AUG 28 2023

The Honorable Bruce Westerman
Chairman, Natural Resources Committee
United States House of Representatives
Washington, DC 20515

Dear Chairman Westerman:

Enclosed are responses to the follow-up questions addressed to Assistant Secretary Carmen G. Cantor from the May 25, 2023, oversight hearing on *Examining the President's FY 2024 Budget Request for the Bureau of Indian Affairs and Office of Insular Affairs*. These responses were prepared by the Office of Insular Affairs.

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 Raúl Grijalva
Ranking Member

Questions for the Record
Subcommittee on Indian and Insular Affairs
House Natural Resources Committee
FY 2024 Budget Request for the Office of Insular Affairs
May 25, 2023

Questions from Chairman Westerman

Question 1: Following up on your response to the question on grant double-dipping, can you provide specific details on what mechanisms are in place to prevent overlapping grant payments and confirm that spending is fiscally responsible?

Response: Applicants for Office of Insular Affairs' (OIA) grants are required to include a statement indicating if there is any overlap between OIA Federal applications and any other Federal application, or funded project, in regard to activities, costs, or time commitment of key personnel. If any such overlap exists, the applicant is required to provide a complete description of overlaps or duplications between their OIA proposal and any other federally funded project or application in regards to activities, costs, and time commitment of key personnel, as applicable. The applicant is also required to provide a copy of any overlapping or duplicative proposal submitted to any other potential funding entity and identify when that proposal was submitted, to whom (entity name and program), and when the applicant anticipates being notified of their funding decision. If at any time a proposal is awarded funds that would be overlapping or duplicative of the funding requested, the applicant must immediately notify the point of contact at OIA. The Federal overlap statement is included on a checklist of mandatory items that OIA utilizes when reviewing all applications for sufficiency.

During OIA's grant review process, any overlap or duplication of funding between the proposed project and other active or anticipated projects may impact selection and/or funding amount. OIA also funds projects on a reimbursable basis so that payments to grantees are not automatic. This allows OIA grant managers to review all requests for payment to ensure that the spending is fiscally responsible, in line with the approved budget for the project, that the project is progressing adequately, that financial and narrative reports are being submitted timely, and receipts/invoices are reviewed to ensure adequacy of supporting documentation. If during this review, OIA has concerns with any of the above items, OIA will withhold payment until any issues can be resolved.

Question 2: The FY 2024 OIA budget continues to promote taxpayer money for renewable energy only. The Administration is, again, flat out ignoring an all-of-the-above energy strategy. Will you commit to addressing that concern and expand support for access to all reliable energy options?

Response: Public Law 109-58 enacted in 2005 directed the Secretary of the Interior to draft long-term energy plans for the insular areas with the objective of reducing their reliance on energy imports, increase energy conservation and energy efficiency, and use native energy sources. The Energizing Insular Communities (EIC) program provides funding for projects that reflect the energy priorities of the Territory governors and their existing energy plans which may include both renewable and traditional energy investments to improve reliability. The EIC application instructions state that proposals for energy supply and energy efficiency should incorporate commercially available technology and *may* include renewable energy technology.

Many renewable energy technologies are easier and more cost-effective to expand and scale-up in the Territories, which makes these projects more attractive to the Territory energy stakeholders when deciding what projects to pursue. Looking at fiscal year 2022 funding from this program, roughly half of the funds were spent on renewable energy projects, and the other half supported demand-side energy priorities such as lighting retrofits and grid-efficiency projects.

Question 3: The U.S. and the Freely Associated States currently are negotiating the renewal of the Compacts of Freely Association (COFA). The decrease in the OIA FY 2024 budget reflects the expiration of the current COFA agreements but does not include any future COFA spending under the new Compacts. What changes in COFA spending are you expecting, given the amounts provided in the MOUs with FSM, Palau, and RMI that were signed earlier this year?

Response: In response to these unprecedented and extraordinary times, the FY 2024 President's Budget for the State Department requests mandatory resources to out-compete China, strengthen the U.S. role in the Indo-Pacific, and advance American prosperity globally through new investments. The PRC is the United States' only competitor with both the intent to reshape the international order and, increasingly, the economic, diplomatic, military, and technological power to do it. This Out-Compete China mandatory proposal requests $7.1 billion over the next 20 years to amend and extend the Compacts of Free Association with the Freely Associated States of the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau, including $6.5 billion for economic assistance and $634 million for U.S. postal services to the Freely Associated States.

Question 4: Earlier this month, OIA issued a press release announcing Administration support for the Compact Impact Fairness Act (CIFA). The press release stated that the 94,000 FAS citizens who qualify to be counted for purposes of allocating the current Compact Impact grant program are living in states and territories, with more than 50 percent living in the continental U.S. and that 43 percent are now U.S. citizens. It is not clear how the 43% of your 94,000, who are now U.S. citizens qualified as nonimmigrants under the expiring Compact Impact program, but isn't it true that the CIFA bill if approved will not apply 43% of that population of 94,000 persons of FAS heritage who are already U.S. citizens and already eligible for all CIFA programs if otherwise qualified?

Response: Under the existing Compact Impact program, the definition of compact migrant has been interpreted to include FAS citizens, as well as their children under the age of 18, even in cases where the children are born in the U.S. and as such are U.S. citizens. Therefore, it is correct that those who are already U.S. citizens, are already eligible for these Federal programs. CIFA's focus is on extending eligibility of Federal programs to those FAS citizens who are not currently U.S. citizens and who do not have access to these Federal programs regardless of the U.S. jurisdiction in which they choose to reside.

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Subcommittee on Indian and Insular Affairs
House Natural Resources Committee
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May 25, 2023

Questions from Ranking Member Grijalva

Question 1: How many employee vacancies does the Office of Insular Affairs currently have?

Response: As of June 1, 2023, the Office of Insular Affairs has 9 full-time equivalent vacancies.

Question 2: What are areas of priority related to staffing for the Office of Insular Affairs?

Response: The Office of Insular Affairs maintains three divisions: Policy, Budget and Grants Management, and Technical Assistance. These divisions support the execution of the Secretary's responsibilities with respect to the U.S.-affiliated insular areas and focus on general program, political, and economic analysis, managing technical assistance grants, budget formulation and presentation, chief financial officer activities, and strategic planning. The Office of Insular Affairs prioritizes filling vacant positions.

Question 3: What additional resources could the Office of Insular Affairs utilize to effectively assist the U.S. Territories within its jurisdiction with preparing timely and adequate financial reports?

Response: The U.S. Territories experience challenges with preparing timely and adequate financial reports due to logistics and financial limitations for attracting and maintaining an adequate number of qualified staff. The U.S. Territories would benefit from long-term assistance to maintain an adequate number of qualified staff and hire professional consulting services (as needed) to fill gaps and provide increased onsite training and reviews to provide technical advice and confirm progress.

Question 4: Several territories have had longstanding challenges in producing timely and reliable financial data. Given the importance of this data to accurately illustrating the current financial and economic conditions of the territories, how can Interior assist the territories to resolve this persistent challenge?

Response: The U.S. Territories experience challenges with preparing timely and adequate financial reports due to logistics and financial limitations for attracting and maintaining an adequate number of qualified staff. The U.S. Territories would benefit from long-term assistance to maintain an adequate number of qualified staff and hire professional consulting services (as needed) to fill gaps and provide increased onsite training and reviews to provide technical advice and confirm progress.

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Question 5: The two most recent single audit reports indicate a dramatic increase in American Samoa's liabilities. One explanation attributed to this increase is a rise in bank deposits to the Territorial Bank of American Samoa (TBAS), a commercial bank owned by the American Samoa Government which started in 2017. The publicly owned status of the TBAS has also prevented its deposits from being insured by the Federal Deposit Insurance Corporation (FDIC). What is the reason for keeping the bank structured as American Samoa Government-owned and what risks does this pose to the fiscal health of the territorial government?

Response: The American Samoan Government (ASG) has initiated meetings with the U.S. Department of the Treasury and the FDIC to discuss the risk and challenges of not having an FDIC-insured commercial bank operating in American Samoa. ASG has requested guidance and technical assistance from Treasury and FDIC on the feasibility of TBAS obtaining FDIC insurance and certification, and discussion among the parties are ongoing.

Questions for the Record
Subcommittee on Indian and Insular Affairs
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Questions from Representative Case

Question 1: The Biden administration recently signed updated Compacts of Free Association agreements with the Federated States of Micronesia and the Republic of Palau and continues to negotiate an updated Compact with the Republic of the Marshall Islands. I look forward to our Committee's consideration of those proposed agreements but want to underscore in no uncertain terms the necessity of ensuring that the financial costs to U.S. jurisdictions of hosting Compact migrants is properly and fully borne by the federal government. The proposed Compact Impact Fairness Act (CIFA), introduced in both the House and the Senate, would go a long way toward doing so by extending eligibility for certain key federal benefits to citizens of the Freely Associated States living in the United States. I appreciate Biden administration's expressed support for CIFA, but more is needed to assure that CIFA is passed upon and as a condition of Congress' approval of the Compacts. Will the administration include CIFA as an integral and non-severable part of the proposed renewed Compacts of Free Association when it transmits them to Congress?

Response: The Compact Impact Fairness Act is incorporated into the Administration's legislative proposal for the Compacts of Free Association.

Question 2: As one aspect of reimbursing Compact-affected jurisdictions for Compact resident services, Congress has directed Compact Impact Aid, both mandatory and discretionary, to some affected jurisdictions. However, that aid currently expires at the end of Fiscal Year 2023. If Congress is unable to approve the updated Compacts including CIFA by the beginning of Fiscal Year 2024, will the Biden administration support a temporary extension of Fiscal Year 2023 Compact impact funding levels, both mandatory and discretionary, to prevent any gaps in funding unless and until the Compacts and CIFA are approved and effective?

Response: The Administration supports its 2024 budget request. Should the Congress appropriate additional funds for Compact Impact, the Office of Insular Affairs will implement accordingly.