

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

REGARDING THE PRESIDENT'S
FISCAL YEAR 2017 BUDGET REQUEST FOR THE OFFICE OF INSULAR AFFAIRS

March 22, 2016

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 2017 budget request for the Office of Insular Affairs (OIA). 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. OIA's mission is to promote government efficiency, foster economic development, and improve the quality of life for the people in the insular areas.

Overview of the FY 2017 Budget Request

The proposed fiscal year 2017 Insular Affairs budget totals \$652.7 million, an increase of \$47.1 million from the 2016 enacted appropriation. Most of the increase is attributable to permanent appropriations.

For 2017, permanent mandatory commitments include an estimated \$288 million for fiscal payments to Guam and the U.S. Virgin Islands; Guam is expected to receive \$79 million in income tax payments attributable to military and Federal personnel stationed in Guam and the Virgin Islands is expected to be reimbursed \$209 million for excise taxes paid to the Federal government on rum produced in the Virgin Islands.

Permanent mandatory funding also includes \$262 million, for payments under the Compacts of Free Association with the Republic of the Marshall Islands (\$76 million), the Federated States of Micronesia (\$110.1 million), the legislative proposal for approving the financial agreement with the Republic of Palau (\$45.5 million), annual Compact Impact funding (\$30 million), and judicial training (\$357,000).

The request for current appropriations for 2017 is \$102.7 million. This amount is a decrease of \$724,000 from the 2016 enacted appropriation. Included in this current appropriation request are \$75 million in discretionary funding and \$27.7 million in mandatory funding.

Assistance to Territories programs include—

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| (1) American Samoa Operations | (\$22.8 million); |
| (2) Capital Improvement Projects | (\$27.7 million); |
| (3) Office of Insular Affairs | (\$9.9 million); |
| (4) Technical Assistance | (\$21.1 million); |
| (5) Maintenance Assistance | (\$5 million); |
| (6) Brown Tree Snake Control | (\$3.0 million); |
| (7) Coral Reef Initiative & Natural Resources | (\$2.0 million); |
| (8) Empowering Insular Communities | (\$5 million); and |
| (9) Compact Impact (discretionary) | (\$3 million). |

American Samoa Operations. The budget request of \$22.8 million for American Samoa Operations 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.

Capital Improvement Projects. 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 2017, the CNMI will receive \$9.1 million; American Samoa, \$9.6 million; Guam, \$6.6 million; and the U.S. Virgin Islands, \$2.4 million.

Technical Assistance. The budget request includes \$21.1 million for Technical Assistance for fiscal year 2017. This request allows OIA to provide funding for priority and immediate needs in the insular areas. In 2015, OIA considered requests totaling \$55.3 million, and awarded \$14.5 million in grants.

This \$21.1 million request is an increase of \$5.6 million over the 2016 enacted appropriation. Of this increase, \$1.6 million will be devoted to direct grants to the seven insular areas and ameliorate some of the unmet requests for Technical Assistance. The remaining \$4 million of the increase will support community, landscape and infrastructure adaptation and resilience initiatives. The islands all benefit and are very supportive of the technical assistance program.

Maintenance Assistance & ABCs. The Office of Insular Affairs' Assessment of Buildings and Classrooms (ABCs) program was established as a needs assessment service for the U.S. territories, so that each territory would know the condition of its public school facilities, and thereafter each territory could establish its priorities for repair.

OIA contracted with the U.S. Army Corps of Engineers for the study -- a very successful and well-received collaboration. The ABCs 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 needs, of which \$16.7 million are considered to involve the health and safety of students.

For 2017, the President seeks to address the ABCs analysis of need by providing \$4 million for school maintenance through the OIA maintenance assistance program. This is a \$3.9 million increase over 2016. Emphasis in 2017 will be on encouraging the territories to address the most critical of the deferred maintenance -- the \$16.7 million in needs to protect student health and safety.

This ABCs effort at identifying school maintenance needs is part of OIA's strategic plan goal of improving quality of life by improving territories' knowledge of school facility needs. In the medium- and long-term, the responsibility for schools lies with the local territorial governments; it would be appropriate for them to begin funding the school repairs outlined in the ABCs assessment.

Coral Reef Initiative and Natural Resources. The President's 2017 budget for the Coral Reef Initiative & Natural Resources calls for an appropriation of \$2 million. This is an increase of \$1 million to accommodate actions necessary to combat the natural resource challenges posed by invasive species such as the Coconut Rhinoceros Beetle and Little Fire Ant. The funding is intended to be supportive of the *2015 Biosecurity Plan for Hawaii and Micronesia* and other invasive species eradication efforts.

Empowering Insular Communities. The President's budget for Empowering Insular Communities is \$5 million, an increase of \$2 million over the 2016 enacted appropriation.

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 \$5 million in requested funding is intended to implement energy strategies that build upon this energy planning effort. We expect that implementation will emphasize power transmission and consumer efficiency, with projects involving geothermal test drilling, solar installations, wind turbines and grid integration studies.

Palau Compact of Free Association

Earlier, I mentioned the request for \$45.5 million for a mandatory appropriation for Palau.

By way of background, in 2010, the United States and the Republic of Palau completed their review of the financial provisions of the Compact of Free Association between the two countries. A fifteen-year agreement was signed that included payment by the United States of \$229 million in financial assistance for Palau for the period ending September 30, 2024. Part of that commitment, \$92 million, has already been appropriated in annual increments of \$13.1 million for fiscal years 2010 through 2016.

For its part, Palau is committed to undertaking economic, legislative, financial, and management reforms. Palau has been a steadfast ally of the United States for many years and a strategic partner in the defense of the Western Pacific.

The President's 2017 budget includes a legislative proposal to approve the financial agreement under the Palau Compact, and so does not include current appropriations for the Compact. A letter proposing approval of the financial agreement with Palau was sent to the Congress on February 22, 2016, from the Departments of the Interior, Defense and State. Once approved by the Congress, the new financial agreement will be funded with a permanent appropriation of \$149 million, including first year program funding of \$45.5 million for 2017.

Mr. Chairman, it has been a pleasure to appear before your subcommittee to discuss the 2017 budget request for the Office of Insular Affairs.