

U.S. Insular Areas

By: [Paul Weiss](#)

The U.S. Insular Areas are unincorporated territories of the United States, five of which have non-voting delegates representing their respective interests in Congress. Those five include two in the Caribbean in Puerto Rico, by far the largest in population and land, and the U.S. Virgin Islands (USVI). Three of the insular areas are in the Pacific, including American Samoa in the South Pacific. Guam and the Commonwealth of the Northern Mariana Islands (CNMI) are in the Western Pacific, approximately 1500 miles southeast of Japan.

These beautiful islands are distinct but still have a lot in common. Each of these jurisdictions is home to U.S. citizens granted by birthright with a unique culture and history and is home to populations that have migrated to and enriched our mainland. The islands all began their relationship with the U.S. due to imperial and/or military strategic interests. The insular area jurisdictions also have significantly higher rates of poverty, inequities on federal programs including healthcare, and are on the frontlines of climate change.

NAMES TO KNOW IN INSULAR AREAS

House



**Raúl
Grijalva**

*Chairman,
Natural
Resources
Committee*



**Richie
Neal**

*Chairman,
Ways and
Means
Committee*



**Rob
Bishop**

*Ranking
Member,
Natural
Resources
Committee*



**Kevin
Brady**

*Ranking
Member,
Ways and
Means
Committee*



**Frank
Pallone**

*Chairman,
Energy and
Commerce
Committee*



**Peter
DeFazio**

*Chairman,
T & I
Committee*



**Greg
Walden**

*Ranking
Member,
Energy and
Commerce
Committee*



**Sam
Graves**

*Ranking
Member,
T & I
Committee*

Hurricanes Irma and Maria devastated Puerto Rico and the USVI in 2017. Recovery from these massive storms we believe will proceed for years, much like the decade long recovery for gulf coast communities hurt by Hurricane Katrina in 2006. Super Typhoon Yutu recently hit the CNMI hard. Saipan and Tinian experienced devastating wind speeds of over 200 miles per hour just over a month ago. Tinian, much like Puerto Rico and USVI, has been devastated by Yutu. In September, Guam was hit by Typhoon Mangkhut with similar wind speeds as Yutu, and American Samoa experienced their own natural disaster recently with Tropical Storm Gita in February 2018.

Prime Policy Group has worked with Governors and representatives from many of the insular area jurisdictions over the years. We are grateful for our familiarity with and affinity for these jurisdictions. Looking forward to the 116th Congress, we believe that a heightened attention will be provided to these jurisdictions and additional necessary federal investments made to protect our common citizens

and to provide for economic development and a better quality of life.

Identified below are areas that we anticipate will generate necessary attention to and hopefully support for addressing the common challenges faced by the U.S. Insular Areas.

Climate / Natural Disasters

House Speaker-Elect Nancy Pelosi recently announced that the House would reinstate the Select Committee on Energy Independence and Global Warming. The catastrophic impacts of the storms that have hit the Insular Areas will be examined by the Select Committee. Recent conversations with House Natural Resources Committee Staff, with oversight jurisdiction on the Insular Areas in the House, have confirmed the appreciation for impacts of super storms of late, and for the need for Congress to provide for preparedness and resiliency for these very much at-risk communities. We expect ongoing support for flexibility under the Stafford Act that can allow these communities in recovery to build their housing stock and infrastructure back to greater standards to withstand the next super storm related event. Staff from the Energy and Natural Resources Committee, which has similar jurisdiction over the Insular Areas as does HNR, have expressed the idea of demonstrating in the insular areas the most resilient energy generation and distribution systems given the increase in super storm related events that are especially impactful on the islands.

Healthcare

Unlike states, Medicaid funding in the Insular Areas is subject an annual cap pursuant to Section 1108 of the Social Security Act (42 U.S.C. 1308). The cap increases annually according to the change in the Consumer Price Index for All Urban Consumers (CPI-U). Once the annual federal funding cap is reached, the territory government is responsible for the remaining cost of all Medicaid services. The cap has put unsustainable burdens on territorial governments. The Affordable Care Act (ACA) increased funding for Medicaid programs in the territories but did not make the increases permanent. Therefore, at the end of FY 2019, the territories will face steep increases to local share of Medicaid costs if a solution is not enacted before October 1, 2019. We expect Congress will act to provide the Insular Areas with additional Medicaid funding.

Infrastructure

Fixing America's Surface Transportation Act (FAST ACT) authorized highway and transit funding for 5 years beginning in 2016. Puerto Rico and the smaller island territories received an authorization for the five-year window at \$158 million and \$42 million for their respective highway programs. Transit

NAMES TO KNOW IN INSULAR AREAS

Senate



John Barrasso
Chairman,
EPW
Committee



Roger Wicker
Incoming
Chairman,
Commerce
Committee



Michael Crapo
Chairman,
Banking
Committee



Chuck Grassley
Incoming
Chairman,
Finance
Committee



Tom Carper
Ranking
Member,
EPW
Committee



TBD
Incoming
Ranking
Member,
Commerce
Committee



Sherrod Brown
Ranking
Member,
Banking
Committee



Ron Wyden
Ranking
Member,
Finance
Committee



Lisa Murkowski
Chairwoman,
Energy and
Natural
Resources
Committee



TBD
Ranking
Member,
Energy and
Natural
Resources
Committee



Lamar Alexander
Chairman,
HELP
Committee



Patty Murray
Ranking
Member,
HELP
Committee

funds, where applicable, are made by formula. Out of the \$42m annual set aside for smaller islands, the U.S. Virgin Islands and Guam receive 40% of the set aside each, while American Samoa and the CNMI receive 10% each annually. Prime Policy Group believes that there will be significant increases to these set aside programs during consideration of an [infrastructure package](#) during the 116th Congress.

Economic Development / Tax

Federal tax policy has been an effective tool to help drive economic development in the Insular Areas. The Insular Areas are outside of federal tax jurisdiction. Congress tailored tax policy specific to the Insular Areas to attract investment and job creation. The most notable policy has been the Possessions Tax Credit S. 936, which Congress decided to phase out beginning in 1996. The impacts of the phase out on the Puerto Rican economy, which is a manufacturing-based economy, has been devastating. American Samoa, which has a large tuna canning industry, continues to rely on a wage credit it receives through the tax code. We expect, based on recent conversations with relevant staff, that these issues will be debated and economic growth policies specific to the territories will be considered further in the 116th Congress.

