

**STATEMENT
OF
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**BEFORE THE
HOUSE SUBCOMMITTEE ON FISHERIES, WILDLIFE, OCEANS AND INSULAR AFFAIRS**

**REGARDING THE
DEPARTMENT OF THE INTERIOR, OFFICE OF INSULAR AFFAIRS
FISCAL YEAR 2015 BUDGET REQUEST**

**AND
H. R. 4296 – IMMIGRATION IN THE CNMI**

April 29, 2014

Mr. Chairman and members of the Subcommittee on Fisheries, Wildlife, Oceans and Insular Affairs, thank you for the opportunity to testify on the President's fiscal year 2015 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.

Overview of the FY 2015 Budget Request

The proposed fiscal year 2015 Insular Affairs budget totals \$678.1 million, an increase of \$37.4 million from the 2014 enacted appropriation. The increase is attributed to increases in permanent appropriations. For 2015, growing mandatory commitments include an estimated \$328.4 million for fiscal payments to Guam and the U.S. Virgin Islands and \$257.5 million for payments under compacts of free association to the RMI, FSM and Palau. The request for current appropriations for 2015 is \$92.2 million. This amount is a decrease of \$10.2 million from the 2014 enacted appropriation. Included in this current appropriation request are \$64.5 million in discretionary funding and \$27.7 million in mandatory funding.

The fiscal year 2015 OIA budget focuses on strategies that empower insular communities through programs that improve quality of life, create economic

opportunity, and promote efficient and effective governance. Assistance to Territories programs include (1) American Samoa Operations (\$22.8 million), (2) Covenant capital improvement projects (\$27.7 million), (3) Office of Insular Affairs (\$9.8 million), (4) General Technical Assistance (\$17.5 million), (5) Maintenance Assistance (\$2.9 million), (6) Brown Tree Snake Control (\$3.0 million), (7) Coral Reef Initiative (\$1.0 million), and (8) Empowering Insular Communities (\$3.0 million). The budget also proposes the appropriation of \$1.3 million in additional Compact Impact assistance for education in Guam, Hawaii, the Northern Mariana Islands, and American Samoa, supplementing the shared annual \$30.0 million permanent appropriation for these jurisdictions.

The largest component of Assistance to Territories is the \$27.7 million for Covenant capital improvement project grants (CIP). These funds are divided among the United States territories of Guam, American Samoa, the USVI and the CNMI using a competitive allocation system designed to elicit good-government accountability in the territories. This process uses a set of ten objective criteria that measure the demonstrated ability of the territorial governments to exercise prudent financial management practices and to meet Federal grant requirements. These criteria include compliance with the Single Audit Act of 1984 and Federal grant project reporting requirements. The scoring process and all ten criteria are explained on pages 25 through 27 of the 2015 budget justification. Every year OIA provides each territorial government with the details of their scoring for the ten criteria and notifies them of the resulting CIP award amount. For 2015, the \$27.7 million will be divided as follows:

CNMI	\$ 9.6 million
American Samoa	\$ 9.3 million
Guam	\$ 5.8 million
U.S. Virgin Islands	\$ 3.1 million

The Pacific territories and Hawaii also receive mandatory Compact impact funding under the Compacts of Free Association. Section 104(e) of title I of the amended Compacts of Free Association provides a \$30.0 million permanent annual appropriation through 2023 to 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 residence of qualified non-immigrants from the RMI, the FSM, or the Republic of Palau. Also requested for fiscal year 2015, is an additional \$1.3

million to be dedicated solely to education. The distribution of this \$31.3 million is based on the size of the FAS populations in each affected jurisdiction as calculated by the U.S. Census Bureau once every five years. A new enumeration was completed in 2013. The budget request for 2015 reflects the new findings, which show a decrease in the numbers of FAS citizens in Guam, and increases in Hawaii and the CNMI. The total increase in qualified non-immigrants in affected jurisdictions combined is 1,920 persons.

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.

General Technical Assistance, for which OIA requests \$17.5 million for 2015, allows OIA to provide funding for addressing needs that affect multiple insular areas or specific needs that may require quick action. The islands all benefit and are very supportive of the program.

Of the full \$678.1 million budget request for Insular Affairs, only \$64.5 million is discretionary.

Highlighted 2015 Budget Changes

Empowering Insular Communities

The President's 2015 budget request for Insular Affairs includes an initiative called "Empowering Insular Communities." The program is intended to strengthen the foundations for economic development and investment in the territories, including the critical services of power, water, sewer, solid waste, healthcare and public safety. The request for this program is \$3.0 million.

This funding will be dedicated in 2015 to the energy security critical to the insular areas' future economic development and sustainability. In 2010, OIA entered into an Inter-Agency Agreement with the U.S. Department of Energy, National Renewable Energy Laboratory (NREL) to help develop long-term strategic energy plans in American Samoa, CNMI, and Guam. The energy plans, published in 2013, provided energy efficiency and renewable energy assessments, strategic plan implementation, and

deployment of technology. OIA will use 2015 funding to help the territories implement actions identified in these strategic energy plans, such as exploration for geothermal resources in the CNMI, energy efficiency actions in American Samoa and solar power installations in Guam.

Insular Assessment of Buildings and Classrooms (ABCs)

The 2015 budget request for Maintenance Assistance is \$2.9 million, a general program increase of \$1.8 million from the 2014 level. The requested program increase will bolster OIA's partnership with U.S. territories to improve school facility conditions. Thus far, the Insular ABCs initiative has assessed the conditions of every school building in the territories. The assessments identified \$177.4 million in deferred maintenance, of which, \$16.7 million are considered health and safety items that must be rectified to provide a safe learning environment. Additional funds under this activity will be used to begin addressing deferred maintenance items with priority given to health and safety maintenance issues. This effort feeds directly into OIA's strategic plan goal to improve quality of life by improving school facility conditions.

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, \$65.7 million, has been appropriated in annual increments of \$13.1 million in fiscal years 2010 through 2014. 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 2015 budget includes no current appropriations for the Palau Compact. Once approved by the Congress, the new agreement will be funded with a permanent appropriation of \$178.3 million, including first year program funding of \$41.5 million in 2015.

Statistics Improvement

Another major OIA initiative is the continuation of gross domestic product (GDP) statistics for the four United States territories. Since 2008, OIA has had an agreement with the Bureau of Economic Analysis of the Department of Commerce for the gathering of data to produce GDP statistics. The agreement allows for consistent tracking of economic performance with statistical methods comparable to those used for the fifty states. The data demonstrate the slow recovery from difficult economic circumstances in the islands.

The most recent data show real GDP in American Samoa increased half a percent in 2011 and decreased by 2.4 percent in 2012. In the CNMI, the six year downturn in GDP stopped in 2010 as the economy grew by 2.3 percent. This uptick was followed a 6.8 percent decrease in 2011 and 5.2 percent increase in 2012. Guam's GDP decreased 0.6 percent in 2011 and increased by half a percent in 2012. The GDP for USVI decreased in both 2011 and 2012 by 6.6 percent and 13.2 percent, respectively, in large part due to the 2012 closure of the Hovensa oil refinery in St. Croix.

The annual cost of maintaining the statistics is \$750,000, which is included in the 2015 budget request for OIA. The Bureau of Economic Analysis will incorporate this data in its larger GDP mandate for the nation; but more importantly insular officials will be able to judge the economic effect of a new tuna cannery in American Samoa, the military build-up in Guam, as well as the closure of the oil refinery and the opening of the new rum distillery in the USVI.

H. R. 4296 – Immigration in the CNMI

With regard to H.R. 4296, the bill would extend the immigration transition period in the CNMI from December 31, 2014 through December 31, 2019 – a period of five years. Congressman Sablan's provision also has been part of omnibus territories legislation in both houses of Congress. As we have noted in the past, the Department of the Interior recognizes that businesses and CNMI government officials are concerned that if the approximately 12,000 foreign workers resident in the CNMI under the transitional worker program were forced to leave at the end of 2014, the reduction would have significant adverse consequences for the CNMI economy, and have

communicated those concerns to the Department of Labor pursuant to their review of the immigration transition period.

Title VII of the Consolidated Natural Resources Act of 2008 provided for Federal authority in immigration matters in the CNMI, including a five-year transition period. One aspect of the transition period – the transitional worker program -- can be extended by the United States Secretary of Labor based on findings of economic need in the CNMI. The Congress in Title VII calls for reducing to zero the number of transitional foreign workers in the CNMI by the end of the transition period, December 31, 2014, unless the transitional worker program is extended by the Secretary of Labor. During the transition period and any extension thereof, the Secretary of Homeland Security establishes a limit on the number of individuals who may be granted CNMI-only transitional worker (CW-1) nonimmigrant status each fiscal year: 15,000 in fiscal year 2013 and 14,000 in fiscal year 2014. Title VII requires an annual reduction in the number of transitional workers (and complete elimination of the CW nonimmigrant classification by the end of the extended transition period) but does not mandate a specific reduction.

As noted in the Department of Labor's written testimony, the Secretary of Labor engaged fully in the consultative process and is analyzing whether an extension of the transitional worker program is warranted.

Mr. Chairman, I am confident the President's 2015 budget request for the Office of Insular Affairs will empower insular communities by improving the quality of life, creating economic opportunity and promoting efficient and effective governance. Additionally, I am hopeful that economic planning and development in the CNMI can proceed with both U.S. citizen and employment eligible noncitizen employees available and contributing to Commonwealth enterprise and progress.