



# United States Department of the Interior

OFFICE OF THE SECRETARY  
Washington, DC 20240

SEP 25 2023

The Honorable Aumua Amata C. Radewagen  
Chair, Indo-Pacific Task Force  
Committee on Natural Resources  
U.S. House of Representatives  
Washington, DC 20515

Dear Chair Radewagen:

Enclosed are responses prepared by the Department of the Interior to the questions for the record submitted to the Department's witness, Keone Nakoa, Deputy Assistant Secretary for Insular and International Affairs, following his July 18, 2023, appearance before the Task Force on the Administration's *Proposed Compact of Free Association Act of 2023*.

Thank you for the opportunity to respond to you on this matter.

Sincerely,

Christopher P. Salotti  
Legislative Counsel  
Office of Congressional and  
Legislative Affairs

Enclosure

cc: The Honorable Gregorio Kilili Camacho Sablan  
Co-Chair

Questions for the Record  
Indo-Pacific Task Force  
House Committee on Natural Resources  
Oversight Hearing on Proposed Compact  
of Free Association Amendments Act  
July 18, 2023

**Questions from Chairman Westerman**

**Question 1: The proposal has bracketed text for the Federal Programs and Services Agreements (FPSAs) as they are still being negotiated. The FPSAs are agreements that U.S. agencies are required to provide to the FAS, including the U.S. Postal Service. The proposal also has non-bracketed text for authorizing \$634 million in mandatory appropriations for the USPS. If Congress passes this proposal before the FPSAs are finalized, then that would mean that the USPS would receive its funds without having requirements on how to spend such funds.**

**Why does the proposal not contain brackets for the \$634 million going to the USPS? Is the Administration asking Congress to hand hundreds of millions of American taxpayer dollars to the USPS and let them use the money as they see fit?**

**Response:** The FPSA text was bracketed, only to the extent that the agreement's name would need to be updated upon finalization. The United States Government, including USPS, continues to work with Federated States of Micronesia (FSM) to make the agreement final.

The USPS would use the funds in question to provide continued postal services and programs to the FSM and the Marshall Islands pursuant to the new FPSAs with each country. Under a slightly different agreement structure, the United States has provided postal services and programs to Palau consistent with Palau's Compact, FPSA, and Compact Review Agreement, as amended. This funding could also be used to allow for the continuation of postal services, at the levels currently provided, until new agreements are concluded and brought into force.

Postal services are critical to the FAS economies and are a vital component of our relationships with the FAS, so much so that the FAS made continued postal services a necessary requirement before the FAS allowed negotiations to proceed. Providing funding will show the FAS that our agreements are being honored, while also guarding against USPS' key concerns about being able to manage the long-term costs associated with providing high quality services to these geographically disparate island nations.

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**Questions from Rep. Moylan**

**Question 1: Another major issue in this discussion is funding. At 7.1 billion dollars over the next 20 years, funding COFA is no small feat, and neither is looking for funding sources. Additionally, since the administration has yet to provide Congress with an estimate of the costs of continuing and beginning FAS eligibility for U.S. federal programs and services, it is likely that COFA costs will far exceed 7.1 billion dollars.**

**a. Why isn't the Biden administration taking a more active role to secure funding?**

**Response:** This Administration has taken an active role, led by Special Presidential Envoy Joe Yun, and in close coordination and support from the Departments of the Interior (DOI), Defense, and State, and many other federal agencies. Representatives from the Departments of the Interior, State, and Defense have held regular briefings on the House and Senate side to convey the importance of securing funding for the COFA legislative package, along with highlighting the adverse effects of a lapse in funding.

**b. Additionally, with little Congressional oversight into how funds are expended, Freely Associated States are spending money as they see fit. With funding already being extremely difficult to secure, could you explain why the administration wants to weaken Congress's oversight on how these funds are spent?**

**Response:** The ability of Congress to exercise oversight on the expenditure of Compact assistance is unchanged. To allow for more efficient oversight, the proposal streamlines the number of reporting requirements, while raising the consequences of failing to submit complete and adequate reports. The proposal, therefore, strengthens Congress's ability to effectively exercise oversight of Compact assistance funding.

The United States Government and our counterparts in the FAS negotiated robust terms of these agreements, particularly the accountability and oversight provisions in the 2023 Fiscal Procedures Agreement and the 2023 Trust Fund Agreement with the FSM, and the 2023 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. The terms incorporate the lessons learned over the past 35 years regarding what practices actually facilitate meaningful oversight and accountability over U.S. taxpayer funds.

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**Question 2: The Biden administration has submitted a legislative proposal before fully concluding COFA negotiations. The current proposal is incomplete and not ready for introduction on the house floor. With the September 30 deadline fast approaching, several of the kinks have not been worked out and there is still much work that needs to be done.**

- a. Would a simplified one-year extension be feasible while we work out a long-term solution?**

**Response:** The Administration is not considering a one-year extension, but has submitted a stop-gap CR anomaly to provide funds and authorities as agreed to in the latest Compact agreements for the period of the CR. While a total cessation of Federal services would be irresponsible and should be avoided, the United States should rely on the authority and safeguards that can only be provided by new ratified agreements, provided along with the credible and dedicated funding to meet these long-term commitments. If Congress does not act, new Compact funding (including for grants, trust fund contributions, and certain federal programs and services) for the Marshall Islands and the FSM will not be available after FY 2023, nor for Palau after FY 2024. The Department believes that any extension short of enacting the full COFA proposal that was submitted to the Congress in June opens the door for foreign government influence and erodes our hard-earned reputation as a reliable partner in the Pacific.

Furthermore, from a national security perspective, a long-term and mutually beneficial agreement will set the conditions for us to continue strengthening our strategic partnerships with the FAS. If the implementing legislation is not passed on time and there is a lapse in economic assistance, the Department of Defense's ongoing conversations with the FAS on future defense sites would be significantly challenged. In an era of intensifying geopolitical competition, the FAS are critical to U.S. national security interests and USG priorities in the Indo-Pacific region.

**Question 3: Committee staff have raised the issue with the COFA negotiation team about the potential cost of expanding federal programs and services for the FAS and have specifically requested your team to provide an estimate of the costs. Rather than finding out and sending our staff with those estimates, your team suggested that our staff reach out to each agency and calculate the costs themselves. While it may be the case that your respective agencies are not responsible for estimating those costs, it is the responsibility of the administration to do its due diligence and providing Congress with information it needs to carry out its oversight responsibilities.**

- a. Is there a cost estimate regarding the expansion of federal program and services for the FAS? If not, will you assign this task to a member of your team and have it sent to us by the end of the month?**
- b. These cost estimates are vital in understanding the true cost of these COFA**

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**agreements. These agreements can very well total to far beyond \$7.1 billion when factoring in these additional costs. We understand that calculating a cost estimate is a difficult task, but it is our collective responsibility to make sure that these agreements are fiscally responsible and serve U.S. interests.**

**Response:** We understand that the Department of State relayed costs in its responses to the Task Force.

**Question 4: We are very concerned about the current situation with the RMI. Needless to say, failure to come to an agreement will have large implications for U.S.-RMI relations and U.S. interests in the region.**

**a. What can Congress do to help spur the negotiations?**

**Response:** The Administration appreciates the Committee's interest in advancing negotiations related to the Compacts of Free Association. Holding a hearing on this important issue was very helpful in demonstrating to RMI that our timeline is short to negotiate agreements based on the January MOU between the United States and the RMI. Congressional introduction of the *Compact of Free Association Amendments Act of 2023* would reinforce the message that timely and swift action is required.

**Question 5: The administration has characterized this proposal as part of its broader China strategy. However, this proposal seems to do nothing to counter growing PRC influence beyond just giving a large sum of money to the FAS with little oversight.**

**a. Are we missing something here?**

**Response:** The People's Republic of China (PRC) is seeking to expand its influence in the Freely Associated States and is increasing its coercive activities throughout the Pacific Islands region. As DASD Mohandas explained in his testimony, the absence of economic assistance from the United States could make our FAS partners increasingly vulnerable to PRC economic coercion.

Consistent funding through the implementing legislation provides stability for the FAS and allows their governments to sustain their operations and fulfill their governmental functions, plan for the future, and be responsible stewards of the economic assistance provided by the United States. The Compacts are an important signal to both our partners and our competitors that the U.S. commitment to the FAS is iron-clad.