

STATEMENT  
OF  
DOUGLAS W. DOMENECH  
ASSISTANT SECRETARY - INSULAR AND INTERNATIONAL AFFAIRS  
DEPARTMENT OF THE INTERIOR

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

REGARDING THE PRESIDENT'S  
FISCAL YEAR 2019 BUDGET REQUEST FOR THE OFFICE OF INSULAR AFFAIRS

March 20, 2018

Chairman LaMalfa, Ranking Member Torres and members of the Subcommittee, thank you for the opportunity to testify on the President's fiscal year 2019 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. The 2019 budget request achieves the Department's mission of Fulfilling Our Trust and Insular Responsibilities by balancing the Office of Insular Affairs' efforts to strengthen economic and health capacities in the U.S. territories, and fulfilling U.S. compact obligations to freely associated states while exercising appropriate budgetary restraint.

**Overview of the FY 2019 Budget Request**

The proposed fiscal year 2019 Insular Affairs budget totals \$719 million, inclusive of a Department of Defense's funding for the implementation of Palau Compact Review Agreement.

For 2019, permanent mandatory commitments include an estimated \$302 million for fiscal payments to Guam and the U.S. Virgin Islands; Guam is expected to receive \$78 million in income tax payments attributable to military and Federal personnel stationed in Guam and the Virgin Islands is

expected to be reimbursed \$224 million for excise taxes paid to the Federal government on rum produced in the Virgin Islands.

Permanent mandatory funding also includes \$222 million, for payments under the Compacts of Free Association with the Republic of the Marshall Islands (\$78 million), the Federated States of Micronesia (\$113 million), annual Compact Impact funding (\$30 million), and judicial training (\$367,000).

The request for current appropriations for 2019 is \$84 million. Included in this current appropriation request is \$56 million in discretionary funding and \$27.7 million in mandatory funding.

Current appropriations are requested for—

(1) American Samoa Operations	\$21.5 million;
(2) Capital Improvement Projects	\$27.7 million;
(3) Office of Insular Affairs	\$9.4 million;
(4) Technical Assistance	\$14.7 million;
(5) Maintenance Assistance	\$1 million;
(6) Brown Tree Snake Control	\$2.8 million;
(7) Coral Reef Initiative & Natural Resources	\$1 million;
(8) Empowering Insular Communities	\$2.8 million;
(9) Federal Services	\$2.6 million; and,
(10) Enewetak	\$473,000.

**Capital Improvement Projects.** The largest annually appropriated program 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 2019, the budget proposal calls for CNMI to receive \$9.7 million; American Samoa, \$9.9 million; Guam, \$6.3 million; and the U.S. Virgin Islands, \$1.9 million. Last year, CIP funds were successfully utilized to build a new classroom building in American Samoa, address deferred maintenance backlogs at schools in all the territories, improve healthcare facilities in Guam and American Samoa, and carry out court-ordered renovations to the St. Croix correctional facility.

**American Samoa Operations.** The budget request of \$21.5 million for American Samoa Operations is the second largest program. 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.

**Territorial Assistance.** Within “Assistance to Territories,” the President’s 2019 budget for OIA’s smaller discretionary Territorial Assistance programs is \$22.3 million. Of this amount, \$14.7 million is requested for the Technical Assistance which allows OIA to provide funding for priority and emergent needs in the insular areas. Other Territorial Assistance programs will continue to combat invasive species, preserve coral reefs, improve energy security and institutionalize good maintenance practices.

The request for Office of Insular Affairs operations is \$9.4 million in 2019.

**Palau Compact of Free Association.** The Administration appreciates the Congressional action authorizing the Palau Compact Review Agreement (CRA) in the FY 2018 National Defense Authorization Act and also inclusion of the requisite funding in the Senate Appropriations Committee’s Chairman’s mark. We are hopeful that the House and Senate can reach agreement to fulfill the United States’ outstanding commitment to Palau by providing full funding for the CRA in FY 2018 appropriations. The 2019 budget proposes \$111.0 million in discretionary Department of Defense appropriations to be transferred to the Department of the Interior to support enactment of the 2010 Compact Review Agreement with Palau in case the CRA is not fully funded by the Congress in 2018. These funds are provided to assist the Government of Palau in its efforts to advance the well-being of its people and in recognition of the special relationship that exists between the United States and Palau, its importance as an ally and a key part of the Nation’s Asia-Pacific national security strategy.

Mr. Chairman, it has been a pleasure to appear before your subcommittee to discuss the 2019 budget request for the Office of Insular Affairs.