

**TESTIMONY OF
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U.S. DEPARTMENT OF THE INTERIOR
BEFORE
THE SUBCOMMITTEE ON INDIAN AND INSULAR AFFAIRS
COMMITTEE ON NATURAL RESOURCES
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON D.C.**

PROPOSED COMPACT OF FREE ASSOCIATION AMENDMENTS ACT OF 2023

OCTOBER 19, 2023

Chair Hageman, Ranking Member Leger Fernandez, and distinguished members of the Subcommittee the Department of the Interior (Department) welcomes the opportunity to join Congress today to continue our recognition of the importance of the Federated States of Micronesia (FSM), the Republic of the Marshall Islands (RMI), and the Republic of Palau (collectively, the freely associated states or FAS) to U.S. national interests in the Indo-Pacific; these jurisdictions have held this importance for more than 75 years. I am happy to be here and to support enactment of implementing legislation for the Compact agreements recently reached with these important partners.

Several months ago, on June 16th, the Administration submitted a legislative proposal, the *Compact of Free Association Amendments Act of 2023*, to the Congress. The proposal contains funding and related provisions necessary to implement agreements related to the Compacts of Free Association (COFAs) that the United States negotiated with FSM and Palau. Moreover, earlier this week, the United States successfully concluded negotiations with RMI and signed agreements based on economic assistance levels already included in our legislative proposal. The legislative proposal also includes important provisions that, while not related to the agreements themselves, are nonetheless essential to our relationships with these countries. Enactment of this legislative package would deepen our relationships with the FAS over the coming decades and serve as a clear signal of the United States' commitment to achieving and maintaining a free and secure Indo-Pacific region. The Administration's COFA proposal also includes \$634 million over the next 20 years to ensure the continued provision of US postal service to the FAS, which was a key FAS request during negotiations.

The Department carries out responsibilities to the U.S. Territories of Guam, the Northern Mariana Islands, and American Samoa, as well as the strategically vital freely associated states. These FAS communities serve in the U.S. military at among the highest rates per capita, and they live, work, and pay taxes throughout the United States. For the past 35 years, the Compacts have been a foreign policy, national security, and people-to-people success story.

As we continue to expeditiously conclude this effort, I want to highlight in particular two provisions in the Administration's proposal that are also included in the current draft of the Committee's legislation, which address long-standing challenges for FAS citizens. First, the proposal includes language that would restore eligibility for key Federal public benefit programs for FAS individuals while they are lawfully present in the United States – an important long-term solution to the financial impacts of these communities on U.S. state and territorial governments. Restoring access to federal public benefits would not only have a significant positive impact on these families; it also would allow the federal government to rightfully share in covering a significant portion of the financial burden currently placed on state and territorial governments for hosting these small, but unique, communities without a significant additional administrative burden. Further, the benefits and compensation from the federal government would follow the individuals from the FAS in whichever state or territory within the United States they choose to live.

Second, the proposal also includes language that would provide U.S. military veterans residing in the FAS with improved access to the Department of Veterans Affairs benefits they have earned and rightfully deserve for their service. As mentioned above, FAS citizens serve in the U.S. military at among the highest rates per capita. However, the brave FAS citizens who have chosen to return home after their service face disproportionate challenges to receiving their full benefits, including access to medical care, when residing in their Pacific islands. These provisions would remove various restrictions that currently impede the Secretary of Veterans Affairs from offering medical care to these veterans.

Both of these provisions have bipartisan, bicameral counterparts in the current Congress.

As I have noted in previous testimony, the United States and the three FAS agreed on packages that would provide approximately \$6.5 billion in economic assistance to the FAS over the next 20 years, which includes \$3.3 billion in assistance to the FSM, \$889 million in assistance to Palau, and just over \$2.3 billion in assistance to the RMI.

Under the leadership of the White House, led by Special Presidential Envoy Yun, my team and I have worked tirelessly with colleagues from across the United States Government and our counterparts in the FAS to negotiate the robust terms of these agreements, particularly the accountability and oversight provisions in the Fiscal Procedures Agreements with the FSM and the RMI; the Compact Trust Fund Agreements with the FSM and the RMI; and the Compact Review Agreement, including its appendices, with Palau.

As a result of that work, the negotiated terms and procedures governing both financial assistance and the Compact trust funds maintain strong U.S. oversight over every taxpayer dollar being proposed. At the same time, we have carved out room to accommodate FSM, Palau, and RMI requests for more autonomy and flexibility in framing the annual budget proposals for the effective expenditure of economic assistance.

With the successful conclusion of most Compact-related agreements with all three countries behind us, the Department of the Interior urges Congress to act swiftly to approve implementing legislation and appropriate the funding necessary for these well-negotiated Compact provisions. As I have said before, let us follow through on our work for both the American people and people in the FAS and secure a bipartisan success that attests to the United States' commitment to the Pacific and to remaining the preferred partner for our friends and cousins in the Pacific Islands.

Chair Hageman, Ranking Member Leger Fernandez, this concludes my statement and I am happy to answer any questions that you may have.