

**STATEMENT
OF
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**BEFORE THE
HOUSE SUBCOMMITTEE ON INDIAN, INSULAR, AND ALASKA NATIVE
AFFAIRS**

**REGARDING THE PRESIDENT'S
FISCAL YEAR 2016 BUDGET REQUEST FOR THE OFFICE OF INSULAR AFFAIRS**

March 18, 2015

Mr. Chairman and members of the Subcommittee on Indian, Insular, and Alaska Native Affairs, thank you for the opportunity to testify on the President's fiscal year 2016 budget request for Insular Affairs. The Office of Insular Affairs (OIA) is responsible for administering the Federal government's relationship with the territories of Guam, American Samoa, the United States Virgin Islands (USVI), and the Commonwealth of the Northern Mariana Islands (CNMI). OIA also administers the financial assistance provided to the freely associated states (FAS) of the Federated States of Micronesia (FSM), the Republic of the Marshall Islands (RMI), and the Republic of Palau under the Compacts of Free Association. The President's proposed budget works to empower U.S.-affiliated insular communities by promoting economic development opportunities, building governmental capacity and infrastructure, improving quality of life issues, and supporting adaptation planning and resilience in the face of climate change.

Overview of the FY 2016 Budget Request

The proposed fiscal year 2016 Insular Affairs budget totals \$643.6 million, an increase of \$46.8 million from the 2015 enacted appropriation. Most of the increase is attributable to permanent appropriations. For 2016, mandatory commitments include an estimated \$282 million for fiscal payments to Guam and the U.S. Virgin Islands; Guam is expected to receive \$71 million in income tax payments attributable to military and Federal personnel stationed in Guam and the Virgin Islands is expected to be

reimbursed \$211 million for excise taxes paid to the Federal government on rum produced in the Virgin Islands. Additionally, \$258.6 million in mandatory funding is for payments under compacts of free association to the Marshall Islands, Federated States of Micronesia, and Palau. The request for current appropriations for 2016 is \$103 million. This amount is an increase of \$537,000 from the 2015 enacted appropriation. Included in this current appropriation request are \$75.3 million in discretionary funding and \$27.7 million in mandatory funding.

The Assistance to Territories programs include (1) American Samoa Operations (\$22.8 million), (2) capital improvement projects (\$27.7 million), (3) Office of Insular Affairs (\$10.2 million), (4) Technical Assistance (\$24.2 million), (5) Maintenance Assistance (\$5 million), (6) Brown Tree Snake Control (\$3.0 million), (7) Coral Reef Initiative (\$1.0 million), and (8) Empowering Insular Communities (\$4.4 million). The budget also proposes the appropriation of \$1.3 million in additional Compact Impact assistance for Guam, Hawaii, the Northern Mariana Islands, and American Samoa, supplementing the shared annual \$30.0 million permanent appropriation for these impact affected jurisdictions.

The largest component of Assistance to Territories is the \$27.7 million for capital improvement project grants (CIP). These funds are divided among the territories of Guam, American Samoa, the USVI and the CNMI using a competitive allocation system designed to elicit good-government accountability in the territories. For 2016, the \$27.7 million will be divided as follows: the CNMI will receive \$9.6 million; American Samoa, \$9.5 million; Guam, \$5.7 million; and the U.S. Virgin Islands, \$2.9 million.

Section 104 (e) (3) of Public Law 103-188 provides that, for fiscal years 2004 through 2023, Hawaii, Guam, the CNMI and American Samoa shall share \$30 million annually as aid in defraying costs incurred as a result of increased demands placed on health, education, social, or public sector services, or infrastructure related to such services, due to the migration of citizens from the Marshall Islands, the Federated States of Micronesia, and Palau. Also requested for fiscal year 2016, is an additional \$1.3 million for impacts affecting the four U.S. jurisdictions. The distribution of all Compact impact aid is based on the number of eligible FAS citizens in each affected jurisdiction as calculated by the U.S. Census Bureau once every five years. The latest enumeration was completed in 2013. Our office continues

to work with other Federal agencies and affected jurisdictions to find ways in which to mitigate the financial impact on the affected jurisdictions.

American Samoa Operations, with its budget request of \$22.8 million, is the second largest budget activity in Assistance to Territories. While it is considered a discretionary item, it is a directed appropriation that provides essential assistance to help the American Samoa Government provide the basic services of health care, education, and support for the judiciary.

Technical Assistance, for which OIA requests \$24.2 million for 2016, allows OIA to provide funding for addressing needs that affect multiple insular areas or specific needs that may require quick action. This is an increase of \$9.7 million. The program is important for the insular areas. In 2014, OIA considered requests totaling \$69 million, which, due to budgetary constraints, resulted in awards of \$14.9 million. Three million dollars of the increase in TA will provide additional funding for these direct grants to the seven insular areas and ameliorate some of the unmet need. The remaining \$6.7 million of the increase will support community, landscape and infrastructure adaptation and resilience initiatives that address climate change needs. The islands all benefit and are very supportive of the of the technical assistance program.

Of the full \$643.6 million budget request for Insular Affairs, only \$75.3 million is discretionary.

Highlighted 2016 Budget Changes

Insular Adaptation and Resiliency

President Obama's 2016 budget request demonstrates his strong commitment to the U.S.-affiliated insular areas. The proposed budget recognizes that our island communities are on the front lines of climate change and provides \$7 million to support adaptation and resiliency strategies. These funds will support the establishment of a Climate Change Coordinator position within the Office of Insular Affairs and will help us to assist the insular areas in effective land use and infrastructure planning, promotion of renewable energy, emergency preparedness, food security planning, and improved natural resource management. The insular areas are critically vulnerable to the impacts of climate change including sea-level

rise, coastal erosion, ocean acidification, and salt water intrusion into fresh water sources and staple food crops.

Energy

In the last several years, energy plans have been developed by the territories with funding by OIA and in concert with the National Renewable Energy Laboratory. The 2016 budget includes \$4.4 million to pursue sustainable energy strategies that build upon this energy planning. We expect that implementation will emphasize power transmission and consumer efficiency, geothermal test drilling, solar installations, test wind turbines and grid integration studies.

Insular Assessment of Buildings and Classrooms (ABCs)

The Office of Insular Affairs' ABCs program was established to assess the condition of public school facilities in the territories. OIA contracted with the U.S. Army Corps of Engineers for the study -- a very successful and well-received collaboration. The ABC program analyzed 1,576 school buildings at 115 schools in the four U. S. territories. The resulting analysis identified \$177.4 million in deferred maintenance, of which \$16.7 million are considered health and safety items. For 2016, the President seeks to address the ABCs analysis of need by providing \$5 million to use as seed money for school maintenance. This effort is part of OIA's strategic plan goal of improving quality of life by improving the condition of school facilities in the territories.

Palau Compact of Free Association

In 2010, the United States and Palau completed their review of the financial provisions of the Compact of Free Association between the two countries. The two nations signed a fifteen-year agreement that includes payment by the United States of \$229 million in financial assistance to Palau for the period ending in 2024. Part of that commitment, \$78.8 million, has been appropriated in annual increments of \$13.1 million for fiscal years 2010 through 2015. For its part, Palau is committed to undertaking economic, legislative, financial, and management reforms. In the western Pacific, Palau is a strategic partner aiding United States defense interests, and has been a steadfast ally of the United States for many years. The President's 2016 budget includes a legislative proposal to enact the Palau Compact, and

so does not include current appropriations for the Compact. An updated letter proposing approval of the financial agreement with Palau is expected to be sent to the Congress again, soon. Once approved by the Congress, the new financial agreement will be funded with a permanent appropriation of \$163.6 million, including first year program funding of \$40.8 million for 2016.

Mr. Chairman, I am confident the President's 2016 budget request for the Office of Insular Affairs will help advance our mission to help improve the quality of life in the U.S.-related insular areas, promote economic development opportunities, build government capacity and infrastructure, and assist in climate change planning and resiliency strategies.