

**TO APPROVE THE AGREEMENT PROVIDING TERMS
FOR A CONTINUATION OF THE FREE
ASSOCIATION BETWEEN THE UNITED STATES AND
PALAU, AND FOR OTHER PURPOSES**

MARKUP

BEFORE THE
SUBCOMMITTEE ON ASIA AND THE PACIFIC
OF THE

COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

SECOND SESSION

ON

H.R. 6040

—————
JULY 18, 2012
—————

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**TO APPROVE THE AGREEMENT PROVIDING
TERMS FOR A CONTINUATION OF THE
FREE ASSOCIATION BETWEEN THE UNITED
STATES AND PALAU, AND FOR OTHER PUR-
POSES**

WEDNESDAY, JULY 18, 2012

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON ASIA AND THE PACIFIC,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2 p.m., in room 2172, Rayburn House Office Building, Hon. Donald A. Manzullo (chairman of the subcommittee) presiding.

Mr. MANZULLO. The subcommittee will come to order. Pursuant to notice, and for purposes of a markup, I call up H.R. 6040, the Continued Free Association with Palau Act of 2012.

The clerk will designate the bill.

Ms. SANTANA. H.R. 6040, to approve the agreement providing terms for continuation of the free association between the United States and Palau, and for other purposes. Be it enacted—

Mr. MANZULLO. Without objection, the measure is considered read and open for amendment.

[H.R. 6040 follows:]

112TH CONGRESS
2D SESSION

H. R. 6040

To approve the Agreement providing terms for a continuation of the free association between the United States and Palau, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JUNE 27, 2012

Mr. MANZULLO (for himself, Mr. FALCROMAVAEGA, Mr. BURTON of Indiana, Mr. ROHRBACHER, Ms. BORDALLO, Mr. CHABOT, Mr. KELLY, Mr. SABLAN, Mr. JOHNSON of Ohio, Mr. WILSON of South Carolina, Mr. SERRANO, Mr. DIAZ-BALART, Mr. YOUNG of Alaska, Mrs. CHRISTENSEN, Mr. RIVERA, and Mr. PIERLUISI) introduced the following bill; which was referred to the Committee on Foreign Affairs, and in addition to the Committee on Natural Resources, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To approve the Agreement providing terms for a continuation of the free association between the United States and Palau, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Continued Free Asso-
5 ciation with Palau Act of 2012”.

1 **SEC. 2. APPROVAL OF AGREEMENT.**

2 Title I of Public Law 99–658 (48 U.S.C. 1931 et
3 seq.) is amended by adding at the end the following:

4 **“SEC. 105. COMPACT 15TH ANNIVERSARY SECTION 432 RE-
5 VIEW AGREEMENT.**

6 “(a) IN GENERAL.—The Agreement and appendices
7 signed by the United States and the Republic of Palau
8 on September 3, 2010 (in this section referred to as the
9 ‘Agreement’), in connection with section 432 of the Com-
10 pact of Free Association between the Government of the
11 United States of America and the Government of Palau
12 (48 U.S.C. 1931 note; Public Law 99–658) (in this section
13 referred to as the ‘Compact of Free Association’), are ap-
14 proved—

15 “(1) except for the extension of Article X of the
16 Agreement Regarding Federal Programs and Serv-
17 ices, and Concluded Pursuant to Article II of Title
18 Two and section 232 of the Compact of Free Asso-
19 ciation; and

20 “(2) subject to the provisions of this section.

21 “(b) FUNDING PROVISIONS.—

22 “(1) INFRASTRUCTURE MAINTENANCE.—The
23 amounts to be provided by the United States and
24 Palau in fiscal year 2011 under section 2(a) of the
25 Agreement shall be provided in fiscal year 2013, in

1 addition to the amounts otherwise to be provided
2 under that section in that fiscal year.

3 “(2) FISCAL CONSOLIDATION FUND.—The
4 amounts to be provided by the United States under
5 section 3 of the Agreement in fiscal years 2011 and
6 2012 shall be provided in fiscal years 2012 and
7 2013, respectively, and the amount so provided by
8 the United States under that section in fiscal year
9 2012 shall be reduced by \$411,000.

10 “(3) INFRASTRUCTURE PROJECTS.—The
11 amounts to be provided by the United States under
12 section 5 of the Agreement in fiscal years 2011
13 through 2016 shall be provided in fiscal years 2012
14 through 2017, respectively.

15 “(c) APPROVAL OF AMENDMENTS TO COMPACT SUB-
16 SIDIARY AGREEMENTS.—Congress consents to the amend-
17 ments to the Compact subsidiary agreements referred to
18 in sections 7 and 8 of the Agreement .

19 “(d) APPLICATION OF RELATED LAW.—Section
20 105(f)(1)(B)(ix) of the Compact of Free Association
21 Amendments Act of 2003 (48 U.S.C. 1921d(f)(1)(B)(ix)
22 shall be applied by substituting ‘2024’ for ‘2009’.

23 “(e) AUTHORIZATION OF APPROPRIATIONS.—

24 “(1) POSTAL SERVICES.—There are authorized
25 to be appropriated to the Department of the Interior

1 \$1,500,000 for each of fiscal years 2012 through
2 2024 for postal services related to Palau, the Fed-
3 erated States of Micronesia, and the Marshall Is-
4 lands, to remain available until expended. The De-
5 partment of the Interior may transfer funds made
6 available pursuant to this paragraph to the United
7 States Postal Service so long as domestic postage
8 may be used for mail to Palau, the Federated States
9 of Micronesia, and the Marshall Islands.

10 “(2) CONTINUATION OF OTHER APPROPRIA-
11 TIONS.—Appropriations to the Federal entities re-
12 ferred to in paragraphs (1), (3), and (4) of section
13 221(a) of the Compact of Free Association, and the
14 successors to such Federal entities, to which appro-
15 priations have been made available in fiscal year
16 2011, may be made through fiscal year 2024 to
17 carry out the purposes of those paragraphs, and
18 shall remain available until expended.

19 “(3) FULL FAITH AND CREDIT.—Section 236 of
20 the Compact applies to the commitments of the
21 United States under sections 1, 2(a), 3, 4(a), and 5
22 of the Compact Review Agreement, and to the
23 amounts necessary to conduct the audits required by
24 Appendix D to the Compact Review Agreement, to
25 the same extent as such section 236 applies to the

1 Compact. Section 215 of the Compact shall be ap-
2 plied to such commitments and amounts by sub-
3 stituting ‘2011’ for ‘1981’.

4 “(f) OVERSIGHT AND REPORT TO APPROPRIATE
5 CONGRESSIONAL COMMITTEES.—

6 “(1) FINDING.—The Congress finds that the
7 Government of Palau is eligible for certain United
8 States domestic programs.

9 “(2) ANNUAL REPORT.—

10 “(A) REPORT.—The Secretary of the Inte-
11 rior, because of the Secretary’s jurisdiction with
12 respect to the administration of financial assist-
13 ance under the Compact, shall, not later than
14 March 1 of each year, submit to the Committee
15 on Energy and Natural Resources of the Senate
16 and to the Committee on Foreign Affairs and
17 the Committee on Natural Resources of the
18 House of Representatives, a report on the use
19 and effectiveness of financial, technical, and
20 other assistance provided to Palau under any
21 United States domestic program described in
22 paragraph (1).

23 “(B) CONSULTATION.—In preparing each
24 report required by subparagraph (A) with re-
25 spect to a domestic program, the Secretary of

1 the Interior shall consult with the Federal agen-
2 cy or agencies with jurisdiction over that do-
3 mestic program.”.

4 **SEC. 3. OFFSETS.**

5 (a) REPEAL OF PRIOR AUTHORIZATION FOR CIVIL
6 ADMINISTRATION OF TRUST TERRITORY OF THE PACIFIC
7 ISLANDS.—Section 3 of the Act of June 30, 1954 (68
8 Stat. 330, 82 Stat. 1213, chapter 423) is repealed.

9 (b) GLOBAL HEALTH PROGRAMS.—Chapter 1 of part
10 I of the Foreign Assistance Act of 1961 (22 U.S.C. 2151
11 et seq.) is amended by adding at the end the following:

12 **“SEC. 136. LIMITATION ON USE OF FUNDS.**

13 “(a) LIMITATION.—None of the funds made available
14 to carry out this chapter or chapter 10 for global health
15 activities for fiscal year 2012 and each fiscal year there-
16 after through fiscal year 2024 may be used to provide as-
17 sistance to the People’s Republic of China for such activi-
18 ties.

19 “(b) AMOUNT OF REDUCTION.—The total amount
20 that may be obligated for global health activities for a fis-
21 cal year in subsection (a) is \$2,000,000 less than the total
22 amount made available for such activities for such fiscal
23 year.

1 “(c) APPLICABILITY.—This section applies notwith-
2 standing any other provision of law enacted after the en-
3 actment of this section.”.

4 (c) CLIMATE CHANGE FUNDS.—Chapter 4 of part II
5 of the Foreign Assistance Act of 1961 (relating to the eco-
6 nomic support fund) (22 U.S.C. 2346 et seq.) is amended
7 by adding at the end the following:

8 **“SEC. 535. LIMITATION ON USE OF FUNDS.**

9 “(a) LIMITATION.—None of the funds made available
10 to carry out this chapter for climate change activities for
11 fiscal year 2012 and each fiscal year thereafter through
12 fiscal year 2024 may be used to provide assistance to the
13 People’s Republic of China for such activities.

14 “(b) AMOUNT OF REDUCTION.—The total amount
15 that may be obligated for climate change activities for a
16 fiscal year in subsection (a) is \$4,500,000 less than the
17 total amount made available for such activities for such
18 fiscal year.

19 “(c) APPLICABILITY.—This section applies notwith-
20 standing any other provision of law enacted after the en-
21 actment of this section.”.

22 (d) PROHIBITION ON FUNDING FOR DEVELOPMENT
23 INNOVATION VENTURES (DIV) PROGRAM.—Section 667
24 of the Foreign Assistance Act of 1961 (22 U.S.C. 2427)
25 is amended by adding at the end the following:

1 “(c)(1) None of the funds made available for fiscal
2 years 2012 and 2013 to the United States Agency for
3 International Development may be used for the Develop-
4 ment Innovation Ventures (DIV) program or any suc-
5 cessor program.

6 “(2) The total amount that may be obligated by the
7 United States Agency for International Development for
8 a fiscal year in subsection (a) is \$28,200,000 less than
9 the total amount made available for such Agency for such
10 fiscal year.

11 “(3) This subsection applies notwithstanding any
12 other provision of law enacted after the enactment of this
13 subsection.”.

14 (c) IMET.—Section 542 of the Foreign Assistance
15 Act of 1961 (22 U.S.C. 2347a) is amended—

16 (1) by striking “There are authorized” and in-
17 serting the following:

18 “(a) IN GENERAL.—There are authorized”; and

19 (2) by adding at the end the following:

20 “(b) LIMITATION ON USE OF FUNDS.—

21 “(1) LIMITATION.—None of the funds made
22 available to carry out this chapter for fiscal year
23 2012 and each fiscal year thereafter through fiscal
24 year 2024 may be used to provide assistance to Ar-
25 gentina.

1 “(2) AMOUNT OF REDUCTION.—The total
2 amount that may be obligated under this chapter for
3 a fiscal year in subsection (a) is \$4,500,000 less
4 than the total amount made available for such ac-
5 tivities for such fiscal year.

6 “(3) APPLICABILITY.—This subsection applies
7 notwithstanding any other provision of law enacted
8 after the enactment of this subsection.”.

9 (f) UNESCO.—Chapter 3 of part I of the Foreign
10 Assistance Act of 1961 (22 U.S.C. 301 et seq.) is amended
11 by adding at the end the following:

12 **“SEC. 308. LIMITATION ON USE OF FUNDS.**

13 “(a) LIMITATION.—None of the funds made available
14 for fiscal year 2012 and each fiscal year thereafter
15 through fiscal year 2024 for United States assessed con-
16 tributions to the United Nations may be used for such
17 contributions to the United Nations Educational, Sci-
18 entific and Cultural Organization.

19 “(b) AMOUNT OF REDUCTION.—The total amount
20 that may be obligated for a fiscal year in subsection (a)
21 for United States assessed contributions to the United Na-
22 tions is \$4,500,000 less than the total amount made avail-
23 able for such contributions for such fiscal year.

1 “(c) APPLICABILITY.—This section applies notwith-
2 standing any other provision of law enacted after the en-
3 actment of this section.”.

4 (g) UNITED STATES INSTITUTE OF PEACE.—Section
5 1710 of the United States Institute of Peace (22 U.S.C.
6 4609) is amended by adding at the end the following:

7 “(c) LIMITATION ON OBLIGATION OF FUNDS.—

8 “(1) LIMITATION.—The total amount that may
9 be obligated to carry out this title for fiscal year
10 2012 and each fiscal year thereafter through fiscal
11 year 2024 is \$6,811,000 less than the total amount
12 made available for such purpose for such fiscal year.

13 “(2) APPLICABILITY.—This subsection applies
14 notwithstanding any other provision of law enacted
15 after the enactment of this subsection.”.

Mr. MANZULLO. I have a bipartisan amendment in the nature of a substitute that makes a few changes to the underlying legislation. The amendment, which was sent to the members' offices yesterday, was carefully considered and improves the underlying legislation by fully offsetting the costs.

The clerk will report the amendment.

Ms. SANTANA. Amendment in the nature of a substitute to H.R. 6040 offered by Mr. Manzullo of Illinois. Strike all after the enacting clause—

Mr. MANZULLO. Without objection, the amendment in the nature of a substitute is considered read.

[The amendment in the nature of a substitute offered by Mr. Manzullo follows:]

**AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 6040
AS ADOPTED BY THE SUBCOMMITTEE ON ASIA
AND THE PACIFIC**

Strike all after the enacting clause and insert the following:

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Continued Free Asso-
3 ciation with Palau Act of 2012”.

4 **SEC. 2. APPROVAL OF AGREEMENT.**

5 Title I of Public Law 99–658 (48 U.S.C. 1931 et
6 seq.) is amended by adding at the end the following:

7 **“SEC. 105. COMPACT 15TH ANNIVERSARY SECTION 432 RE-
8 VIEW AGREEMENT.**

9 “(a) IN GENERAL.—The Agreement and appendices
10 signed by the United States and the Republic of Palau
11 on September 3, 2010 (in this section referred to as the
12 ‘Agreement’), in connection with section 432 of the Com-
13 pact of Free Association between the Government of the
14 United States of America and the Government of Palau
15 (48 U.S.C. 1931 note; Public Law 99–658) (in this section
16 referred to as the ‘Compact of Free Association’), are ap-
17 proved—

1 “(1) except for the extension of Article X of the
2 Agreement Regarding Federal Programs and Serv-
3 ices, and Concluded Pursuant to Article II of Title
4 Two and section 232 of the Compact of Free Asso-
5 ciation; and

6 “(2) subject to the provisions of this section.

7 “(b) FUNDING PROVISIONS.—

8 “(1) INFRASTRUCTURE MAINTENANCE.—The
9 amounts to be provided by the United States and
10 Palau in fiscal year 2011 under section 2(a) of the
11 Agreement shall be provided in fiscal year 2013, in
12 addition to the amounts otherwise to be provided
13 under that section in that fiscal year.

14 “(2) FISCAL CONSOLIDATION FUND.—The
15 amounts to be provided by the United States under
16 section 3 of the Agreement in fiscal years 2011 and
17 2012 shall be provided in fiscal years 2012 and
18 2013, respectively, and the amount so provided by
19 the United States under that section in fiscal year
20 2012 shall be reduced by \$411,000.

21 “(3) INFRASTRUCTURE PROJECTS.—The
22 amounts to be provided by the United States under
23 section 5 of the Agreement in fiscal years 2011
24 through 2016 shall be provided in fiscal years 2012
25 through 2017, respectively.

1 “(e) APPROVAL OF AMENDMENTS TO COMPACT SUB-
2 SIDIARY AGREEMENTS.—Congress consents to the amend-
3 ments to the Compact subsidiary agreements referred to
4 in sections 7 and 8 of the Agreement .

5 “(d) APPLICATION OF RELATED LAW.—Section
6 105(f)(1)(B)(ix) of the Compact of Free Association
7 Amendments Act of 2003 (48 U.S.C. 1921d(f)(1)(B)(ix)
8 shall be applied by substituting ‘2024’ for ‘2009’.

9 “(e) AUTHORIZATION OF APPROPRIATIONS.—

10 “(1) POSTAL SERVICES.—There are authorized
11 to be appropriated to the Department of the Interior
12 \$1,500,000 for each of fiscal years 2012 through
13 2024 for postal services related to Palau, the Fed-
14 erated States of Micronesia, and the Marshall Is-
15 lands, to remain available until expended. The De-
16 partment of the Interior may transfer funds made
17 available pursuant to this paragraph to the United
18 States Postal Service so long as domestic postage
19 may be used for mail to Palau, the Federated States
20 of Micronesia, and the Marshall Islands.

21 “(2) CONTINUATION OF OTHER APPROPRIA-
22 TIONS.—Appropriations to the Federal entities re-
23 ferred to in paragraphs (1), (3), and (4) of section
24 221(a) of the Compact of Free Association, and the
25 successors to such Federal entities, to which appro-

1 priations have been made available in fiscal year
2 2011, may be made through fiscal year 2024 to
3 carry out the purposes of those paragraphs, and
4 shall remain available until expended.

5 “(3) FULL FAITH AND CREDIT.—Section 236 of
6 the Compact applies to the commitments of the
7 United States under sections 1, 2(a), 3, 4(a), and 5
8 of the Compact Review Agreement, and to the
9 amounts necessary to conduct the audits required by
10 Appendix D to the Compact Review Agreement, to
11 the same extent as such section 236 applies to the
12 Compact. Section 215 of the Compact shall be ap-
13 plied to such commitments and amounts by sub-
14 stituting ‘2011’ for ‘1981’.

15 “(f) OVERSIGHT AND REPORT TO APPROPRIATE
16 CONGRESSIONAL COMMITTEES.—

17 “(1) FINDING.—The Congress finds that the
18 Government of Palau is eligible for certain United
19 States domestic programs.

20 “(2) ANNUAL REPORT.—

21 “(A) REPORT.—The Secretary of the Inte-
22 rior, because of the Secretary’s jurisdiction with
23 respect to the administration of financial assist-
24 ance under the Compact, shall, in consultation
25 with the Secretary of State, submit to the Com-

1 mittee on Energy and Natural Resources of the
2 Senate and to the Committee on Foreign Af-
3 fairs and the Committee on Natural Resources
4 of the House of Representatives, not later than
5 March 1 of each year, a report on the use and
6 effectiveness of financial, technical, and other
7 assistance provided to Palau under any United
8 States domestic program described in para-
9 graph (1).

10 “(B) CONSULTATION.—In preparing each
11 report required by subparagraph (A) with re-
12 spect to a domestic program, the Secretary of
13 the Interior shall consult with the Federal agen-
14 cy or agencies with jurisdiction over that do-
15 mestic program.”.

16 **SEC. 3 OFFSET.**

17 (a) DENIAL AND REVOCATION OF PASSPORTS.—The
18 Act entitled “An Act to regulate the issue and validity of
19 passports, and for other purposes”, approved July 3, 1926
20 (22 U.S.C. 211a et seq.), commonly known as the “Pass-
21 port Act of 1926”, is amended by adding at the end the
22 following:

23 **“SEC. 4. AUTHORITY TO DENY OR REVOKE PASSPORT.**

24 “(a) INELIGIBILITY FOR INDIVIDUALS WITH OUT-
25 STANDING DELINQUENT DEBTS.—

1 “(1) INELIGIBILITY.—

2 “(A) ISSUANCE.—Except as provided
3 under paragraph (2), the Secretary of State
4 may not issue a passport or passport card to
5 any individual who has an outstanding delin-
6 quent debt.

7 “(B) REVOCATION.—The Secretary of
8 State may revoke a passport or passport card
9 previously issued to any individual described in
10 subparagraph (A).

11 “(C) OUTSTANDING DELINQUENT DEBT.—
12 For purposes of this subsection, the term ‘out-
13 standing delinquent debt’ means an amount in
14 excess of \$50,000 in Federal taxes that is owed
15 to the United States Government and is seri-
16 ously delinquent in payments, but does not in-
17 clude—

18 “(i) a debt that is being paid in a
19 timely manner pursuant to an agreement
20 entered into between the debtor and the
21 United States; and

22 “(ii) a debt with respect to which col-
23 lection is suspended because a hearing or
24 other adjudicative process on the validity
25 of the debt, the delinquency of payments

1 on the debt, or other issue relating to the
2 debt is requested or pending.

3 “(2) EXCEPTIONS.—

4 “(A) EMERGENCY AND HUMANITARIAN
5 SITUATIONS.—Notwithstanding paragraph (1),
6 the Secretary of State may issue a passport or
7 passport card, in emergency circumstances or
8 for humanitarian reasons, to an individual de-
9 scribed in paragraph (1)(A).

10 “(B) LIMITATION FOR RETURN TO UNITED
11 STATES.—Notwithstanding paragraph (1)(B),
12 the Secretary of State, before revocation of a
13 passport or passport card, may—

14 “(i) limit a previously issued passport
15 or passport card only for return travel to
16 the United States; or

17 “(ii) issue a limited passport or pass-
18 port card that only permits return travel to
19 the United States.

20 “(3) PROVISION OF INFORMATION.—The Com-
21 missioner of Internal Revenue shall, upon the re-
22 quest of the Secretary of State, provide to the Sec-
23 retary the names, social security numbers, and dates
24 of birth of those individuals who have an out-
25 standing delinquent debt.

1 “(4) HOLD HARMLESS.—The Secretary of State
2 shall not be liable to any individual for any action
3 taken pursuant to this subsection by the head of any
4 other department or agency.

5 “(b) INELIGIBILITY OF INDIVIDUALS WITHOUT SO-
6 CIAL SECURITY ACCOUNT NUMBER.—

7 “(1) DENIAL.—

8 “(A) IN GENERAL.—Except as provided
9 under subparagraph (B), upon receiving an ap-
10 plication for a passport from an individual that
11 either—

12 “(i) does not include the social secu-
13 rity account number issued to that indi-
14 vidual, or

15 “(ii) includes an incorrect or invalid
16 social security number willfully, inten-
17 tionally, negligently, or recklessly provided
18 by such individual,

19 the Secretary of State is authorized to deny
20 such application and is authorized to not issue
21 a passport or passport card to the individual.

22 “(B) EMERGENCY AND HUMANITARIAN
23 SITUATIONS.—Notwithstanding subparagraph
24 (A), the Secretary of State may issue a pass-
25 port or passport card, in emergency cir-

1 cumstances or for humanitarian reasons, to an
2 individual described in subparagraph (A).

3 “(2) REVOCATION.—

4 “(A) IN GENERAL.—The Secretary of
5 State may revoke a passport or passport card
6 previously issued to any individual described in
7 paragraph (1)(A).

8 “(B) LIMITATION FOR RETURN TO UNITED
9 STATES.—If the Secretary of State decides to
10 revoke a passport or passport card under sub-
11 paragraph (A), the Secretary of State, before
12 revocation, may—

13 “(i) limit a previously issued passport
14 or passport card only for return travel to
15 the United States; or

16 “(ii) issue a limited passport or pass-
17 port card that only permits return travel to
18 the United States.

19 “(e) REGULATIONS.—The Secretary of State shall
20 issue such regulations as are necessary to carry out this
21 section, including further defining ‘outstanding delinquent
22 debt’ under subsection (a) in consultation with the heads
23 of the appropriate departments and agencies of the United
24 States.”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall take effect on January 1, 2013.



Mr. MANZULLO. The amendment in the nature of a substitute replaces section 3 of the underlying legislation with a mandatory spending offset that fully covers the \$183 million cost of the bill. This provision titled “Denial and Revocation of Passports” amends the Passport Act of 1926 to provide the Secretary of State the authority to deny or revoke the passports of anyone who owes \$50,000 or more in Federal back taxes and is seriously delinquent in payment.

There is legal precedence for the State Department to withhold the issuance of passports for a number of reasons, including parents owing more than \$2,500 in back childcare payments. The Supreme Court specifically held that that law is constitutional. The offset in the amendment is modeled after this highly successful program and has several built-in safety nets to ensure that only those who are seriously delinquent are affected.

The Government Accountability Office released a report last year that studied the feasibility of using passport issuance as a tool for collecting billions of dollars in unpaid taxes. According to GAO, over 1 percent of total passport issuances in Fiscal Year 2008 were to people who owed over \$5.8 billion in unpaid Federal taxes. The Joint Committee on Taxation estimates that the U.S. Government stands to generate over \$400 million over 10 years if even a small fraction of the back taxes were collected as a result of this provision. In fact, a similar provision passed the Senate as part of the Senate’s transportation bill, S. 1813, with a bipartisan margin of 74 to 22.

I urge my colleagues to support the amendment in the nature of a substitute and the underlying legislation. The compact renewal with the Republic of Palau preserves an important relationship that is vital to our national security. Palau is a strong supporter of Israel at the U.N., votes consistently to condemn Communist Cuba, and even supports Taiwan over China. Citizens from Palau serve in the U.S. Armed Forces and have paid the ultimate sacrifice in defense of this Nation. With China’s rapid rise in the South China Sea, it is critical that we secure America’s vital interests in the Western Pacific.

I now recognize the ranking member, Mr. Faleomavaega.

Mr. FALEOMAVAEGA. Mr. Chairman, thank you for calling this markup, as it is very important. And I want to ask unanimous consent that the full text of my statement be made part of the record.

Mr. MANZULLO. Without objection, the complete statement will be made a part of the record.

Mr. FALEOMAVAEGA. Thank you.

And I kind of wanted to gloss over it a little bit. I want to say how deeply I appreciate not only your leadership, but your commitment and being helpful to this piece of legislation, which is very important not only to the people of Palau, but certainly to the interests of our own Government.

I can give you all the historical overview of this issue and the problems in terms of our investment in the Pacific—especially the Micronesia entities—immediately following World War II.

I do want to say, Mr. Chairman, that the U.S. interests relating to Palau are being preserved because of your leadership, Mr. Chairman, finding alternative offsets and those that are in the bill now. The offset is in the substitute that I joined you in developing.

The law that will come from this legislation and the preservation of U.S. strategic and economic interests for the next dozen years will be a major issue to the legacy you have given to our Nation, and especially to the good people and the leaders of Palau.

And with that, Mr. Chairman, I fully support the substitute that you have introduced, and I ask my colleagues to support and endorse this.

Mr. MANZULLO. Thank you.

Are there any other members who wish to strike the last word and speak briefly on the measure?

Hearing no further amendments, the question is on agreeing to the bipartisan amendment in the nature of a substitute.

All those in favor, signify by saying aye.

All those opposed, no.

In the opinion of the Chair, the ayes have it, and the amendment in the nature of a substitute is agreed to.

The question now occurs on adopting the legislation as amended.

All those in favor, signify by saying aye.

All those opposed, no.

In the opinion of the Chair, the ayes have it, and the amended legislation is agreed to.

Without objection, H.R. 6040, as amended, is reported favorably to the full Committee on Foreign Affairs, and the staff is authorized to make any technical and conforming changes.

That concludes our business. Without objection, the subcommittee stands adjourned.

[Whereupon, at 2:07 p.m., the subcommittee was adjourned.]

A P P E N D I X



MATERIAL SUBMITTED FOR THE HEARING RECORD

**SUBCOMMITTEE MARKUP NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C.**

**Subcommittee on Asia and the Pacific
Donald A. Manzullo (R-IL), Chairman**

July 13, 2012

You are respectfully requested to attend an OPEN meeting of the Committee on Foreign Affairs, Subcommittee on Asia and the Pacific, to be held in **Room 2172 of the Rayburn House Office Building (and available live, via the Committee website at <http://www.hcfa.house.gov>)**:

DATE: Wednesday, July 18, 2012

TIME: 2:00 p.m.

MARKUP OF: H.R. 6040, To approve the Agreement providing terms for a continuation of the free association between the United States and Palau, and for other purposes.

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.



COMMITTEE ON FOREIGN AFFAIRS
MINUTES OF SUBCOMMITTEE MARKUP

MINUTES OF SUBCOMMITTEE ON Asia and the Pacific MARKUP

Day Wednesday Date July 18, 2012 Room 2172

Starting Time 2:01p.m. Ending Time 2:05p.m.

Recesses (___ to ___) (___ to ___) (___ to ___) (___ to ___) (___ to ___) (___ to ___)

Presiding Member(s)

Chairman Donald Manzullo

Check all of the following that apply:

Open Session

Executive (closed) Session

Televised

Electronically Recorded (taped)

Stenographic Record

BILLS FOR MARKUP: *(Include bill number(s) and title(s) of legislation.)*

H.R. 6040: To approve the agreement providing terms for a continuation of the free association between the United States and Palau, and for other purposes

COMMITTEE MEMBERS PRESENT:

Congressman Steve Chabot, Congressman Jeff Duncan, Congressman Ed Royce, Congressman Eni Faleomavaega, Congressman Ben Chandler, Congressman Mike Kelly

NON-COMMITTEE MEMBERS PRESENT:

STATEMENTS FOR THE RECORD: *(List any statements submitted for the record.)*

I. Ranking Member Faleomavaega - Statement for the record

ACTIONS TAKEN DURING THE MARKUP: *(Attach copies of legislation and amendments.)*

The Chair called up the legislation for consideration by the Subcommittee. An amendment in the nature of a substitute offered by Chairman Manzullo was agreed to by voice vote. H.R. 6040, as amended, was agreed to by voice vote, and was ordered favorably reported to the full Committee by unanimous consent.

RECORDED VOTES TAKEN (FOR MARKUP): *(Attach final vote tally sheet listing each member.)*

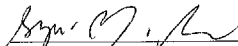
<u>Subject</u>	<u>Yeas</u>	<u>Nays</u>	<u>Present</u>	<u>Not Voting</u>
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N/A - Voice Vote

TIME SCHEDULED TO RECONVENE _____

or

TIME ADJOURNED 2:05p.m.


 Subcommittee Staff Director

**Statement of the
Hon. Eni F.H. Faleomavaega
in the Foreign Affairs Subcommittee on Asia and the Pacific
Mark-up of H.R. 6040, Continued Free Association with Palau Act of 2012**

July 18, 2012

Mr. Chairman,

I want to thank you for your leadership and for having today's markup on legislation that is long overdue. H.R. 6040 is a bipartisan bill that is supported by our colleagues on both sides of the aisle and I join them in sponsorship to approve the Agreement signed by the representative of the U.S. with the President of Palau providing terms to continue the free association between the U.S. and the Republic of Palau through Fiscal Year 2024.

The Agreement was developed pursuant to a requirement of the Compact of Free Association between the United States and Palau, which was approved by law.

The Compact preserves U.S. strategic control over the lands and waters of Palau and provides military base rights for up to 50 years. It specified assistance to Palau for the first 15 years of free association, which expired with the end of Fiscal Year 2009, and requires bilateral talks to determine the future of the association and U.S. assistance to Palau at the 15, 30, and 40 year marks.

The U.S. first acquired strategic control of Palau and other Micronesian islands through one of the bloodiest battles of World War Two. It later exercised this control for 50 years through an agreement with the United Nations that allowed the U.S. to govern the islands but also required the U.S. to develop and assist the islands economically and eventually into self-government.

To prevent a loss of strategic control with self-government, the U.S. extended substantial assistance, including domestic programs, and successfully encouraged one group of the islands to become a territory of the U.S. and the three others to become unique states in free association with the United States.

The Department of Defense has advised this Congress by stating, "[f]ailure to follow through on our commitments to Palau, as reflected in the proposed legislation, would jeopardize our defense posture in the Western Pacific" which "will become increasingly important as the United States seeks to protect its interests."

The Pentagon considers Palau "irreplaceable" because it covers a strategic expanse of the Pacific as large as Texas. The free association right of the U.S. to deny access to other nations prevents China from using sea-lanes that it wants to develop its economy and increase its military projection in the region.

The Department of State also says that continuing the association is “vital”, additionally because Palau votes with the U.S. in the United Nations more than any other member. This support is very critical for the U.S. on international issues, especially Israel.

As you may know, the Administration delayed negotiating the Agreement, but was finally completed in 2010. This delay in effect has given Congress little time to work with the Administration. First, Congressional action has been delayed because the Administration did not identify suitable offsets for the relatively small cost of the Agreement. Then, the Administration were not helpful and willing to develop alternatives to offsets in the U.S. Department of the Interior programs that had been previously rejected by the leaders of both parties of the House Committee on Natural Resources and its counterpart committee in the Senate. The offsets offered by the Administration were also, in fact, not supported by the appropriations chairmen in both chambers.

The offset issue has been the only delaying factor with respect to the legislation, which has continuously been supported by a broad cross-section of members of both houses and which no member has opposed. With so much at stake, the Administration has not acted responsibly by continuing to propose cost offsets it knows are unacceptable on a bipartisan, bicameral basis and by being unwilling to develop alternatives.

In a letter to the Congress, President Toribiong of Palau has informed us that the 22 months without final U.S. approval that have elapsed since the Agreement was signed has caused an increasing number of Palauans to question the Agreement and the commitment of the U.S. to the free association relationship. This has resulted in the vulnerability of the Palauan people for aid from China and offers of funding from Arab nations, which want Palau to break from the U.S. and Israel in the United Nations.

U.S. interests related to Palau are being preserved because of your leadership, Mr. Chairman, in finding alternative offsets, those that are in the bill and, now, the offset that is in the substitute that I joined you in developing. The law that will come from this legislation -- and the preservation of U.S. strategic and economic interests for the next dozen years that it means -- will be a major addition to the legacy you have given the Nation through your service in the Congress.

I strongly urge our colleagues to support the substitute amendment and ensuring that the U.S. and Palau relations remain resolute. Thank you, Mr. Chairman.