

Balance: -0-

- o Detailed plans were received on May 4, 1993, by way of ASPA letter and documents dated April 21, 1993

- o The projects were approved on May 6, 1993; they are:
 - Replace the sewer system on the island of Aunu'u (it will include a new pump station
 - install and extend sewer mains to areas in Pago Pago Harbor area not presently serves, and install sewer laterals and connections to homes throughout the bay area from Atu'u to Faga'alu
- o Projects are progressing without any reported problems

4. Faga'itua Water System Improvements

Grant Total: \$1,487,250

Total drawn down as of July 25, 1995: \$1,484,553

Balance: \$2,697

- o Detailed plans received on March 10, 1993 and approved on April 20, 1993
- o The project will extend ASPA's central water system approximately 4.5 miles, from Aumi to Alofau in the eastern side of the island
- o The completed system will provide safe, potable water to the villages of Alega, Avaio, Auto, Afulei, Amaua, Utusia, Fagaitua, Pagai and Alofau
- o Projects are progressing without any reported problems

1992 Grants

1. Classroom construction

Grant Total: \$987,400

Total drawn down as of July 27, 1995: \$214,249

Balance: \$773,151

- o The Governor signed the grant on Dec. 31, 1991
- o Governor's letter of July 26, 1994 set aside \$140,00 for classroom furniture--\$92,900 from this grant and \$47,100 from the 1993 grant
- o Governor sent construction plans by letter of September 19, 1994
--plans were in order and signed by certified engineer
- o OTIA Approval Letter dated September 27, 1994, approved the following projects:
 - (a) Tafuna Elementary School classroom building and handicapped ramp: \$600,000
 - (b) Masefau Elementary school toilet block, handicapped ramp and renovation of the principal's fale: \$182,500
 - (c) Siliaga Elementary School toilet block: \$112,000

- o Total amount approved: \$987,400

2. Water improvements

Grant Total: \$987,400

Total drawn down as of July 25, 1995: \$820,508

Balance: \$166,892

- o This project consists of well drilling, tank construction and placing waterlines in four villages

- o As with all ASPA projects, these 1992 water projects are proceeding without problem

3. Power facility improvements

Grant Total: \$2,271,200

Total drawn down as of June 30, 1995: \$2,271,200

Balance: -0-

- o This project consists of the purchase of generators, design of switchgear and annex and reconstruction of feeders

- o As with all ASPA projects, these 1992 power projects are proceeding without problem

1991 Grants

1. Classroom construction

Grant total: \$1,547,396*

Total drawn down as of July 27, 1995: \$1,527,640

Balance: \$19,756

- o ASG submitted and OTIA approved plans for classroom construction at three different school sites

- o The projects funded under this grant are:

- (a) Tafuna Elementary School classroom buildings for \$406,800: status--completed
- (b) Pavaiai Elementary School classroom buildings for \$534,284: status--completed *
- (c) Masefau Elementary School classroom buildings for \$606,312 (original estimate was \$511,781--but on Jan. 19, 1995, Grants Manager added \$17,869 for change order we approved for additional improvements) (on Feb. 10th, 1995 Grants Manager added the remaining \$10,946 to this project to cover additional change orders)

status--near completion

* On March 9, 1995, Grants Administrator transferred \$10,000 from Pavaiai to Masefau. Pavaiai is completed and had left over funds

which can be used to complete Masefau. On April 4, 1995, Grants Manager transferred an additional \$10,000 from Pavaiai to Masefau. On April 12, 1995, Grants Administrator transferred the remaining \$45,716 from Pavaiai to Masefau.

- o These projects total \$1,547,396.

(Total drawn down for Pavaiai is \$534,284; total drawn down for Tafuna is \$406,800; all drawdowns for Aoloau disallowed-- Masefau replaced Aoloau-- \$586,556 has been drawn down for Masefau).

*The 1991 classroom appropriation was \$1,121,736. I have transferred left over balances of \$9,661 from 1986 and \$319,154 from 1987 to cover the three school projects. So, the total amount is \$1,547,396.

2. School Buses

Grant total: \$248,690

Total drawn down as of June 30, 1995: \$248,690

Balance: -0-

- o Seven school buses have been purchased

3. Power Facilities Improvements

Grant total: \$3,481,660

Total drawn down as of June 30, 1995: \$3,481,660

- o These funds have been expended on the purchase of generators which have been successfully installed

4. Territorial Audit Office

Grant total: \$96,000

Total drawn down as of August 1, 1995: \$79,609

Balance: \$16,391

- o Mr. Wendell Harwell is working well--we will be meeting with him and others in ASG during the week of Feb. 27th to develop insular management control plans

1990 Grants

1. Fuel Tank Farm Improvements (the \$1 million granted in 1988 has been totally expended)

Grant Total: \$849,123 (originally this amount was \$2 million but \$1,150,877 was administratively reprogrammed to the oil dock grant account by Assistant Secretary's letter of June 14, 1991)

Total drawn down as of June 30, 1995: \$849,123

Balance: -0-

- o These funds plus the \$1 million from 1988 were used to construct two gasoline storage tanks

2. Water System Improvements

Grant Total: \$2,050,000

Total drawn down as of July 25, 1995: \$1,621,511

Balance: \$428,489

- o This ASPA project, consisting of construction of water tanks and waterlines is running smoothly

3. Historic Court House Renovation (Final plans must be mutually agreed by the Governor and the Chief Justice)

Grant Total: \$750,000

Total drawn down as of July 13, 1995: \$106,744

Balance: \$643,256

- o The funds expended to date have been for architectural, engineering design work
- o OTIA has learned that the design calls for a renovation project costing much more than the grant funds available
- o During a meetings in Aug. 1992 between OTIA, DPW and the Chief Justice, OTIA has advised ASG that the cost of the design will be disallowed if the design is unusable
- o This situation was a recurring theme in ASG--they design a project that is far too expensive to build--however, in February of 1994, ASG hired 4 qualified engineers which should prevent this from happening in the future
- o The OTIA Field Rep. is working with ASG officials, including the engineers, to get the Court House renovation project back on track

4. Community Centers/Gymnasiums

Grant Total: \$725,000

Total drawn down as of June 30, 1995: \$612,753

Balance: \$112,247

- o This project consists of construction of two hurricane resistant gyms
- o The Leone High School Gym has been completed; and the Ta'u High School Gym is almost completed
- o The Ta'u Gym was not constructed in accordance with the contract (was to have had 5 bays, but only has 4 bays). Also there is flooding problem due to poor site testing and selection by DPW. Also, DPW failed

to monitor Contractor performance. As a result of OTIA Field Representative's site visit and meetings, DPW technical staff and contracting officer will require contractor to perform additional work and obtain reimbursement for any payments made for work not performed or determined acceptable

- o In response to his inquiry, the Acting Assistant Secretary sent a letter to Congressman Faleaomavaega on April 21, 1993, informing him of the status
- o The OTIA Field Rep. is working with ASG to see this project to final completion

5. Anti-Drug Program

Grant Total: \$350,00

Total Drawn down as of July 27, 1995: \$330,998

Balance: \$19,002

1989 Grants

1. Faleasao Harbor Project

Grant Total: \$1,200,000

Total drawn down as of June 30, 1995: \$1,200,000

Balance: -0-

- o This project has been successfully completed

2. Hospital Improvements

Grant Total: \$700,000

Total drawn down as of June 30, 1995: \$681,820

Balance: \$18,180 (On Jan. 5, 1995, the Grants Administrator approved the transfer of these funds to the 1994 hospital grant account. Therefore this 1989 grant account balance is now zero (-0-))

- o These grant funds were used for new roofing for the hospital. The project has been successfully completed.
- o Responding to our request, the Army Corps of Engineers conducted a "Condition Survey for LBJ" in late June 1993 and submitted a report in November 1993.
- o As a result of this report, OTIA has requested the Corps to perform a geotechnical investigation of the LBJ hospital -- this is necessary before any more major construction is performed at this site
- o The preliminary report (July) is that the current site appears to be satisfactory for future construction

(after some repairs to storm drains and some additional pipes are placed) - Final report from Corps expected in February 1995

1988 Grants

1. Fuel Dock Rehabilitation

Grant Total: \$450,000 plus \$1,150,877 which was provided from the 1990 Tank Farm grant balance by Assistant Secretary's letter of June 14, 1991--so total grant amount is \$1,600,877

Total drawn down as June 30, 1995: \$1,327,526

Balance: \$273,351

- o This project is part of the overall Tank Farm CIP plan --and, as a result of ASG's determination that fuel dock construction is the most critical, top-priority project, funds under the 1990 "Tank Farm" grant (originally to be used for construction of additional tanks) was redirected towards the fuel dock project
- o It is noted that the House, Senate and Conference Report language accompanying tank farm cip appropriations did not dictate the particular projects to be funded, but generally called for improvements/rehabilitation of the tank farm (as stated earlier--the fuel dock is a part of the tank farm cip program)
- o PRI, the terminal operators, also strongly endorsed the fuel dock rehabilitation--in a letter dated January 30, 1991, to Governor Coleman, PRI (owned by BHP Petroleum) stated that they "cannot over emphasize the currently dangerous condition of the oil dock and suggest that alternative measures be reviewed and implemented to assure commerce continues without compromising the safety of the users."
- o By dedicating the remaining OTIA tank farm cip funds to the fuel dock, ASG was also able to take advantage of an EDA grant (using our funds to meet the matching requirement)
- o EDA has committed \$3 million towards this project
- o The contract has been awarded; construction is expected to take 12 months
- o In March 1994, OTIA Budget staff visited the project site --all is going well and the Contractor expects to complete the dock by October 1994
- o All work has been completed and a grand opening was held on September 13, 1994

2. Seawall Project

Grant Total: \$1,500,000

Total drawn down as of June 30, 1995: \$1,020,303

Balance: \$479,697

DUE TO REPROGRAMMING, THE GRANT TOTAL IS AMENDED TO \$1,020,303 AND THE BALANCE OF ZERO. A NEW TAFUNA HIGH SCHOOL GRANT ACCOUNT IS SET UP UNDER THE 1995 GRANTS SECTION IN THE AMOUNT OF \$479,697

- o The purpose was to develop in-house capability to construct seawalls--the money expended was used for training (conducted by the Corps) and purchase of heavy equipment
- o Because of a report we received from the ASG Department of Public Works, indicating that some of our money had been used for purposes other than intended in the grant OTIA requested an IG audit
- o The audit was completed at the end of 1991 - as a result approximately \$450,000 in disallowed costs were recovered
- o In February of 1992, Congressman Faleomavaega requested a copy of the audit and our response--OTIA provided the Congressman with everything, including documentation that the questioned costs were recovered
- o We are now waiting for ASG to develop a plan for the use of the remaining funds--early indications are that most of the remaining money will be used for a contractor to develop a suitable quarry site--although ASG now has the in-house capability to build the seawalls--it needs outside assistance in quarry development
- o During a meeting on March 24, 1994 with DPW officials, Rosie Babel approved the use of some funds towards computers which will be used towards seawall and other CIP projects.
- o The 1995 Congressional report language allows unused construction grant funds (other than ASPA money) to be reprogrammed towards Tafuna High School
- o The Governor requested the reprogramming of the remaining seawall funds (\$479,697) to be used for Tafuna High School
- o OTIA approved this reprogramming--therefore, the seawall grant is now reduced to zero

1987 Grants

1. Tafuna Industrial Park

Grant Total: \$630,000

Total drawn down as of June 30, 1995 \$623,276
Balance: -0-

- o By letter of March 17, 1995, the OTIA Grants Administrator approved the administrative reprogramming of the remaining \$6,724 to the 1994 classroom grant account for the Samoana High School Science Building project.

2. **Prison Expansion**

Grant Total: \$750,000

Total drawn down as of June 30, 1995: -0-

Balance: \$750,000

- o In July of 1991, Deputy Assistant Secretary Houston met with the ASG Commissioner of Public Safety to get a handle on where they are with this project
- o The Commissioner indicated that they wanted to use the OTIA grant funds to build a dormitory style wing to the prison
- o As a result of the meeting, OTIA sent a followup letter requesting a description of work performed to date and a detailed plan for the use of the remaining funds
- o The Assistant Secretary sent a letter to Governor Coleman, dated May 8, 1992, requesting a full accounting of expenditures to date--she reiterated that only costs associated with prison expansion will be allowed - and she urged the Governor to give a comprehensive report on this project, including the plans for use of the remaining funds
- o During meetings between OTIA Hq./Field staff and DPW and DPW, OTIA informed ASG officials that we will disallow all costs of the design since it is one for a multi-million dollar prison and is of no use We also informed the Treasurer (August 1992)
- o OTIA disallowed the expenditures to date (\$357,386) by a "Cash Adjustment Memo" dated Jan. 11, 1993. The funds were restored to the CIP account by transferring them from ASG's operating grant. There was no dispute from ASG.
- o By letter of February 19, 1993 from Commissioner Liu of ASG Department of Public Safety to the OTIA Field Representative, a general plan was submitted to use the \$750,000 for plumbing, electrical and structural repairs; design and construction of a new maximum security cell block; and design and construction of concrete wall systems to meet legal requirements of juvenile detainees or inmates.

- o The OTIA Field Rep. has requested more detailed information, including project budgets, scope of work, construction plans, engineering certs. etc.
 - o In March 1994, OTIA Hq. staff met with prison officials and DPW who stated that they would be working on plans to use the funds--as of January 1995, we have not received the plans
3. Additional Classrooms (Tafuna Elementary School - \$930,000; and band room for Tafuna High School - \$70,000)
 Grant Total: \$1,000,000
 Total drawn down as of June 30, 1995: \$680,846
 Balance: \$319,154 which has been transferred up to the FY 1991 classroom account. Therefore, the Balance is -0-.
- o The funds expended have been for the construction of a two-story, eight-classroom building, a lavatory and a dining facility at Tafuna

1986 Grants

1. School Improvements (eight classrooms for Tafuna Elementary School and purchase of classroom equipment)
 Grant Total: \$951,000
 Total drawn down as of June 30, 1995: \$941,339
 Balance: \$9,661 which has been transferred up to the FY 1991 classroom account. Therefore, the Balance is -0-.
- o the funds were used to construct two classroom buildings (six classrooms each) and two school gyms.
2. Hospital Renovation
 Grant Total: \$928,000
 Total drawn down as of June 30, 1995: \$925,766
 Balance: \$2,234 (On Jan. 5, 1995, the OTIA Grants Administrator approved the transfer of this balance to the 1994 hospital grant account. Therefore, the balance for 1986 is zero (-0-)
- o OTIA approved drawdowns for this grant based on the individual projects listed in the Treasurer's report which included specific equipment purchases and exterior and interior renovations
3. Fagatogo Road
 Grant Total: \$709,000
 Total Drawn down as of June 30, 1995: \$688,353
 Balance: -0-
- o By letter of March 17, 1995, OTIA Grants Administrator approved the administrative reprogramming of the remaining

\$20,647 to the 1994 classroom grant account for the
Samoana High School Science Building project.

ACTIVE CIP GRANTS IN THE CNMI

1. FY 1995 Covenant Grants

CNMI Construction projects	\$19,120,000
13 projects related to local immigration and labor activities	1,500,000
Immigration Identification project	1,500,000

2. FY 1994 Covenant Construction Grants

Grant Total: \$27,720,000

\$3 million was earmarked for construction of American Memorial Park. Work is largely finished.

\$24,720,000 to be matched by CNMI contributions; projects outlined in CNMI legislation include water, sewer, road and storm drain improvements.

3. FY 1993 Covenant Construction Grants

Kagman School	\$4,000,000
Youth Center	560,000
Landfill	\$16,000,000
6 Road projects	6,621,250
12 School projects	7,306,650
Hospital	162,100
22 Projects	34,650,000

GRANT FUNDS OUTSIDE THE COVENANT

1. Saipan Control Tower Grant

FY 1992 Grant Total: \$2,962,000
FY 1991 Grant Total: \$2,486,900

Construction of tower is complete.

2. Saipan Harbor Grant FY 1989

Grant Total: \$10,000,000

The CNMI has awarded a contract in the amount of \$35,976,000 to Samsung Engineering and Construction Company Ltd., of South Korea.

Project includes dredging the existing 13,000 foot entrance channel, filling in the eight-acre area between Charlie and Baker Docks.

3. Water Grants FY 1985 & FY 1986 (14 projects)

Grant Total: \$4,671,000

Projects are to upgrade and rehabilitate the water distribution system managed by the CUC.

Prior Year Covenant Grants

CDA Grant for \$16,438,000

- I. Roads - 5 projects totalling \$5,460,000
- II. Public Buildings - 12 projects totalling \$3,220,000
- III. Public Safety - 3 projects totalling \$1,008,000
- IV. Public School System - 5 projects totalling \$2,680,000
- V. Homestead Infrastructure - 3 projects totalling \$3,220,000
- VI. Health - 2 projects totalling \$850,000

July 20, 1995

ACTIVE CIP GRANTS IN GUAM

1995 Grants

1. Impact of Compact Reimbursement

Grant Total: \$2,495,000

Expended as of June 30, 1995: \$2,495,000

Balance: -0-

2. High Priority Hazard Mitigation Projects

Grant Total: \$1,700,000

Expended as of June 30, 1995: -0-

Balance: \$1,700,000

- o On July 20, 1995, OTIA approved plans to use \$28,950 towards funding the Guam Seismic Network to mitigate earthquake hazards. There remains \$1,671,050 for funding additional projects

1991 Grants

1. Guam Memorial Hospital

Grant Total: \$2,486,900

Expended as of June 30, 1995: \$2,440,497

Balance: \$46,403

- o Previously, a total of \$5,792,653 was granted by OTIA --these funds and local appropriations totalling almost \$20 million have provided for the comprehensive renovation of the Guam Memorial Hospital - previous OTIA funds have been expended
- o OTIA received plans for the use of the 1991 grant funds in March 1992 - the funds are being used primarily for safety improvements and repairs and laboratory expansion
- o OTIA Field Representative reports no problems

1989 Grants

1. Water System Improvement (Agat)

Grant Total: \$3,200,000

Expended as of June 30, 1995: \$3,138,338
Balance: \$61,662

- o This project is for the Agat/Santa Rita Waterline replacement which involves 31,740 feet of water distribution lines
- o The project is progressing and the OTIA Field Representative reports no problems

2. Ordot Landfill (user fee requirement condition)

Grant Total: \$1,700,000

Expended as of June 30, 1995: -0-

Balance: \$1,700,000

- o Congress imposed a condition that no funds may be expended until Guam establishes solid waste disposal fees
- o Guam has been unsuccessful in enacting appropriate legislation to meet this condition
- o During meetings between Guam and OTIA officials, it was determined that since Guam is no closer to meeting the Congressional condition, Guam should present a reprogramming request to use Ordot funds for another under-funded OTIA grant project, such as the Mental Health Facility construction
- o To date, we have not received Guam's reprogramming request-- HOWEVER,
- o On April 19, 1993, the OTIA Field Representative reported that the Ordot issue, including the grant condition to establish user fees, was again coming before the Guam Legislature. The OTIA Field Rep. believes that the senators will act on a bill to establish and implement user fees, thereby allowing Guam to use the grant funds for its original intended purpose
- o On August 24, 1994, Guam presented documentation in a letter meeting the Congressional condition.
- o On September 20, 1994, the Grants Administrator wrote to Guam accepting the Aug. 24th letter and explaining precisely what was needed in order to begin drawing down funds.
- o On December 30, 1995, OTIA sent a letter to Guam's Delegate, again explaining what Guam needed to do to begin drawing down money
- o On June 13, 1995, OTIA sent copies of above letters

to CNMI Field Rep. who will be going to Guam and will followup on this matter.

1988 Grants

1. Water System (Mangilao/Chalan Pago Phase II; Gayinero/Takano)

Grant Total: \$3,500,000

Expended as of June 30, 1995: \$3,294,586

Balance: \$205,414

- o This project, consisting of design and construction of waterlines throughout the villages cited above, is almost completed

- o OTIA Field Representative reports no problems

2. Ordot Landfill

Grant Total: \$1,000,000

Expended as of June 30, 1995: -0-

Balance: \$1,000,000

- o See 1989 Ordot grant notes above

1987 Grants

1. Mental Health Facility

Grant Total: \$2,065,386

Expended as of June 30, 1995: \$2,000,000

Balance: \$65,386

- o Phase I (construction of first two floors) is completed

- o Phase II is in the design phase and consists of the third floor (to be funded by local revenues)

- o In addition to current services, the new facility will also include a children's inpatient unit and an alcohol rehabilitation unit

- o OTIA Field Representative reports no problems

1986 Grants

1. Water System (Macheche/Pago-Bay/Togcha/Agana)

Grant Total: \$2,959,969

Expended as of June 30, 1995: \$2,690,581

Balance: \$269,366

- o Macheche water transmission; Agana Spring water source; and Pago Bay-Togcha water transmission have all been completed

- o OTIA Field Representative will work with Guam to recommend an administrative reprogramming of left

over funds to another on-going water project

July 31, 1995 Update

ACTIVE CIP GRANTS IN VIRGIN ISLANDS

1995 Grants

1. Anti-Crime Initiative

Grant Total: \$998,000

Expended as of June 30, 1995: -0-

Balance: \$998,000

- o On April 7, 1995, plans were approved by the OTIA Grants Administrator

- o Plan components are:

1. Crime Lab Upgrade:	\$100,000
2. Computer Upgrade:	\$100,000
3. Telephone Upgrade:	\$240,000
4. Training:	\$100,000
5. Witness Protection Program:	\$150,000
6. Expert Witness and Extradition:	\$200,000
7. Law Library Upgrades:	\$100,000
8. Shipping and other misc.:	<u>\$ 8,000</u>
TOTAL:	\$998,000

2. High Priority Hazard Mitigation Projects

Grant Total: \$1,850,000

Expended as of June 30, 1995: -0-

Balance: \$1,850,000

- o VI must submit plans which will be reviewed by OTIA and FEMA
- o As soon as OTIA approves plans, the VI may begin work on projects and incur costs

1993 and 1994 Grants

1. Repairs and Reconstruction of the University of the VI

Grant Total: \$7,474,500

Expended as of July 13, 1995: \$226,245

Balance: \$7,248,255

- o OTIA has reported to the Departmental Value Engineering Program Manager that we will ensure that a value engineering study will be conducted for this project
- o During the week of March 29, 1993, the DOI Value Engineering Program Coordinator went to the VI and met with the OTIA Field Representative and officials from the University
- o A letter was sent from the Acting Assistant Secretary

to the Governor on April 27, 1993, inquiring about the status of the grant

- o On September 24, 1993, Dave Heggstad, Budget Director, received a call from Peter Heibert, asking about status of 1994 and 1995 President's budgets--during the conversation, David told Peter that OTIA still had no plans from the VI to use these funds--Peter said he would look into it immediately--agreed that the VI was losing credibility -- and needs to clear things up--the President of UVI and the Governor need to speak in one voice
- o On March 21, 1994, OTIA Field Representative received plans for use of the money:

\$5,270,500 to develop the Old Airport Terminal into a sports facility; \$2,000,000 to convert the old Field House into an administrative complex; and \$204,000 for Uniform Building Code Requirements. This plan meets the intent of the appropriation and grant
- o On April 20, 1994, the Grants Officer contacted the Field Office--they have no objection to the plan. The Grants Officer wrote a memo to the VI OMB office explaining that we needed project specific budgets, schedules, etc. and a value engineering study--DOI had a VE team ready to go as soon as we hear from the Virgin Islands
- o On May 4, 1994, Grants Officer spoke with the UVI Facility Services Director. He was anxious to get started--the Grants Officer put him in touch with the DOI VE Coordinator--and sent notices to the Field Rep. and VI OMB office and VE Coordinator.
- o On June 7, 1994, I spoke to both UVI and Kurt--things are going along and the DOI VE contractor will be sending a proposal for UVI review.
- o On July 11, 1994, received the formal financial plans for the UVI projects from OMB.
- o Plans were approved on July 20, 1994; a reimbursable support agreement for \$15,000 was signed with the Office of Construction Management to provide a value engineering study (planned sometime in October)
- o The value engineering study was conducted the week of October 17, 1994
- o A final VE report was submitted in November which identified savings of \$700,000.

1992 Grants

1. Health Facilities Construction

Grant Total: \$15,305,000

Expended as of June 30, 1995: \$9,686,458

Balance: \$5,618,542

- o This project consists of St. Thomas Hospital Phase III construction; renovation of St. Croix Hospital; construction of community rehabilitation centers; construction of a East District Clinic; renovation of the Old Municipal Hospital Complex; reconstruction of Myrah Keating Smith Clinic; and reconstruction of Ingeborg Nesbitt Clinic
- o OTIA has received all necessary financial plans, property title information and O&M certifications
- o OTIA Field Rep. is working closely with hospital officials

1991 Grants

1. Prison Renovation/expansion

Grant Total: \$5,485,610

Expended as of June 30, 1995 -0-

Balance: \$5,485,610

The grand total of grant funds for the prison, including FY 1990, FY 1991 and reprogramming is \$5,485,610

- o After much delay, the VI presented a plan in March of 1992 for use of these funds to:
 - renovate Golden Grove medical treatment building
 - renovate six Golden Grove housing units
 - replace and supplement equipment and furnishings
 - make improvements to the site infrastructure and utilities at Golden Grove
- o This plan will provide 62 new dormitory beds; 48 new detainee beds; and renovate 135 existing dormitory cells--According to the VI Master Plan, this plan achieves a dramatic 80% reduction in overcrowding
- o The Assistant Secretary approved this plan on March 23, 1992 and has requested specific milestones; period of performance; and anticipated schedule of expenditures; a copy of a comprehensive maintenance plan; and a complete response to the IG recommendations in the audit report on prison overcrowding - We have not yet received the information
- o The prison funds appropriated in 1990 will be combined with these 1991 funds to perform the above projects

- o Upon the urging of Congress, Governor Farrelly submitted a formal reprogramming request to use \$1.5 million that was originally appropriated to build a detention center on St. Thomas
- o This reprogramming request was forwarded to Congress on March 23, 1992. We have received approval from the House and Senate. Official approval was forwarded to the VI by OTIA letter of May 29, 1992.
- o With OTIA grant funds and the approved reprogramming the VI will have a total of \$5,485,610 for the prison renovation/expansion project.
- o Additional delays were encountered due to the change in Bureau of Corrections Commissioners. The new Bureau of Corrections Commissioner, James Aiken, has met several times with our OTIA Field Rep. Mr. Aiken needed time to assess everything before submitting more specific plans and answering audit questions.
- o On January 27, 1993, Governor Farrelly sent a letter to the Assistant Secretary requesting approval for use of \$2 million for a new security system. No specifics were given and no responses to previous questions were given, including responses to unresolved audits.
- o On February 9, 1993, the Assistant Secretary sent a letter to the Governor, once again explaining the need for specific plans; OTIA believes the security system is definitely needed but before we can approve anything, we must get a comprehensive plan.
- o We received specific plans and these were approved by the Grants Administrator's letter of June 29, 1993:

Perimeter Security System:	\$1,600,000
Golden Grove Water System Repairs:	647,000
Fire and Body Alarm Systems:	<u>27,000</u>
TOTAL	\$2,274,000

- o In response to the Bureau of Corrections letter of August 25, 1993, the Grants Administrator sent a request to OCM (dated Sept. 16, 1993) for value engineering assistance. OCM sent a memo to the Field Rep. asking for more information
- o The Grants Administrator spoke to OCM--they see no problem with providing the assistance (we'd pay for it) and will work out the details with the OTIA Field Rep./ the VI officials and the OTIA Grants Administrator
- o In Sept. of 1993, Kurt Gerner from OCM sent a list

of specific considerations for Mr. Aiken to further develop prior to or in conjunction with any engineering assistance that may be anticipated at Golden Grove.

- o As of May 4, 1994, we have not heard from the VI --will suggest the VE Contractor that is going down to work on the UVI project meet with OTIA Field Rep. and prison officials to try to get the ball rolling on this project
- o On August 18, 1994, received a revised plan for the use of the full \$5,485,610. -- as follows:

1. Golden Grove construction	\$4,280,495
2. St. Thomas criminal complex	\$ 301,480
3. Anna's Hope rehab	\$ 465,500
4. St. Thomas Half-Way House	\$ 438,135
Total	\$5,485,610

- o Sent message to Bob Bunn asking for his input--and noting that we will have a value engineering study on appropriate portions of the work (sent on 9/8/94) --as soon as I hear from him, I'll send letter to VI.
- o Spoke to Bob Bunn on Sept. 12, 1994--he has no problems with the plans. I sent a formal approval letter to Jose George on September 12, 1994.

2. Health Facilities Construction

Grant Total: \$15,219,828

Expended as of June 30, 1995: \$14,421,093

Balance: \$798,735

- o This project consists of renovation of St. Thomas Hospital; construction of Ingeborg Nesbitt Clinic on St. Croix; renovation of Myra Keating Smith Clinic on St. Thomas; and construction of community rehabilitation centers
- o According to reports from the Hospital and the OTIA Field Representative, work is proceeding, but he has concerns with a number of change orders.
- o On April 4, 1994, OTIA Field Representative reported agreement with hospital official (Corinne Halyard) on a new, improved reporting format

1989 Grants

1. Anti-Drug Program

Grant Total: \$4,000,000 (\$2.5 in 1988; \$1.5 in 1989)

Expended as of June 30, 1995: \$3,156,177

Balance: \$843,823

- o Comprehensive status reports have been received which detail work under ongoing subgrants to various VI departments receiving funds under this grant
- o The OTIA Field Representative observes during his meetings and on-site reviews that funds are being used for their intended purposes
- o No actual or anticipated problems

2. Water System Improvements

Grant Total: \$2,600,000

Expended as of June 30, 1995: \$48,016

Balance: \$2,551,984

- o This was originally for construction of a 3 million gallon water tank
- o This project has been delayed due to problems with site acquisition
- o The VI Water and Power Authority is developing alternative plans for use of these funds
- o OTIA wrote to the VI on December 1st explaining the information necessary for us to approve new projects
- o The OTIA Field Rep. is working with WAPA on a routine basis

1988 Grants

1. Water System Improvements

Grant Total: \$2,400,000

Expended as of June 30, 1995: \$2,400,000

Balance: -0-

- o This project includes replacement of water distribution lines
- o delays in obtaining various permits have prevented any substantial progress until recently
- o Things are now moving along well--Field Rep. sees no problems

1987 Grants

1. Water System Improvements

Grant Total: \$2,900,000

Expended as of June 30, 1995: \$2,601,692

Balance: \$298,308

- o Most projects have been completed, including repairs to the Charlotte Amalie water distribution system; repair and testing of transmission lines

- o Design, repair and rehabilitation of Sara Hill Pump Station underway
- o Field Rep. sees no problems

1984 Grants

1. St. Thomas Juvenile Detention Center

Grant total: \$1,500,000

Expended as of June 30, 1995: -0-

Balance: -0-

- o The \$555,084 that was expended and subsequently disallowed as a result of an IG audit has been returned to the Federal Government.
- o This project has been officially canceled due to inability to secure suitable site and reevaluation of juvenile detention center needs
- o Formal reprogramming request sent to Congress on March 23, 1992, to have these funds reprogrammed to the prison project--this has been approved and a formal letter sent to the VI in May 1992

2. St. Croix Juvenile Detention Center

Grant Total: \$1,500,000

Expended as of June 30, 1995: -0-

Balance: \$1,500,000

- o The \$108,719 that was expended and subsequently disallowed as a result of an IG audit has been returned to the Federal Government
- o On February 18, 1994, the VI submitted a plan to the OTIA Field Rep. who requested additional information on March 10, 1994
- o After receiving the additional information on April 15, 1994, the Grants Officer sent an approval letter to the Commissioner of Human Services
- o The VI may now begin the procurement process and drawdown funds on a reimbursable basis

CIP projects in Palau

1. Rural Water Systems Project (T-209)
Project total \$9,985,707
2. Palau Airport Road Repairs Project (T-227)
Project total \$1,269,712
3. Koror-Babeldaob Bridge Repair Project (T-226)
Project total \$2,380,000
4. Koror Wastewater System Improvement (T-224)
Project total \$2,370,478
5. Koror Wastewater System Deficiencies (T-225)
Project total \$654,081
6. Koror Jail Renovation Project (T-246)
Project total \$795,808
7. Palau Classroom Construction Project (T-228)
Project total \$1,310,099
8. Koror Schools Roofing Project (T-229)
Project total \$646,594
9. Electrical Power Distribution System Improvement (T-223)
Project total \$650,000
10. Palau Hospital (T-268)
Project total \$25,114,272
11. Koror-Airai Water Improvements (T-231)
Project total \$500,000
12. Babeldaob and Outer Island School Rehabilitation (T-230)
Project total \$384,702
13. Sewage Treatment Plant Expansion (T-232)
Project total \$5,150,000
14. Wastewater System Pump Station Upgrade (T-233)
Project total \$483,000
15. Electrical Power Inventory (CH6354)
Project total \$35,000
16. Koror/Airai Electrical Power (T-269)
Project total \$1,452,547

- 17. **Capitol Relocation**
Project total \$2,600,000
- 18. **Waste Water Pre-treatment Plant**
Project total \$350,000

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Table 1. Department of the Interior Territorial and International
Affairs Appropriations by Activity: 1991 to 1995
(In thousands of dollars)

	1995	1994	1993	1992	1991
Total Appropriations	192,311	189,135	201,471	206,892	215,357
Support to Insular Areas	171,923	167,638	179,836	186,859	190,585
Guam	2,495	0	0	0	2,487
Construction Grants	0	0	0	0	2,487
Impact of Compact	2,495	0	0	0	0
American Samoa	28,538	28,190	28,837	26,645	26,834
Operations Grant	23,046	23,090	22,690	22,399	21,885
Construction Grants	5,492	5,100	6,147	4,246	4,949
Virgin Islands	998	4,500	2,975	15,305	20,393
Construction Grants	0	4,500	2,975	15,305	20,393
Crime Control	998	0	0	0	0
Northern Mariana Islands	27,720	27,720	27,720	30,682	31,337
Covenant Operations	0	0	0	10,330	11,000
Covenant Construction	27,720	27,720	27,720	17,390	17,850
Other Construction Grants	0	0	0	2,962	2,487
Trust Territory of the Pacific Islands	19,800	23,838	23,051	24,143	45,591
Administration	1,371	1,374	793	790	12,932
Republic of Palau	18,429	22,464	22,258	23,353	32,659
Operation Grants	18,429	18,464	18,438	17,429	16,645
Construction	0	4,000	3,820	5,924	16,014
Income tax payment to Guam	39,872	50,100	66,293	62,565	35,292
Rum tax rebate to Virgin Islands	52,500	33,290	30,960	27,519	28,651
Territorial Administration	20,388	21,497	21,635	20,033	24,772
Territorial & International Affairs	4,269	4,538	4,507	3,979	3,290
Technical Assistance	6,922	7,535	7,535	8,556	6,665
Guam Power Authority Assistance	0	0	1,260	1,327	1,387
Maintenance Assistance Fund	4,394	4,462	4,462	4,937	4,974
Substance Abuse Prevention	733	734	734	740	995
Rongelap Studies	0	0	595	0	0
Disaster Fund	1,979	1,983	1,983	0	7,461
Brown Tree Snake Control	594	595	559	494	0
Insular Management Controls	1,497	1,650	0	0	0

Note: TTPI excludes appropriations earmarked for Freely Associated States.

Table 2. Population: 1980, 1990, and Estimates for 1992, 1993, and 1994

	1994	1993	1992	1990	1980
Total	NA	NA	366,101	343,494	263,797
American Samoa	54,760	52,860	50,900	46,638	32,297
CNMI	NA	NA	52,900	46,773	16,780
Guam	145,800	142,500	139,371	133,152	105,979
Virgin Islands	NA	NA	106,800	101,809	96,569
Republic of Palau	17,299	16,733	16,130	15,122	12,172
Percent Change	1993- 1994	1992- 1993	1990- 1994	1990- 1992	1980- 1990
Total	NA	NA	NA	6.6	30.2
American Samoa	3.6	3.9	17.4	9.1	44.4
CNMI	NA	NA	NA	13.1	178.7
Guam	2.3	2.2	9.5	4.7	25.6
Virgin Islands	NA	NA	NA	4.9	5.4
Republic of Palau	3.4	3.7	14.4	6.7	24.2

Source: For 1980 and 1990, Census Bureau; for 1992 through 1994 local government estimates.

Table 3. School Enrollment: 1990 to 1994

	1994	1993	1992	1991	1990
Elementary and Secondary:					
American Samoa	16,980	17,189	15,470	15,546	14,628
CNMI	NA	10,576	9,327	9,015	8,408
Guam	36,822	36,248	35,139	31,278	31,412
Virgin Islands	29,730	29,880	29,652	29,336	28,691
Republic of Palau	3,551	3,475	3,463	3,305	3,541
Post-Secondary:					
American Samoa	1,463	1,312	1,174	1,185	1,235
CNMI	NA	1,576	2,663	1,864	3,476
Guam	7,895	5,891	5,452	4,754	4,355
Virgin Islands	3,153	3,103	NA	NA	NA
Republic of Palau	480	434	312	NA	NA

Sources: Departments of Education and Colleges in the Insular Areas.

Table 4. Commercial Bank Deposits: 1990 to 1994

	1994	1993	1992	1991	1990
American Samoa	NA	NA	NA	64.5	70.7
CNMI	NA	382.1	429.4	480.4	473.0
Guam	1,355.2	1,377.6	1,382.5	1,483.0	1,276.7
Virgin Islands	NA	1,189.4	1,286.0	1,268.0	1,414.0
Republic of Palau	NA	53.7	50.5	NA	NA

Notes: 1993 figures for CNMI are for three quarters

Sources: For Guam, Quarterly Economic Review, Dept of Commerce, Gov. of Guam. Various banks, Republic of Palau.

Table 5. Commercial Bank Loans: 1990 to 1994
(Millions of dollars)

	1994	1993	1992	1991	1990
American Samoa	NA	NA	NA	50.5	48.0
CNMI	NA	169.9	160.6	148.7	121.5
Guam	2,505.7	2,358.0	2,296.4	1,749.2	1,271.2
Virgin Islands	NA	960.3	906.0	872.0	817.0
Republic of Palau	NA	24.7	27.5	NA	NA

Notes: 1993 figures for CNMI are for three quarters

Sources: For Guam, Quarterly Economic Review, Dept of Commerce, Gov. of Guam. Various banks, Republic of Palau.

Table 6. Business Gross Receipts: 1990 to 1993
(Millions of dollars)

	1993	1992	1991	1990
American Samoa	NA	NA	NA	NA
CNMI	1,181.4	1,342.2	1,429.0	1,170.0
Guam	4,728.2	4,511.5	4,488.5	4,109.4
Virgin Islands	2,084.0	2,020.3	1,874.2	1,792.5
Republic of Palau	107.0	89.3	82.0	72.0

Table 7. Business Licenses: 1990 to 1994

	1994	1993	1992	1991	1990
American Samoa	NA	2,194	2,163	1,884	1,706
CNMI	4,859	4,937	4,944	4,200	3,873
Guam	NA	NA	14,014	15,104	15,756
Virgin Islands	13,273	12,208	14,125	24,145	14,795
Republic of Palau	1,291	1,308	1,308	1,011	773

Table 8. Value of Construction Permits: 1990 to 1994
(Millions of dollars)

	1994	1993	1992	1991	1990
American Samoa	NA	11.7	26.0	17.0	14.5
CNMI	NA	NA	NA	NA	NA
Guam	614.0	431.0	363.0	853.0	492.0
Virgin Islands	238.3	226.3	238.0	312.0	380.1
Republic of Palau	7.2	4.5	7.9	5.6	3.9

Sources: For Guam, Dept of Public Works, Gov. of Guam.
Koror State Government, Republic of Palau.

Table 9. Imports and Exports: 1990 to 1993
(Millions of dollars)

	1993	1992	1991	1990
IMPORTS:				
American Samoa	436.2	418.7	371.9	360.3
CNMI	NA	428.7	392.4	342.1
Guam	NA	NA	NA	NA
Virgin Islands	2,625.6	3,550.8	3,118.0	3,294.7
Republic of Palau	34.0	34.2	22.3	24.7
EXPORTS:				
American Samoa	488.2	317.8	326.9	310.5
CNMI	NA	772.7	697.4	584.6
Guam	NA	NA	NA	NA
Virgin Islands	2,191.4	2,308.5	2,518.4	2,820.7
Republic of Palau	10.8	29.7	2.1	NA

Source: Insular governments.

Table 10. Per Capita Income: 1990 to 1993
(Dollars)

	1993	1992	1991	1990
American Samoa	NA	NA	NA	3,039
CNMI	NA	NA	7,581	7,598
Guam	10,834	11,589	10,152	9,885
Virgin Islands	NA	NA	NA	NA
Republic of Palau	4,532	2,374	2,374	2,374
United States	20,810	20,175	19,234	18,699

Notes: For American Samoa, based on 1988 wage survey; for CNMI, inferred from population and personal income; for Palau, from GNP estimates; for US, Bureau of Economic Analysis, Commerce Department. Note for Guam: Excludes military, inmates, non-mmigrant aliens & persons aged 16 years and under employed.

Table 11. Consumer Prices: 1990 to 1994

	1994	1993	1992	1991	1990
Consumer Price Index:					
American Samoa	143.8	141.4	140.9	135.3	129.6
CNMI	251.4	247.7	239.3	215.4	206.7
Guam	NA	372.9	344.2	327.9	287.1
Virgin Islands	NA	NA	140.3	136.2	130.6
Republic of Palau	NA	NA	NA	NA	NA
Inflation Rate:					
American Samoa	1.6	0.4	4.1	4.4	...
CNMI	1.5	3.5	11.1	4.2	...
Guam	NA	8.3	5.0	14.2	...
Virgin Islands	NA	NA	3.0	4.3	...
Republic of Palau	NA	NA	NA	NA	...

Notes: Base year for Samoa is 1982, for CNMI is 1978, for Guam is 1978, and for Virgin Islands is 1982. No information for Palau.

Sources: For Guam, Quarterly Review, Dept of Commerce, Gov. of Guam.

Table 12. Tourism Indicators: 1990 to 1994

	1994	1993	1992	1991	1990
Visitors (in thousands):					
American Samoa	NA	NA	7.7	11.5	12.8
CNMI	596.3	535.9	488.3	424.5	417.1
Guam	1,086.7	775.1	863.1	728.7	769.9
Virgin Islands	1,920.9	1,953.5	1,957.8	1,945.2	1,863.0
Republic of Palau	44.1	40.5	36.1	32.7	32.8
Total Expenditures (in millions):					
American Samoa	NA	NA	NA	NA	NA
CNMI	580	507	494	433	422
Guam	NA	NA	NA	NA	NA
Virgin Islands	919	908	822	787	705
Republic of Palau	NA	18	16	15	15
Tourism Employment:					
American Samoa	NA	NA	NA	NA	332
CNMI	3,375	2,702	2,705	2,209	1,597
Guam	5,190	5,090	5,290	5,560	4,160
Virgin Islands	9,650	9,910	9,110	8,990	8,640
Republic of Palau	968	931	115	115	NA
Hotel Rooms:					
American Samoa	NA	NA	233	205	205
CNMI	3,376	3,362	2,928	2,578	2,637
Guam	6,873	6,616	6,218	5,894	4,955
Virgin Islands	5,460	5,406	5,050	4,738	4,520
Republic of Palau	580	580	508	456	341
Occupancy Rate (Percent):					
American Samoa	NA	NA	NA	NA	NA
CNMI	89	76	78	77	NA
Guam	71	58	71	79	89
Virgin Islands	57	61	55	59	63
Republic of Palau	NA	61	NA	NA	NA

Sources: Guam Visitors Bureau. Palau Visitors Authority,
Republic of Palau.

Table 13. Federal Expenditures: Fiscal Year 1994
(Dollars in millions)

	American Samoa	Guam	CNMI	Virgin Islands
Total	111	1,048	61	386
Grants	67	154	52	191
Dept. of Agriculture	6.4	12.7	10.3	16.6
Dept. of Commerce	3.9	1.1	0.5	2.2
Dept. of Education	10.6	18.3	6.3	19.8
EPA	-	2.2	2.7	1.2
FEMA	-	0.3	-	11.0
HHS	6.5	21.2	4.8	21.0
HUD	1.5	15.0	0.8	26.2
Interior	28.9	52.6	16.7	65.8
Labor	1.2	5.1	0.8	6.4
Transportation	6.1	22.4	7.8	13.8
Other	1.9	3.1	1.3	7.0
Salaries and wages	3.0	*457.5	2.3	35.3
Payments to individuals	30.8	139.3	4.0	137.3
Procurement contracts	10.6	*276.1	2.6	17.0
Other programs	0	21.1	0	5.4

* Primarily military expenditures.

Source: Federal Expenditure by State for FY 1994,
Bureau of the Census.

**Table AS-1. American Samoa General Fund: Revenues and Expenditures:
1992 to 1994**

	1994	1993	1992
Total Local Revenues	\$56,904,799	\$57,058,063	\$52,640,963
Taxes	\$25,170,665	\$26,185,076	\$21,742,227
Licenses/permits	\$497,560	\$468,314	\$514,232
Charges for Services	\$4,360,593	\$5,233,489	\$5,766,137
Fines and Fees	\$703,422	\$707,022	\$785,387
Misc. Revenues	\$2,263,686	\$197,745	\$467,195
Indirect Cost	\$1,053,873	\$2,091,842	
Other		\$484	
DOI/OTIA Grants	\$22,855,000	\$22,174,091	\$23,365,785
Total Expenditures	\$60,066,735	\$56,474,363	\$66,211,519
General Government	\$13,610,933	\$13,762,172	\$15,489,916
Public Safety	\$2,653,307	\$2,609,866	\$3,668,297
Public Works	\$4,186,292	\$4,105,710	\$5,160,290
Health and Welfare	\$14,765,182	\$12,107,649	\$18,603,332
Parks and Recreation	\$513,032	\$698,061	\$472,802
Education and Culture	\$17,666,026	\$16,705,130	\$18,126,947
Economic Development	\$1,233,159	\$1,364,219	\$1,471,298
Port Administration	\$1,465,465	\$1,364,352	\$1,911,837
Special Programs	\$2,757,591	\$2,530,605	\$1,306,800
Debit Service	\$1,215,748	\$1,226,599	
Surplus (Deficit)	(\$3,161,936)	\$583,700	(\$13,570,556)

Table CNMI-1. Local Revenues, Commonwealth of the Northern Mariana Islands: 1990 to 1993
(Amounts in thousands)

	1993	1992	1991	1990
Total	157,458	134,575	136,043	110,840
Percent change	17.0	-1.1	22.7	38.5
Income-based Tax	89,750	78,217	80,672	63,034
Indiv. Income Tax	22,500	18,532	16,862	14,155
Corpor. Income Tax	4,000	3,173	3,561	2,521
Gross Receipt Tax	63,250	56,512	60,249	46,358
Fees & Reimbursements	67,708	56,358	55,371	47,806
Excise Tax	28,710	22,388	22,765	22,648
Hotel Room Tax	6,000	6,479	5,342	4,602
All Other taxes	32,998	27,491	27,264	20,556

Table CNMI-2. Basic Operational Expenditures by Selected Categories, Commonwealth of the Northern Mariana Islands: 1990 to 1993
(Amounts in thousands)

	1993	1992	1991	1990
Total	157,458	157,670	166,051	110,080
Health & Human Services	34,533	35,761	28,503	25,835
Education	36,091	35,397	30,131	22,779
Public Safety	8,325	10,338	8,847	8,104
Public Works	5,698	6,037	6,968	5,595
General Government	65,625	63,756	85,596	42,061
Judiciary	2,387	1,617	1,557	1,293
Legislature	4,799	4,764	4,449	4,413
PERCENTS				
Total	100.0	100.0	100.0	100.0
Health & Human Services	21.9	22.7	17.2	23.5
Education	22.9	22.5	18.1	20.7
Public Safety	5.3	6.6	5.3	7.4
Public Works	3.6	3.8	4.2	5.1
General Government	41.7	40.4	51.5	38.2
Judiciary	1.5	1.0	0.9	1.2
Legislature	3.0	3.0	2.7	4.0

Source: CNMI Government.

Table CNMI-3. Employment by Industry, CNMI: 1987 to 1992			
	1992	1990	1987
Total	32,020	26,478	19,350
Retail	4,575	3,090	1,076
Construction	5,542	5,757	2,738
Hotels	2,705	1,597	1,373
Banking	272	518	168
Wholesale	327	365	173
Garment Mfg	6,141	5,284	4,618
Petroleum	9	5	14
All others	12,449	9,862	9,190
Source: CNMI Government.			

Table CNMI-4. Resident and Non-Resident Work Force, CNMI: 1990 to 1992				
	Total	Resident Work Force	Non-Resident Work Force	
			Number	Percent
1992	31,607	11,381	20,226	64.0
1991	26,589	8,053	18,536	69.7
1990	28,664	7,476	21,188	73.9
Source: CNMI Government.				

Table G-1. Local Revenues, Guam: FY 1990 to FY 1994
(Amounts in thousands)

	1994	1993	1992	1991	1990
Total	679,497	707,584	690,753	654,991	547,364
Percent change	-4.0	2.4	5.5	19.7	...
Taxes	471,068	495,957	518,524	497,891	413,048
Licenses, Fees, etc	11,567	11,192	10,603	13,414	9,960
Uses of Money/Prpty	20,287	10,210	12,858	18,501	17,076
Federal Contributions	164,739	180,330	140,048	116,080	93,908
Other	11,836	9,895	8,720	9,105	13,372

Sources: Government of Guam.

Notes: Federal contribution includes "mirror" taxes and rebates established by Federal law.

Table G-2. Basic Operational Expenditures by Selected Categories,
Guam: 1990 to 1994
(Amounts in thousands)

	1994	1993	1992	1991	1990
Total	621,570	593,006	537,270	526,471	363,097
General Government	61,628	66,591	62,341	54,829	56,439
Protection, Life & Property	80,348	84,729	72,251	65,780	54,593
Public Health	29,404	25,527	31,816	43,076	27,373
Community Services	21,457	22,578	25,874	22,683	25,744
Recreation	7,309	7,091	6,863	6,375	5,431
Indiv. & Collect Rights	19,289	19,422	14,950	15,104	11,431
Transportation	8,684	12,901	17,159	12,320	15,775
Education	194,459	209,652	176,603	151,304	125,724
Protect of Environment	8,629	10,674	12,499	8,676	5,861
Economic Development	15,115	13,192	14,825	13,999	12,412
Transfer to Persons	67,412	52,559	24,768	77,517	79
Capital Projects	75,763	48,480	52,975	36,148	17,745
Principal	10,475	8,955	13,983	8,409	1,005
Interest	21,598	10,655	10,363	10,251	3,485
PERCENTS					
Total	100.0	100.0	100.0	100.0	100.0
General Government	9.9	11.2	11.6	10.4	15.5
Protection, Life & Property	12.9	14.3	13.4	12.5	15.0
Public Health	4.7	4.3	5.9	8.2	7.5
Community Services	3.5	3.8	4.8	4.3	7.1
Recreation	1.2	1.2	1.3	1.2	1.5
Indiv. & Collect Rights	3.1	3.3	2.8	2.9	3.1
Transportation	1.4	2.2	3.2	2.3	4.3
Education	31.3	35.4	32.9	28.7	34.6
Protect of Environment	1.4	1.8	2.3	1.6	1.6
Economic Development	2.4	2.2	2.8	2.7	3.4
Transfer to Persons	10.8	8.9	4.6	14.7	0.0
Capital Projects	12.2	8.2	9.9	6.9	4.9
Principal	1.7	1.5	2.6	1.6	0.3
Interest	3.5	1.8	1.9	1.9	1.0

Source: Government of Guam.

Table G-3. Employment by Industry, Guam: 1990 to 1994

	1994	1993	1992	1991	1990
Total	65,800	68,464	66,927	61,730	56,129
Agriculture & non-classified	280	382	420	290	237
Construction & mining	8,660	9,980	12,476	10,420	8,604
Manufacturing	1,890	1,771	2,065	1,950	1,871
Transportation	4,760	4,231	1,646	3,700	3,520
Wholesale/retail	13,320	14,441	14,105	12,400	11,269
Finance, Insurance, Real estate	2,740	2,696	2,722	2,450	2,242
Services	12,810	13,290	13,534	11,870	10,109
Local & Federal Government	21,340	21,673	19,959	18,650	18,277
Federal Government	7,490	7,692	7,202	6,730	6,955
Territorial Government	13,850	13,937	12,708	11,890	11,278
Foreign Government	0	44	49	30	44

Source: Government of Guam.

Note: Data for 1994 are preliminary.

Table VI-1. Local Revenues, Virgin Islands: 1990 to 1994
(Amounts in thousands)

	1994	1993	1992	1991	1990
Total	381,428	420,374	394,967	417,271	354,257
Percent change	-9.3	6.4	-5.3	17.8	...
Individual Income Tax	191,781	205,617	193,360	183,885	145,213
Corporate Taxes	31,505	33,805	30,862	41,533	28,482
Real Property	35,208	50,142	40,059	27,807	29,289
Excise	14,867	18,482	15,999	15,207	14,629
Hotel	10,792	10,249	NA	NA	NA
Gross Receipt Tax	79,198	88,358	NA	NA	NA
Other Taxes	2,616	3,810	84,326	81,118	68,241
Tax Refunds	(\$22,778)	(\$38,400)	NA	NA	NA
Other Revenues	10,787	14,077	11,874	37,696	66,383
Contrib. from Other	27,451	34,235	18,487	30,025	2,020

Notes: Data include "mirror" taxes and rebates established by Federal law. Revenues generated from hotel taxes are not deposited in the General Fund Account. The hotel tax funds are used exclusively for promoting the Virgin Islands.

Table VI-2. Basic Operational Expenditures by Selected Categories, Virgin Islands: 1990 to 1994
(Amounts in thousands)

	1994	1993	1992	1991	1990
Total	425,679	449,693	402,854	417,922	344,193
General Government	112,035	115,108	103,674	152,201	101,499
Public Safety	39,945	44,264	41,192	29,293	20,782
Education	125,596	136,344	119,442	103,288	99,818
Trans & Communic.	24,441	24,358	24,276	24,859	23,787
Health & Medical Services	100,266	102,983	88,573	82,576	69,770
Housing Development	7,333	7,555	8,338	7,876	9,483
Agricultural Developmt	7,334	8,565	7,523	9,173	11,248
Comm. & Indust Devlpmt	5,701	6,478	6,048	5,386	5,523
Labor Relations	3,028	4,038	3,788	3,270	2,283
PERCENTS					
Total	100.0	100.0	100.0	100.0	100.0
General Government	26.3	25.6	25.7	36.4	29.5
Public Safety	9.4	9.8	10.2	7.0	6.0
Education	29.5	30.3	29.6	24.7	29.0
Trans & Communic.	5.7	5.4	6.0	5.9	6.9
Health & Medical Services	23.6	22.9	22.0	19.8	20.3
Housing Development	1.7	1.7	2.1	1.9	2.8
Agricultural Developmt	1.7	1.9	1.9	2.2	3.3
Comm. & Indust Devlpmt	1.3	1.4	1.5	1.3	1.6
Labor Relations	0.7	0.9	0.9	0.8	0.7

Table VI-3. Employment by Industry, Virgin Islands: 1990 to 1994

	1994	1993	1992	1991	1990
Total	47,230	48,010	44,270	45,090	45,990
Agriculture & non-classified	3,000	2,270	NA	2,850	2,960
Construction & mining	2,340	4,330	3,800	3,560	4,140
Manufacturing	2,900	2,880	2,830	2,510	2,420
Transportation	2,570	2,560	2,510	2,350	2,290
Wholesale/retail	10,440	10,340	9,850	9,340	9,420
Finance, Insurance, Real estate	2,000	2,130	2,050	2,060	2,090
Services	10,370	9,780	9,350	8,930	9,030
Territorial Government	12,800	12,920	13,080	12,680	12,690
Federal Government	810	800	800	810	950

Source: Government of the Virgin Islands.

These figures represent the V.I.'s employed labor force as of September 30.

Table P-1. Local Revenues, Republic of Palau: 1990 to 1994
(Amounts in thousands)

	1994	1993	1992	1991	1990
Total	18,003	17,076	15,187	12,569	10,547
Percent change	5.4	12.4	20.8	19.2	...
General Import	2,898	2,707	2,351	2,126	1,863
Salary and Wages	3,455	3,060	2,789	2,480	2,124
Business Gross Revenue	4,753	4,194	3,573	3,266	2,885
Hotel Occupancy	716	678	623	527	441
Other taxes	1,224	770	537	291	169
Licenses and Fees	1,056	1,379	1,308	747	464
Fines	114	104	194	230	58
Charges for Services	395				
Utility Collections	2,765	3,094	2,733	2,167	1,908
Medical Services	338	336	358	272	137
Other Services	18	754	721	463	498
Other	271	NA			

Source: Republic of Palau Government, Bureau of Program, Budget & Management.

Table P-2. Basic Operational Expenditures by Selected Categories, Palau: 1990 to 1994
(Amounts in thousands)

	1994	1993	1992	1991	1990
Total	36,918	34,084	29,940	28,003	27,152
Health & Human Services	4,423	3,984	3,315	2,759	2,842
Education	4,153	4,161	3,989	3,515	2,892
Public Safety	1,884	1,595	1,179	934	866
Public Works	6,454	6,795	6,494	7,348	6,367
General Government	15,299	13,439	10,988	10,034	10,579
Judiciary	1,442	1,393	1,305	1,148	1,016
Legislature	3,263	2,717	2,670	2,265	2,590
PERCENTS					
Total	100.0	100.0	100.0	100.0	100.0
Health & Human Services	12.0	11.7	11.1	9.9	10.5
Education	11.2	12.2	13.3	12.6	10.7
Public Safety	5.1	4.7	3.9	3.3	3.2
Public Works	17.5	19.9	21.7	26.2	23.4
General Government	41.4	39.4	36.7	35.8	39.0
Judiciary	3.9	4.1	4.4	4.1	3.7
Legislature	8.8	8.0	8.9	8.1	9.5

Source: Republic of Palau Government, Bureau of Program, Budget & Management.

OIA PUBLICATIONS

The following publications are available from the Office of Insular Affairs. To request copies, call (202) 208-6816, or write to the Office of Insular Affairs, Department of the Interior, 1849 C Streets, NW, Washington, D.C. 20240.

FACT SHEETS: U.S. Insular Areas and Freely Associated States; 58 pages.

Contains summary descriptions of all insular areas; and names, addresses and phone numbers of insular area chief executives, representatives and liaison offices.

The Population of the United States and Insular Areas Based on the 1990 Census; July 1995, 60 pages.

Contains comparative tables, charts and discussion of demographic, social and economic characteristics of U.S. insular areas, including data for Palau, Puerto Rico, and the United States.

Investment Opportunities in the United States Insular Areas and Freely Associated States; 1992, 34 pages.

Contains brief description of investment regulations and opportunities in each insular area as well as photographs.
Few copies available.

The NAFTA and the United States Insular Areas; May 1993, 9 pages.

The Effect of the Uruguay Round of the GATT on the United States Insular Areas; February 1995, 7 pages.