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6 OVERSIGHT HEARING ON:

7 POLICY PRIORITIES FOR THE ADMINISTRATION'S

8 FISCAL YEAR 2021 BUDGET FOR THE INSULAR AREAS

9 Tuesday, February 11, 2020

10 House of Representatives,

11 Committee on Natural Resources,

12 Office of Insular Affairs

13 Washington, D.C.

14

15

16

17 The Committee met, pursuant to notice, at 2:09 p.m., in  
18 Room 1324, Longworth House Office Building, Hon. Gregorio  
19 Sablan [Vice Chair of the Committee] presiding.

20 Present: Vice Chair Sablan, and Representatives Case,  
21 Cox, Cunningham, San Nicolas, Soto,; and González-Colón.

22 Also present: Representative Plaskett.

23

24           \*Mr. Sablan. I apologize, I was at a markup that was  
25 supposed to last an hour-and-a-half, and it lasted, like,  
26 four hours, so the Committee will now come to order.

27           The Committee is meeting today to hear testimony on the  
28 *Policy Priorities of the Trump Administration's Fiscal Year*  
29 *2021 Budget for the Insular Areas.*

30           Under Committee rule 4(f), any oral opening statements  
31 at hearings are limited to the Chairman and the Ranking  
32 Minority Member.

33           Therefore, I ask unanimous consent that all other  
34 Members' opening statements be made part of the hearing  
35 record if they are submitted to the clerk by 5:00 p.m.  
36 today.

37           Hearing no objection, so ordered.

38           I also ask unanimous consent for the gentlelady from the  
39 U.S. Virgin Islands -- she will be here -- Ms. Plaskett, to  
40 sit on the dais and question the witnesses at today's  
41 hearing.

42           Without objection, so ordered.

43           And I now recognize myself for my opening statement.

44

45 STATEMENT OF THE HON. GREGORIO KILILI CAMACHO SABLAN, A  
46 DELEGATE IN CONGRESS FROM THE TERRITORY OF THE NORTHERN  
47 MARIANA ISLANDS

48

49 \*Mr. Sablan. Good afternoon again, everyone, and thank  
50 you very much for joining us this afternoon. Thank you to  
51 the governors, Governor Guerrero, Governor Bryan, from -- and  
52 Lieutenant Governor Palacios, for being here for this hearing  
53 on the President's budget proposal for Fiscal Year 2021.

54 I know Washington is a long way from home, and you will  
55 have to make best use of your limited time here. Obviously,  
56 you think it is important to let Congress know what your  
57 financial needs are for the coming fiscal year because  
58 Congress appropriates the money.

59 I want you to know that the Office of Insular Affairs  
60 was also invited to be here to explain and defend the  
61 President's budget, and they declined. And given the way  
62 they wanted to cut your funding, I can understand why they  
63 may not want to be here. So we will proceed without them.

64 I would like to take a quick look back before we talk  
65 about the future. We made some important decisions for you  
66 in Fiscal Year 2020. When the governors were here a year  
67 ago, we were on the brink of a medical cliff. Your Obamacare  
68 money was running out, and the longstanding goal of State --  
69 was unfulfilled. That has all changed.

70           You wanted a federal local Medicaid match like a  
71 State's. Congress gave you an 83-17 federal-local match,  
72 better than any State gets. You wanted unlimited federal  
73 money like a State. I can't say we have got unlimited money,  
74 but in the case of the Marianas, for example, Congress  
75 provided \$60 million. That is nine times more than current  
76 law, exactly what the governor's office told us would cover  
77 their costs.

78           What we did not get you is a permanent fix. Congress  
79 was ready to give you six years of funding. I understand  
80 that the White House is responsible for cutting that back to  
81 two years. It was the last item on the agenda before the  
82 President said he was -- may consider threatening vetoing the  
83 budget if six years of funding for Medicaid for Puerto Rico  
84 and other territories are in there.

85           So now the ball is in your court. Congress wants you to  
86 have more Medicaid money, and we are willing to give you a  
87 very generous FMAP, just what the governors are asking for.  
88 But I have to caution you. If the insular areas do not use  
89 this Medicaid money with a federal-local match better than  
90 any State, then it will be very difficult for your  
91 representatives here in Congress to make the case for  
92 continuing Medicaid funding at this level beyond two years.

93           Please, you are getting exactly what you asked for. So  
94 use it, or it will be very difficult to keep this level of

95 medical funding.

96 I would also like to note that all the insular areas are  
97 in recovery mode. Hurricanes in the Caribbean, typhoons and  
98 cyclones in the Pacific have had a devastating impact on  
99 individuals, families, public infrastructure, and your  
100 economies. Congress has provided, literally, billions of  
101 dollars for the recovery. In last year's Disaster Relief Act  
102 we set aside 129 million specifically for the Northern  
103 Marianas' recovery. The Marianas is getting \$249 million in  
104 CDBG-DR funds. And all the insular areas have access to  
105 recovery money from the EDA, the Agriculture Department, the  
106 Army Corps of Engineers, and other federal agencies.

107 I want to let you know -- and I think I can speak for  
108 all the insular representatives -- we are tracking the money  
109 Congress appropriated for you. If you are having any  
110 problems getting that money, if agencies are slow to respond,  
111 or put up any roadblocks, let us know, please. We want you  
112 back on your feet as quickly as possible.

113 [The prepared statement of The Chairman follows:]

114

115 \*\*\*\*\*COMMITTEE INSERT\*\*\*\*\*

116

117           \*Mr. Sablan. During your statements today and during  
118 questioning there will be ample opportunity to discuss the  
119 specifics of the President's budget.

120           And so I will now turn to the distinguished gentlelady  
121 from Puerto Rico, the Ranking Member, for her opening  
122 statement.

123

124 STATEMENT OF THE HON. JENNIFFER GONZALEZ-COLON, A DELEGATE IN  
125 CONGRESS FROM THE TERRITORY OF PUERTO RICO

126

127 \*Miss González-Colón. Thank you, Chairman, and I  
128 welcome all the governors here. For me it is a pleasure to  
129 have governors coming from far, from the Pacific and the  
130 Caribbean, to join us today.

131 And I do know personally how difficult it is to, as a  
132 territory, fight a lot of the issues that have us together.

133 I want to say welcome to our friend, Madeleine Bordallo,  
134 as well, always a Member and representative of Guam. And, of  
135 course, our current congressman from Guam, Mr. San Nicolas,  
136 and Mr. Sablan, and the Governor of Northern Mariana -- the  
137 Lieutenant Governor of the Northern Mariana Islands, as well  
138 as the Governor of the Virgin Islands and Guam. I am happy  
139 to have you here.

140 Today we intend to analyze the priorities and other  
141 efforts contained in the President's fiscal budget 2021  
142 request for insular areas, which used \$89 billion for current  
143 appropriations, and \$619 million with permanent funding.

144 These represent a \$19 million decrease over the Fiscal  
145 Year 2020, but I think it is important to establish that this  
146 budget was just presented yesterday. So in order -- many of  
147 us haven't finished even reading how that will impact the  
148 whole federal access to many programs. And, of course, every

149 budget that is presented by the President during last four  
150 years never has been approved after it has come to Congress.  
151 So this is the reason we want to have your input in many of  
152 those areas, so we can work together.

153         And in order to have something done, it needs to be in a  
154 bipartisan way. In that sense, the budget was released, and  
155 there is still much to review. I realize it may be somewhat  
156 difficult to comment in detail without having had more time  
157 to analyze this budget. I do, however, welcome the  
158 discussion to hear each island's top priorities. And I think  
159 that is one of the most important things.

160         As Members of Congress representing the islands, we  
161 tried to get some common agenda in the past, and we have been  
162 effective in doing so.

163         The Office of Insular Affairs within the Department of  
164 the Interior is responsible for carrying out responsibilities  
165 for all U.S. territories, except Puerto Rico. These are  
166 American Samoa, Guam, Northern Mariana Islands, and the U.S.  
167 Virgin Islands.

168         And, in addition to providing assistance to these four  
169 territories, this office is charged with overseeing federal  
170 assistance under the Compact of Free Association, with --  
171 which the United States has signed with the three freely  
172 associated states, the Republic of Palau, the States of  
173 Micronesia, and the Republic of the Marshall Islands.



174           Given the geographical location and size of the four  
175   small U.S. territories and the freely associated states, each  
176   one faces unique challenges. These can be in the form of  
177   economic, health, health care quality, infrastructure, and  
178   many others. As we know too well in Puerto Rico, these  
179   challenges are only exacerbated by unequal treatment  
180   Americans receive in territories -- multiple federal programs  
181   such as Medicaid, Medicare, SSI, among many other programs  
182   that treat us differently. And that is the reason we all,  
183   every time we can, work together to achieve equality in many  
184   areas.

185           My hope is that we can work together to address each  
186   island's priorities in an efficient way that is beneficial to  
187   both the taxpayers' money and the residents that call the  
188   U.S. territories home. With your help, Mr. Chairman, I would  
189   like to continue the Committee review of the Fiscal Year 2021  
190   Office of Insular Affairs budget request with the Department  
191   of the Interior. Having their participation in this process  
192   will be crucial.

193           And again, I want to say thank you, and I look forward  
194   to hearing your testimony here. I think there is a lot of  
195   things that can be done.

196           I know one of the issues that is not in the purview of  
197   today's hearing is the cockfighting ban. And we just talked  
198   about that before the hearing. We also face the same

199 situation. For Puerto Rico this is an issue of economic  
200 development, because of the jobs that are created, the tax  
201 revenues that are created, as well.

202 I know that you may be not prepared today to discuss  
203 that issue, but I will be more than happy to receive your  
204 comments in writing regarding those to see how we can push  
205 together, not just a federal provision of that ban. Some  
206 states -- in our case, we just state-legislated to try to  
207 mediate these, but I know that will not be enough.

208 So with that, I yield back.

209 \*Mr. Sablan. Thank you very much. Under -- and so  
210 let me introduce the witnesses. We have the Honorable Albert  
211 Bryan, Jr., Governor of the United States Virgin Islands.

212 Welcome, Governor.

213 We have Lieutenant Governor Arnold I. Palacios, for the  
214 Commonwealth of the Northern Mariana Islands.

215 Lt. Governor, welcome.

216 And, of course, the Honorable Lou Leon Guerrero,  
217 Governor of Guam.

218 Welcome, Governor.

219 I would also like to acknowledge the presence of a  
220 former colleague, Ms. Bordallo, and also the presence of --  
221 if I am not mistaken, he is -- I can see him, the former  
222 Staff Director for Insular Affairs under this Committee, Mr.  
223 Babauta, and also the Honorable Mr. Babauta, former Assistant

224 Secretary of the Interior.

225 Welcome.

226 Under our Committee rules, oral statements are limited  
227 to five minutes, but your entire statement will appear in the  
228 hearing record.

229 The lights in front of you will turn yellow when there  
230 is one-minute left, and then red when time is expired.

231 Now, after the witnesses have testified, Members will be  
232 given the opportunity to ask questions.

233 So let me start with Governor Bryan of the United States  
234 Virgin Islands.

235 You left five minutes, sir. Press the button in front  
236 of you, please.

237

238 STATEMENT OF THE HON. ALBERT BRYAN, JR., GOVERNOR, U.S.  
239 VIRGIN ISLANDS

240

241 \*Governor Bryan. Thank you. Good afternoon, Chairman,  
242 Vice Chairman Sablan, and Committee Members. Thank you for  
243 the opportunity to appear here today to outline the  
244 priorities of the U.S. Virgin Islands, and the important role  
245 of the Department of the Interior's Office of Insular Affairs  
246 in helping us achieve our goals.

247 The timing of this hearing is fortuitous. As we recover  
248 from the widespread damage and destruction caused by the two  
249 devastating category 5 hurricanes that hit in late 2017, we  
250 must focus on fundamentals -- long-term, fundamental, longer-  
251 term issues -- that need to be addressed by Congress,  
252 including your Committee and OIA.

253 Further, as recent experiences in Puerto Rico have  
254 shown, that -- the United States must recognize its special  
255 responsibilities for the U.S. territories, and potentially  
256 deleterious effects that federal policies can have on the  
257 territories and U.S. citizens therein. The United States  
258 must face those responsibilities head on, and commit  
259 sufficient federal resources to fulfill its responsibilities  
260 to the territories on a sustainable basis.

261 The Virgin Islands believes the time is right for a  
262 comprehensive revision of the territory's economic

263 relationship with the United States, one that will place the  
264 territory on a path to true and sustainable fiscal health.

265 As part of its longstanding tax relationship with the  
266 Virgin Islands, Congress has historically provided that all  
267 federal taxes on all products, including rum manufactured in  
268 the Virgin Islands, be returned or covered over to the local  
269 treasury. Rum tax revenues covered over to the Virgin  
270 Islands constitute a major source of funding for the  
271 territory, and are used to finance essential public services,  
272 and to securitize the territory's bonds and facilitate the  
273 territory's future access to the capital markets.

274 The timing of these temporary extensions often causes  
275 budget planning problems and uncertainties for the Virgin  
276 Islands. The Virgin Islands requests that OIA and the  
277 Committee support the Virgin Islands' efforts in Congress to  
278 make the temporary rate permanent, and thereby avoid the need  
279 for periodic, often last-minute increases.

280 The cover-over provision that results in the Virgin  
281 Islands receiving the federal tax revenues on rum products  
282 applies broadly to tax revenues generated by all articles  
283 produced in the Virgin Islands and transported to the United  
284 States.

285 From the mid-1960s through 2012, a major oil refinery  
286 operated on the island of St. Croix and generated substantial  
287 federal excise taxes, which, on the face of the governing

288 statute, should have been recovered to the Virgin Islands  
289 treasury in the same manner as rum excise taxes. The Virgin  
290 Islands requests that OIA and the Committee work with other  
291 committees to effect passage of an amendment that finally  
292 seals and returns Section 7652 to its intended function and  
293 requires that fuel excise taxes be included in the cover-over  
294 program.

295         The federal Earned Income Tax Credit, or the EITC, and  
296 the Child Tax Credit are intended to encourage and foster  
297 work among low-income individuals. The Federal Government  
298 effectively funds their programs for all States and the  
299 District of Columbia through the IRC. While a worthy goal,  
300 these tax credits have unintended and unfair consequences in  
301 the Virgin Islands, as well as other territories, due to its  
302 status as a mirror tax code system. Unlike in the States and  
303 D.C., the cost of the Earned Income Tax Credit is borne  
304 solely by the fiscally stressed Virgin Islands and Guam, a  
305 cost which neither territory can bear. As a matter of  
306 fairness, and to avoid imposing an onerous financial burden  
307 on the local treasury, Congress should provide for federal  
308 reimbursement.

309         The Virgin Islands would like to thank this body for all  
310 of the work that it has done to secure Medicaid to thousands  
311 of Virgin Islanders. But that issue still remains  
312 unresolved.

313           We also have many requests into Congress in terms of  
314 providing for visa waivers to make us more sustainable, in  
315 terms of allowing visitors not only for medical needs, but  
316 for tourism. And we are asking for the support in this in  
317 the homeland security.

318           Our infrastructure has stayed at the same level from  
319 federal highway funds for over 30 years now and continues to  
320 be an issue for Virgin Islanders.

321           Lastly, I would like to say the Insular Areas Act of --  
322 has expressed a policy of Congress that the four small  
323 territories should be provided certain flexibilities under  
324 federal grant programs. Importantly, the Act, as amended,  
325 mandates that the Department of the Interior shall waive  
326 matching requirements for all insular areas under all of its  
327 grants programs and requires all other departments and  
328 agencies to waive any requirement for local matching.

329           However, FEMA has not waived the local match for most  
330 categories of public assistance in response to hurricanes  
331 Irma and Maria, requiring that the Virgin Islands come up  
332 with millions of dollars that are still being supplied by a  
333 federal mandate under the CDBG-DR.

334           The GVI proposes that the Act be amended to provide a  
335 statutory presumption in favor of waiving the local share to  
336 foster economic development and stability, and to update the  
337 relationship of the territories to the Federal Government.

338           There is no other land State in the union that has as  
339 much federal land, percentage-wise, as the Virgin Islands.  
340 Though the Office of Insular Affairs owns 66 percent of St.  
341 John, yet our payment in lieu of taxes is a mere \$30,000,  
342 compared to -- that should be closer to \$30 million. Just on  
343 a glance, the Federal Government owns more than 14 percent of  
344 the land in the Virgin Islands, and all we get is a 30  
345 percent.

346           Mr. Chairman, thank you for the opportunity to testify  
347 before this Committee. We have submitted a full written  
348 testimony that expands on the subject matter that I have  
349 briefly discussed. While many of these issues are  
350 longstanding, we look forward to working with this Committee  
351 and the Office of Insular Affairs to bring final resolution  
352 to these matters.

353           Our goal is not simply to survive, but our goal is to  
354 thrive. Thank you.

355           [The prepared statement of Governor Bryan follows:]

356           Good afternoon Chairman Grijalva, Ranking Member Bishop,  
357 and Committee members. Thank you for the opportunity to appear  
358 here today to outline the priorities of the U.S. Virgin Islands  
359 and the important role of the Department of the Interior's  
360 Office of Insular Affairs ("OIA") in helping us achieve our  
361 goals.

362           The Committee on Natural Resources (the "Committee") is



363 primarily responsible for federal legislation impacting the  
364 U.S. Virgin Islands and the other U.S. Territories. The  
365 Committee also has an important role in working with other  
366 committees to ensure that those committees, in developing and  
367 considering federal legislation, fully consider the  
368 Territories' unique status and needs and the potential impact  
369 of legislation on the Territories. The Committee also oversees  
370 OIA, which is the federal agency tasked with assisting the  
371 Territories in promoting sustainable economic growth,  
372 fostering development, and otherwise improving the lives of  
373 their citizens, and acting as a liaison between the Territories  
374 and the federal government.

375         The timing of this hearing is fortuitous. As we recover  
376 from widespread damage and destruction caused by the two  
377 devastating Category 5 hurricanes that hit in late 2017, we  
378 must focus on fundamental, longer term issues that need to be  
379 addressed by Congress, including your Committee, and OIA.  
380 Further, as recent experiences in Puerto Rico have shown, the  
381 United States must recognize its special responsibilities for  
382 the U.S. Territories and the potentially deleterious effects  
383 that federal policies can have on the Territories and the U.S.  
384 citizens therein. The United States must face those  
385 responsibilities head-on and commit sufficient federal  
386 resources to fulfill its responsibilities to the Territories  
387 on a sustainable basis.



413 are used to finance essential public services and to securitize  
414 the Territory's bonds and facilitate the Territory's future  
415 access to the capital markets. Permanent law provides that  
416 \$10.50 of the \$13.50 per proof gallon tax is covered-over to  
417 the Virgin Islands, and \$0.25 per proof gallon is retained by  
418 the U.S. Treasury. Cover-over of the remainder (\$2.75 per proof  
419 gallon), however, has required a series of temporary fixes by  
420 Congress. Most recently, after Hurricanes Irma and Maria,  
421 Congress extended the temporary rate through December 31, 2022.  
422 The timing of the temporary extensions often causes budget  
423 planning problems and uncertainties for the Virgin Islands.  
424 The Virgin Islands requests that OIA and the Committee support  
425 the Virgin Islands' efforts in Congress to make the temporary  
426 rate permanent and thereby avoid the need for periodic (often  
427 last-minute) increases.

#### 428 **Fuel Tax Legislation**

429 The "cover-over" provision that results in the Virgin  
430 Islands receiving the federal tax revenues on rum products  
431 produced in the Virgin Islands applies broadly to tax revenues  
432 generated by *all* "articles produced in the Virgin Islands and  
433 transported to the United States." 26 U.S.C. § 7562(b). From  
434 the mid-1960s through 2012, a major oil refinery operated on  
435 the island of St. Croix and generated substantial federal  
436 excise taxes, which—on the face of the governing statute—should  
437 have been covered over into the Virgin Islands treasury in the

438 same manner as rum excise taxes. In the late 1970s, the  
439 governments of the Virgin Islands and Puerto Rico brought suit  
440 against the United States seeking to compel the "cover over"  
441 of gasoline excise taxes into their respective treasuries. The  
442 Virgin Islands initially prevailed in the U.S. District Court  
443 and was awarded hundreds of millions of dollars in gasoline  
444 excise tax revenues.

445 On appeal, however, the Court of Appeals for the District  
446 of Columbia Circuit reversed, thus extinguishing the Virgin  
447 Islands' legal claim as well as any basis for settlement. The  
448 D.C. Circuit based its decision to reject the Virgin Islands'  
449 claim on a judicially created distinction that—despite the  
450 statute's unambiguous application to "all taxes imposed by"  
451 the United States "on articles produced in the Virgin Islands  
452 and transported to the United States"—limited the types of  
453 federal taxes that were subject to cover-over. The GVI sought  
454 Supreme Court review of the decision but was denied. Under the  
455 principles of *res judicata*, the D.C. Circuit's decision is  
456 final and cannot be re-litigated.

457 Congress, however, has the power to legislatively  
458 overturn the judiciary's decision, which essentially re-wrote  
459 the cover-over statute to limit its application in ways that  
460 cannot be justified under the statute's plain language. An  
461 amendment to Section 7652(b) clarifying the scope of the cover-  
462 over program would be sufficient to right this historical wrong

463 and return the cover-over provision to its original purpose  
464 and effect.

465 Restoring the cover-over provision to its original  
466 breadth would provide the Virgin Islands with a critical source  
467 of revenue that would play a key role in returning the  
468 Territory to long-term fiscal health. The St. Croix refinery,  
469 idled in 2012, is set to re-open in 2020 and resume refining  
470 operations on a smaller, environmentally friendlier scale.  
471 Because the refinery has not been operating, the excise tax  
472 revenue it generates will be new revenue, such that covering  
473 those revenues into the GVI treasury will not deprive the  
474 federal treasury of any existing revenue streams.

475 The Virgin Islands requests that OIA and the Committee  
476 work with other committees to effect passage of an amendment  
477 that returns Section 7652(b) to its intended function and  
478 requires that fuel excise taxes be included in the cover-over  
479 program.

#### 480 **Economic Growth Incentives**

481 Federal tax policy can play a critical role in creating  
482 the investment climate to help the Territory generate  
483 sustainable economic growth, create jobs, and improve its long-  
484 term fiscal health. In furtherance of these goals, the Virgin  
485 Islands requests that the Committee and OIA support fair and  
486 balanced tax rules for the Territories, including the  
487 possessions tax rules enacted as part of the American Jobs

488 Creation Act of 2004 ("Jobs Act") and the "GILTI" rules enacted  
489 as part of the 2017 Tax Act.

490         Legislation to modify the qualified income rules and  
491         provide parity among Territories in treatment of capital  
492         gains

493         The Virgin Islands and other Territories face unique  
494         economic challenges as a result of their geographic distance,  
495         lack of natural resources, and general small island limitations  
496         on scale. In the case of the Virgin Islands, these challenges  
497         have been exacerbated by harsh income sourcing rules  
498         implementing the possessions provisions of the Jobs Act. As a  
499         result, the once-promising Virgin Islands economic development  
500         programs dramatically slowed, and the Territorial government  
501         has been left with few tools to address its stagnant private  
502         sector economy and resulting fiscal problems.

503         The sourcing rules, particularly whether income may be  
504         deemed "effectively connected" with a V.I. trade or business  
505         ("V.I. ECI"), should be based on established tax precedents—  
506         specifically, the principles embodied in Treasury's model  
507         income tax treaty. At the very least, even under Treasury's  
508         narrower definition of V.I. ECI, Treasury should not  
509         discriminate against U.S. source income (in favor of foreign  
510         source income) in the determination of V.I. ECI. Accordingly,  
511         Congress should modify the U.S. income limitation in Internal  
512         Revenue Code ("IRC") Section 937 to exclude only U.S. source

513 income generated by activities in the United States  
514 (attributable to a U.S. office or fixed place of business).

515 In addition, an anomaly in the Code allows Puerto Rico to  
516 provide more favorable treatment of capital gains from the sale  
517 of personal property held by a Puerto Rico taxpayer than is  
518 available to similarly situated taxpayers in the mirror-code  
519 Territories. There is no sound policy reason for treating  
520 mirror code possessions differently from non-mirror code  
521 possessions.

522 Congress should modify the "effectively connected" income  
523 rules for possessions in Section 937(b)(2)—enacted as part of  
524 the Jobs Act—by modifying the U.S. income limitation to exclude  
525 only U.S. source (or effectively connected) income  
526 attributable to a U.S. office or place of business. Congress  
527 should also ensure parity of capital gains tax treatment with  
528 Puerto Rico and other U.S. possessions by clarifying in Section  
529 865(j)(3) that capital gains income earned by V.I. taxpayers  
530 should be deemed to constitute V.I. source income under the  
531 general sourcing rules without regard to the tax rate imposed  
532 by the V.I. government. This modification is reflected in H.R.  
533 411 and H.R. 412, both as introduced by Congresswoman Stacey  
534 Plaskett on January 9, 2019, and referred to the Committee on  
535 Ways and Means. The Virgin Islands therefore requests that OIA  
536 and the Committee work with Treasury and other committees to  
537 effect passage of these Bills.

538           Legislation to modify rigid residency requirements

539           In addition, the Jobs Act created onerous residency  
540 requirements for the Virgin Islands that inhibit the  
541 Territory's ability to attract investment. In the Jobs Act,  
542 Congress provided Treasury authority to modify the rules for  
543 determining bona fide possessions residency. The Virgin  
544 Islands has urged Treasury to exercise its authority to  
545 consider amendments to the rules, where appropriate, that would  
546 give greater deference to Congress' goals of encouraging  
547 economic and private sector development in the Virgin Islands  
548 and the other U.S. possessions.

549           Under IRC Section 932, a "bona fide" resident of the  
550 Virgin Islands (*i.e.*, a tax resident) may satisfy his or her  
551 U.S. income tax obligation by filing in, and paying the  
552 applicable tax to, the Virgin Islands. Under Section 934, the  
553 Virgin Islands is authorized to reduce tax on V.I. source  
554 income and V.I. ECI. Prior to the Jobs Act, the determination  
555 of "bona fide" V.I. tax residency was based on the totality of  
556 an individual's facts and circumstances (the "facts and  
557 circumstances" test). However, Section 937, added by the Jobs  
558 Act, provides that a "bona fide" resident of the Virgin Islands  
559 is a person who meets all elements of a three-part test  
560 (physical presence, tax home, and closer connection tests).  
561 Treasury has provided only very limited flexibility from the  
562 physical presence test by allowing V.I. residents to treat up



563 to 30 days of off-island travel outside of the  
564 U.S. as "constructive presence."

565 The proper test for bona fide V.I. residency should be  
566 the test the IRS applies under IRC Section 7701(b) to determine  
567 whether a foreign individual residing in the United States has  
568 sufficient presence in the United States to justify subjecting  
569 that individual to U.S. taxing jurisdiction in the same manner  
570 as U.S. citizens. Under that test, such foreign individual must  
571 be physically present at least 183 days in any one tax year,  
572 or an average of 122 days a year over any three-year moving  
573 period. Despite Treasury's ample discretionary authority to  
574 adopt the 122-day test, Treasury has taken the position that  
575 the Jobs Act prevents it from doing so. The Virgin Islands  
576 therefore requests that the Committee affirm to Treasury that  
577 it has authority to address the inequities in the Jobs Act  
578 residency requirements. This proposal is contained in H.R. 412.

579 Legislation to Address Inequities in the CFC Tax Regime

580 The U.S. tax system includes certain anti-deferral rules  
581 under which a "U.S. shareholder" that owns stock in a  
582 "controlled foreign corporation" (a "CFC") is required to  
583 include in gross income its pro rata share of, among other  
584 items, (i) the CFC's Subpart F income, and (ii) the CFC's "global  
585 intangible low-taxed income" ("GILTI"). A CFC's Subpart F  
586 income includes a range of items, including items of passive  
587 income such as dividends, interest, rents, royalties and

588 annuities. Very generally, the amount of a CFC's GILTI is the  
589 CFC's income above a 10-percent annual return on the tax basis  
590 of its tangible assets. These rules result in unfavorable  
591 treatment of Virgin Islands corporations and their  
592 shareholders in at least two ways.

593         First, these rules inexplicably fail to provide Virgin  
594 Islands corporations with the benefit of an exclusion that  
595 benefits similarly situated corporations in other possessions.  
596 Under current U.S. tax law, certain Virgin Islands corporations  
597 can be subject to classification as CFCs, causing negative U.S.  
598 tax consequences to their U.S. investors, while similarly  
599 situated Puerto Rico corporations (and other possessions  
600 corporations) are excluded from CFC classification. This is  
601 simply not fair. nor is it supportable from a tax policy  
602 perspective.

603         There is no rationale for this unfavorable treatment of  
604 Virgin Islands corporations and their shareholders, which  
605 diverts needed capital investments away from the Virgin Islands  
606 to other U.S. possessions. To rectify this unfavorable  
607 treatment and bring tax parity to investments in the  
608 possessions, we propose that Section 957(c) be amended to  
609 expand the exclusion from the definition of United States  
610 person to include bona fide residents of the Virgin Islands.

611         Second, the application of GILTI to corporations in the  
612 Virgin Islands limits the effectiveness of the Virgin Islands

613 economic development programs and is inconsistent with the  
614 longstanding tax relationship between Congress and the Virgin  
615 Islands. The Tax Cuts and Jobs Act of 2017 introduced a new  
616 tax on a U.S. shareholder's GILTI earned by a CFC. The GILTI  
617 tax, by increasing the tax on U.S. investment in Virgin Islands  
618 businesses, is particularly harmful to Virgin Islands  
619 corporations given that, as described above, they do not  
620 benefit from the Section 957(c) exclusion that benefits  
621 similarly situated corporations in other possessions.

622 Under the GILTI rules, a corporate U.S. shareholder in a  
623 Virgin Islands corporation that is a CFC generally would be  
624 subject to tax at a rate of 10.5 percent (increasing to a rate  
625 of 13.125 percent beginning in 2026) on a broad class of the  
626 Virgin Islands corporation's income, even if that Virgin  
627 Islands corporation is conducting an active business and  
628 otherwise meets the applicable criteria to qualify for a lower  
629 rate of tax with respect to such income under a Virgin Islands  
630 economic development program and Section 934(b)(1) of the IRC.

631 To protect the viability of the Virgin Islands' Economic  
632 Development Commission (EDC) and other economic development  
633 programs and to encourage investment in economic development  
634 in the Territories, the GILTI inclusion received from CFCs  
635 formed in the Territories should be exempt from tax. This  
636 critical change could be accomplished by excluding  
637 corporations formed in the Virgin Islands and other Territories

638 from the definition of "controlled foreign corporation" for  
639 purposes of Code Section 951A. Without this change, almost all  
640 potential investors in the Territories, other than investments  
641 from residents of the Territories, will be subject to the GILTI  
642 inclusion, including hotels, manufacturing operations, and  
643 high-tech businesses. Absent a full exemption, the effective  
644 rate of tax on GILTI inclusions from possessions corporation  
645 should be reduced. This could be accomplished for corporate  
646 U.S. shareholders by increasing the amount of the deduction  
647 for GILTI inclusions that are attributable to possessions  
648 corporations. The Virgin Islands therefore requests that OIA  
649 and the Committee work with Treasury and other committees to  
650 amend the GILTI provisions that would exempt, or reduce the  
651 rate of tax applicable to, GILTI inclusions attributable to  
652 possessions corporations.

653       Legislation to reimburse the Virgin Islands and other  
654       mirror code Territories for the cost of the EITC and CTC  
655       The federal Earned Income Tax Credit ("EITC") and Child  
656 Tax Credit ("CTC") are intended to encourage and foster work  
657 among low-income individuals. The federal government  
658 effectively funds these programs for all States and the  
659 District of Columbia through the IRC. While a worthy goal,  
660 these tax credits have unintended and unfair consequences in  
661 the Virgin Islands due to its status as a mirror tax code  
662 jurisdiction. Unlike in States and D.C., the cost of the EITC

663 is borne solely by the fiscally-stressed Virgin Islands, a cost  
664 which the Territory cannot bear.

665 The EITC costs the GVI approximately from \$18,045,792.29  
666 in 2015 to \$8,318,616.08 in 2018, given a reduction in  
667 population. As a matter of fairness, and to avoid imposing an  
668 onerous financial burden on the local treasury, Congress should  
669 provide for federal reimbursement for the cost of the EITC  
670 incurred by mirror code jurisdictions (*i.e.* the Virgin Islands  
671 and Guam). There is ample precedent for such reimbursement.  
672 *See, e.g.,* American Recovery and Reinvestment Act of 2009  
673 (ARRA), Div. B, Sections 1001(b) (reimbursement to mirror code  
674 possessions for cost of Making Work Pay Credit) and 1004(c)  
675 (reimbursement for cost of American Opportunity Tax Credit).  
676 Other examples of such reimbursement date back to the 1970's.

677 The CTC is another federal tax credit that imposes costs  
678 (in the form of lost local revenue) on the mirror code  
679 jurisdictions. Congress has provided to the mirror code  
680 jurisdictions federal reimbursement for the cost of the CTC  
681 for families with more than two children. The GVI was  
682 reimbursed \$3,547,924.93 in 2018. However, there is no federal  
683 reimbursement for the cost CTC for families with one or two  
684 children. The CTC for such families has reduced the revenues  
685 of the GVI by \$8,318,616.08 in 2018, down from \$18,045,792.29  
686 in 2015. As a matter of fairness, and to avoid imposing an  
687 onerous financial burden on the local treasury, Congress should

688 provide for federal reimbursement for the cost of the CTC for  
689 families with any number of children incurred by the mirror  
690 code jurisdictions. There is ample precedent for  
691 reimbursement, as noted above. Indeed, in its final Report,  
692 the Congressional Task Force on Puerto Rico recommends that  
693 Congress provide federal reimbursement for the costs borne by  
694 the mirror code jurisdictions for the CTC. See Task Force Final  
695 Report, p. 31, fn. 38.

696 These provisions are critical for not only providing  
697 needed fiscal relief for the Virgin Islands but also for  
698 maintaining and growing a workforce needed to grow and sustain  
699 the Virgin Islands' economy. The Virgin Islands therefore  
700 requests that OIA and the Committee work with Treasury and  
701 other committees to provide for reimbursement to mirror code  
702 jurisdictions of the costs of both the EITC and the CTC.

#### 703 **Healthcare and Social Welfare**

704 Notwithstanding the additional federal resources that the  
705 Affordable Care Act and disaster funding provided, the task of  
706 implementing health care reform in the Virgin Islands has  
707 proven to be challenging, particularly in light of the  
708 disparate treatment of the Territories. Significant progress  
709 has been made in addressing—in the short term—the Medicaid  
710 funding issues in the Territory, but a permanent solution is  
711 still needed. Further, under Medicare, the Virgin Islands-  
712 owned hospitals are under-reimbursed for the costs of providing

713 care to the many Medicare-eligible U.S. citizens in the  
714 Territory. These challenges can be significantly ameliorated  
715 by permanent changes to Medicaid provisions in the Social  
716 Security Act and changes to the reimbursement methodology for  
717 the hospitals under Medicare.

#### 718 **Medicaid**

719 The Virgin Islands appreciates the disaster-related  
720 Medicaid relief, particularly the additional funding and  
721 temporary waiver of the local match in the aftermath of  
722 Hurricanes Irma and Maria, and for the recently-enacted relief  
723 in the final FY2020 appropriations package, specifically a  
724 state-like FMAP and a deferral of the "fiscal cliff" for two  
725 years. This interim relief avoided the loss of health care  
726 coverage for thousands of U.S. citizens in the Virgin Islands  
727 and a possible collapse of our healthcare system. A permanent  
728 solution that provides for state-like treatment for the Virgin  
729 Islands and other Territories is needed in order to avoid the  
730 same dire consequences recently averted upon enactment of the  
731 final FY 2020 appropriations package. The Virgin Islands  
732 requests the support of OIA and the Committee for legislation  
733 that permanently guarantees state-like treatment for the  
734 Territories.

#### 735 **Medicare Reimbursement for Hospitals**

736 The two hospitals in the Virgin Islands are reimbursed  
737 for Medicare expenditures based on an outdated methodology

738 established under the Tax Equity and Fiscal Responsibility Act  
739 of 1982 ("TEFRA"), resulting in under-reimbursement in the  
740 millions of dollars for each hospital each year. In 2011, the  
741 hospitals each submitted to the Centers for Medicare and  
742 Medicaid Services ("CMS") a request for assignment of a new  
743 base year. Those requests are still pending.

744 More recently, Hurricanes Irma and Maria destroyed both  
745 hospitals to such an extent that they need to be replaced. The  
746 Virgin Islands understands that CMS, as a result, will provide  
747 the hospitals with new base years, at least going forward. The  
748 Virgin Islands requests the support of OIA and the Committee  
749 for new base years for both hospitals.

750 **Extension of SSI to the Virgin Islands and other**  
751 **Territories**

752 Supplemental Security Income ("SSI") is a federal need-  
753 based cash assistance program intended to equalize eligibility  
754 standards and benefit amounts for similarly situated aged,  
755 blind, and disabled people. The program was created to replace  
756 existing, disparate programs with one that provides an income  
757 source for the aged, blind, and disabled whose income and  
758 resources are below a certain level, and incentives and  
759 opportunities for those able to work or be rehabilitated.

760 SSI is a federal entitlement program, paid out of the  
761 general revenue of the U.S. However, residents of the Virgin  
762 Islands, Guam, and American Samoa are not under the SSI



763 program, despite having needs similar to low-income aged,  
764 blind, and disabled persons in other Territories and the  
765 States. Instead of SSI, the former federal-state programs of  
766 Old-Age Assistance, Aid to the Blind, and Aid to the  
767 Permanently and Totally Disabled (AABD) continue to operate in  
768 the Virgin Islands. Benefits are capped, which means that the  
769 grant in no way considers actual need. There also is a 25%  
770 local match, and the responsibility to administer these  
771 programs falls on the Territory. As a result, benefits are far  
772 less than those under SSI and far less predictable (benefits  
773 can vary significantly from year to year and even within a  
774 year).

775 Including the Virgin Islands, Guam, and American Samoa in  
776 the SSI program would increase benefits for the elderly, blind,  
777 and disabled to a level on par with their counterparts on the  
778 mainland and CNMI. The Virgin Islands therefore requests that  
779 OIA and the Committee work with other committees to effect  
780 these necessary changes.

## 781 **Homeland Security**

### 782 **Proposed Virgin Islands Special Visa Waiver Program**

783 Tourism is the lifeblood of the Virgin Islands economy.  
784 The Virgin Islands is a highly desirable tourist and sporting  
785 event destination, and the Territory's ability to attract is  
786 limited by the lack of a visa waiver program similar to those  
787 in the Pacific Territories. The Virgin Islands seeks authority

788 from Congress or administrative authorization from the  
789 Department of Homeland Security to establish a special visa  
790 waiver program for the Virgin Islands that mirrors programs  
791 currently authorized for, and utilized successfully by, Guam  
792 and the Commonwealth of the Northern Marianas ("CNMI").

793 Executive Order 13597, entitled "Establishing Visa and  
794 Foreign Visitor Processing Goals and the Task Force on Travel  
795 and Competitiveness" (Jan. 19, 2012), directed the Secretaries  
796 of Commerce and Interior to co-lead an inter-agency task force  
797 to, among other things, develop recommendations for a "National  
798 Travel & Tourism Strategy" and increase efforts to expand the  
799 national Visa Waiver Program ("VWP"). Pursuant to authority of  
800 the Immigration and Nationality Act ("Act"), 8  
801 U.S.C. § 1184(a)(1), the Attorney General and Secretary have  
802 promulgated regulations establishing a national Visa Waiver  
803 Program ("VWP") which allows nationals of certain countries to  
804 travel to the United States (and U.S. Territories) for stays  
805 of up to 90 days without obtaining a visa. VWP-eligible  
806 countries include most European countries, plus Japan,  
807 Singapore, Brunei, and South Korea. Not all travelers from VWP  
808 countries, however, are eligible to use the program. VWP  
809 travelers are required to apply for authorization through the  
810 Electronic System for Travel Authorization ("ESTA"), must be  
811 screened at their port of entry into the U.S., and must be  
812 enrolled in the US-VISIT program administered by DHS.

813           The proposed special visa waiver program would permit the  
814 Department of Homeland Security to consider approving visa-  
815 less entry into the Virgin Islands for the same category of  
816 users specified in the Executive Order, PLUS residents of non-  
817 VWP countries, including residents of the Caribbean Community  
818 ("CARICOM") as determined by a tourism and economic need survey  
819 similar to that used in Guam and CNMI.

820           Such a visa waiver program is not without precedent. A  
821 separate and special visa waiver program for Guam ("GVWP") and  
822 the Commonwealth of the Northern Marianas ("NMVWP") was  
823 established pursuant to these same provisions. These special  
824 visa waiver programs are specifically authorized by statute.  
825 In particular, Section 214(a)(1) of the Act provides that "[n]o  
826 alien admitted to Guam or [the CNMI] without a visa *...may be*  
827 *authorized to enter or stay in the United States other than in*  
828 *Guam or [the CNMI] or to remain in Guam or [the CNMI] for a*  
829 *period exceeding 45 days from the date of admission to Guam or*  
830 *[the CNMI]."*Pursuant to this authority, GVWP-eligible  
831 countries include certain Pacific Island nations, Australia,  
832 New Zealand, and Taiwan.

833           As the Virgin Islands is outside of the U.S. Customs Zone,  
834 such waiver would pose no threat to the U.S. and its other  
835 Territories because movement beyond the Virgin Islands would  
836 require any such visa-less guests to subject themselves to U.S.  
837 immigration and customs inspection and control. Visitors

838 arriving by sea or air would be notified that they cannot move  
839 beyond the boundaries of the Virgin Islands.

840 The economic impact for the Virgin Islands, however, would  
841 be significant as the Virgin Islands could then receive  
842 visitors in the following categories:

- 843 - Seasonal yachting and sporting events;
- 844 - Shopping visits from other Eastern Caribbean countries;
- 845 - Medical visits to the Territory's medical facilities and  
846 medical professionals;
- 847 - Arriving air passengers to the Territory's airports for  
848 transfer to any of the northeastern Caribbean islands;  
849 and
- 850 - Cruise line passengers on ships that customarily only  
851 service Eastern Caribbean islands because of their  
852 European Union no-passport or visa requirements.

853 Requests for such access has been increasing by residents  
854 of the Eastern Caribbean and by the Florida and Caribbean  
855 Cruise Association ("FCCA").

856 The Virgin Islands seeks authority from Congress to  
857 establish a special visa waiver program for the Virgin Islands  
858 that mirrors programs currently authorized for, and utilized  
859 successfully by, Guam and CNMI. We urge OIA and the Committee  
860 to work with Homeland Security and other committees to  
861 authorize such a program in any immigration reform legislation  
862 that might be considered by Congress.

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**Infrastructure**

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Long-term under-investment by the federal government has resulted in a substantial portion of our infrastructure being dilapidated and inadequate. Further, the poor condition of our infrastructure has made it more susceptible to damage or destruction when natural disasters strike. Long-term improvement in the funding allocations for the Territories is needed to bring their infrastructure into the condition necessary to support a modern economy.

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The disparities in funding are striking in surface transportation. In the final years of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users and extensions thereof, Congress allocated \$62 million annually to the four Territories under the Territorial Highway Program (including a \$50 million allotment and \$12 million in lieu of High Priority Project funding). In 2012, the Moving Ahead for Progress in the 21st Century Act ("MAP-21") maintained highway funding levels for all states, DC, and Puerto Rico, but inexplicably cut the Territories' funding by a third (to \$40 million a year).

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The subsequent bill ("FAST Act") did not restore the funding cut in MAP-21; it provided only a small (5%) increase over the reduced MAP-21 allocation for the small Territories, (to \$42 million a year). In contrast, the FAST Act increased funding to the states and DC ranging up to 14.8% over the life

888 of the FAST Act (through FY 2020). Further exacerbating these  
889 funding shortfalls is the exclusion of the Territories from  
890 other surface transportation programs, which provide  
891 substantial funding to the States and DC.

892 Congress will have an opportunity to correct these  
893 inequities in the upcoming surface transportation  
894 reauthorization and any other infrastructure funding bills.  
895 For example, on January 29, 2020, House Democrats put forth a  
896 framework to invest \$760 billion over five years in the  
897 nation's infrastructure. Earlier, the Trump Administration had  
898 proposed investing \$2 trillion on infrastructure.

899 The small Territories need substantial investment in  
900 their aging and deficient infrastructure. Further, because of  
901 the increasing risk of damage from natural disasters, the  
902 Territories' infrastructure must be built to be more resilient  
903 and sustainable than most other areas of the United States. In  
904 order to provide the Territory a fair and equitable share of  
905 infrastructure funding, the Virgin Islands requests that in  
906 the upcoming surface transportation reauthorization bill  
907 funding for highways in the Virgin Islands be increased to not  
908 less than \$35 million annually, and, further, that funding in  
909 any other infrastructure package provide a set-aside of not  
910 less than 1.5% for the four Territories. We urge OIA and the  
911 Committee to work with the Department of Transportation and  
912 other committees and federal agencies to achieve these

913 necessary provisions.

914 **Update to Insular Areas Act**

915 Enacted in 1977, the Insular Areas Act, 48 U.S.C. §1469a,  
916 expressed the policy of Congress that the four small Territories  
917 (the Insular Areas) should be provided certain flexibilities  
918 under federal grant programs. Importantly, the Act, as amended,  
919 mandates that the Department of the Interior shall waive  
920 matching requirements for all Insular Areas under all of its  
921 grant programs and requires all other departments and agencies  
922 to waive any requirement for local matching funds under  
923 \$200,000 otherwise required by law. Further, pursuant to the  
924 Act, all federal agencies have the discretion to waive the  
925 entire local match for the Insular Areas (the four small  
926 Territories) for federal funding programs. The Act also allows  
927 federal grants to Territories to be consolidated to minimize  
928 administrative burdens.

929 There is ample precedent for federal agencies to exercise  
930 their discretion under the Act to waive the local match.  
931 Indeed, the local match has been waived under the Insular Areas  
932 Act in a number of contexts in the past, particularly after  
933 catastrophic events. For example, in recognition of the  
934 severity of Hurricanes Irma and Maria, FEMA invoked the Insular  
935 Areas Act authority to waive the 25% non-federal matching  
936 requirement for the Hazard Mitigation Grant Program in the  
937 Virgin Islands. However, FEMA has not waived the local match

938 for most categories (Categories C-G) of public assistance in  
939 response to Hurricanes Irma and Maria, requiring the Virgin  
940 Islands to come up with potentially hundreds of millions of  
941 dollars in local match under those programs, amounts that could  
942 and should be better spent on disaster recovery and economic  
943 development. In other instances, federal agencies have not used  
944 their discretion to waive the local share in other grant  
945 programs, despite the difficulty that the Virgin Islands and  
946 the other Insular Areas have in providing a local match.

947       Opportunities abound as well. As the world becomes  
948 increasingly interconnected, the opportunity for economic  
949 growth and expansion in our territories has never been greater.  
950 Innovation, investment, entrepreneurialism: they are the  
951 building blocks that made America into one of the most dominant  
952 economies on Earth. We now have the opportunity to transform  
953 our natural blessings in the territories into unprecedented  
954 prosperity for our people, in partnership with our fellow U.S.  
955 citizens and our federal government.

956       Our goal is not just to survive. Our goal is to thrive.  
957 The GVI proposes that the Act be amended to provide a statutory  
958 presumption in favor of waiving the local share; to foster  
959 economic development and stability; and to update the  
960 relationship of the Territories to the federal government as  
961 partners in the global influence and economic dynamics of the  
962 United States of America.\*Mr. Sablan. Thank you very much,



963 Governor.

964 I now recognize the Honorable Arnold I. Palacios,  
965 Lieutenant Governor for the Commonwealth of the Northern  
966 Mariana Islands.

967 Governor, you have five minutes.

968

969 STATEMENT OF ARNOLD I. PALACIOS, LIEUTENANT GOVERNOR, U.S.  
970 VIRGIN ISLANDS

971

972 \*Mr. Palacios. Thank you. Thank you, Chairman Sablan,  
973 Ranking Members, and other members of your committee. Thank  
974 you for allowing me to testify this afternoon. And I am here  
975 on behalf of Governor Torres, who sends his regrets for not  
976 being here to speak with you once again.

977 This past year has presented challenges that have been  
978 truly showcased -- that have truly showcased how vulnerable  
979 our community is to threats beyond our control. Having  
980 successfully exited the austerity measures we imposed on our  
981 employees in the government after Super Typhoon Yutu,  
982 Governor Torres is in the CNMI today working to contain the  
983 economic collapse following the outbreak of the coronavirus,  
984 which has significantly impacted our tourism arrival to the  
985 islands effectively, crippling the economy's sole industry.

986 As a result of this outbreak, CNMI expects to lose  
987 150,000 tourists' arrival, primarily from China, and 30  
988 percent of our expected total annual arrivals for this fiscal  
989 year. This year has proven that our economic development  
990 trajectory has led us to a position that is the definition of  
991 fragility. In a moment, without a single instance of an  
992 outbreak in the CNMI, we lost the second-largest tourism  
993 market due to a forest that we cannot even see.

994           As you know, section 701 of our government states that  
995   the United States will assist us in our efforts to achieve a  
996   progressively higher standard of living for our people as  
997   part of this American family, and develop the economic  
998   resources needed to meet the responsibilities of local self-  
999   government.

1000           President Trump's budget submission for Fiscal Year 2020  
1001   reaffirms this commitment, and it is now more urgent than  
1002   ever to revisit what being a member of the American economic  
1003   community means.

1004           We wish to thank the Department of the Interior and OIA  
1005   for their commitment to seeing tangible result in our CIP  
1006   program and other funding support. The Congress and the  
1007   Administration must continue to recognize that a modern,  
1008   functional infrastructure is an absolute prerequisite to  
1009   economic development in all insular areas. CIP programs  
1010   assist us in this effort.

1011           However, the program has been \$27.7 million since the  
1012   inception of the CNMI in 1978, and continues at this level,  
1013   when it was modified to include Guam, American Samoa, and the  
1014   U.S. Virgin Islands. We would like to see Congress increase  
1015   the level of funding for the CIP programs in our insular  
1016   areas. The CNMI once again urges the review, therefore, of  
1017   the CIP grant programs to allow to increase a budgeted amount  
1018   that adjusts inflation -- for inflationary costs -- current

1019 infrastructure needs of the U.S. territories.

1020           Mr. Chairman, I wish to thank all the members of this  
1021 Committee for your continued support through the many  
1022 challenges we face in our current immigration transition.  
1023 Governor Torres and I continue to say that we have every  
1024 interest in creating more jobs and opportunities for U.S.  
1025 workers in the Commonwealth. But improvements can be made  
1026 from our experience that -- thus far.

1027           I wish to offer the following recommendations for your  
1028 consideration.

1029           Number one, allow the CNMI Government to participate in  
1030 the labor certification process in a similar manner as is  
1031 allowed for our sisters and brothers in Guam.

1032           Number two, fully lift the exclusion of construction  
1033 workers from the CW-1 program. A full relief of this  
1034 restriction will help support the development of our new  
1035 homes damaged by our typhoons, and to further develop the  
1036 economy to -- which increase jobs and opportunities for U.S.  
1037 workers.

1038           Three, eliminate the touch-back. We ask that you  
1039 eliminate the touch-back provision to prevent a quarter of  
1040 the labor force departing the CNMI for an intermediate number  
1041 of months -- an indeterminate number of months at the start  
1042 of Fiscal Year 2021.

1043           Mr. Chairman, we need your assistance. The American

1044 economic community promised to our -- promise to our  
1045 forefathers is not defined by the rigor of our regulations.  
1046 It is defined by the promise of our ideals. I believe this  
1047 to be true, and I look forward to continuing to work  
1048 alongside you as we inch closer to that dream of real  
1049 membership in this great community.

1050 Before closing, Congressman, I wish to also extend our  
1051 appreciation for your work, and those of the other  
1052 congressional members from the insular areas on the new  
1053 Medicaid allocation. This was one of the most welcome news  
1054 in our health care system. Thank you.

1055 [Speaking foreign language.]

1056 [The prepared statement of Governor Palacios follows:]

1057 Good afternoon.

1058

1059 Chairman Grijalva, Ranking Member Bishop, Congressman Sablan  
1060 and members of the Committee, thank you for allowing me this  
1061 opportunity to testify at this hearing on the fiscal year 2021  
1062 budget request for Department of the Interior's Office of  
1063 Insular Affairs (OIA). Additionally, I appreciate that this  
1064 hearing will afford us the opportunity to discuss the many  
1065 urgent and troubling economic issues facing the CNMI today and  
1066 ways Congress can support our resiliency toward external  
1067 economic shocks.

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1069 I am here on behalf of Governor Ralph Torres who sends his  
1070 deepest regrets for not being able to speak with you all once  
1071 again. This past year has presented challenges that have truly  
1072 showcased how vulnerable our community is to threats beyond  
1073 our control. Having successfully planned an exit to the painful  
1074 austerity measures placed in the aftermath of Super Typhoon  
1075 Yutu, Governor Torres is in the CNMI today doing all he can to  
1076 contain the economic collapse resulting from the outbreak and  
1077 spread of the novel coronavirus which has significantly  
1078 impacted the influx of tourists to our islands, essentially  
1079 crippling the economy's sole industry.

1080

1081 As a result of this outbreak, the CNMI expects to lose more  
1082 than 150,000 tourist arrivals from China against earlier  
1083 forecasts for this fiscal year. This estimated loss represents  
1084 more than 30% of our expected total annual arrivals for this  
1085 fiscal year. This loss of income for our economy is and will  
1086 be painful but is not solely contained to the China market.  
1087 Concern has spread throughout the tourism industry. Much like  
1088 SARS before it, the coronavirus' effects on the CNMI tourism  
1089 market will be felt long after the outbreak has subsided.

1090

1091 This year has proven that our economic development trajectory,  
1092 inclusive of the effects of federal laws, has led us to a  
1093 position that is the definition of fragile. In a moment,

1094 without a single instance of the outbreak in the CNMI, we lost  
1095 the second largest tourism market due to a force we cannot even  
1096 see. In this state, we must return to the hopes created during  
1097 our origins as a Commonwealth.

1098

1099 Section 701 of the Covenant to Establish a Commonwealth of the  
1100 Northern Mariana Islands in Political Union with the United  
1101 States of America states that the United States Government will  
1102 "assist the Government of the Northern Mariana Islands in its  
1103 efforts to achieve a progressively higher standard of living  
1104 for its people as part of the American economic community and  
1105 to develop the economic resources needed to meet the financial  
1106 responsibilities of local self-government."

1107

1108 President Donald J. Trump's budget submission for fiscal year  
1109 2020 reaffirms this commitment and it is now more urgent than  
1110 ever to revisit what being a member of the American economic  
1111 community means.

1112

1113 The recent history of the CNMI's collaboration with the OIA  
1114 has produced tangible and lasting results that have aided in  
1115 the development of our infrastructure and provided additional  
1116 resources for our community and our economy. The redevelopment  
1117 of the former Puerto Rico dump to a beautiful tourist  
1118 attraction and the ongoing sewer line development efforts are

1119 prime examples of the possibilities that can be obtained  
1120 through collaboration. Additionally, OIA has been instrumental  
1121 in the funding of a range of programs to advance the service  
1122 of government through the technical assistance program. For  
1123 the hard work in understanding the needs and complexities  
1124 present in the CNMI, we wish to thank the Department of the  
1125 Interior, and OIA.

1126

1127 The existence of the OIA is indicative of something that must  
1128 be repeated - the Territories, like the CNMI, have such unique  
1129 challenges and face such tremendous obstacles toward  
1130 sustaining viable economies that a separate approach is  
1131 necessary.

1132

1133 The Congress and the Administration must continue to recognize,  
1134 as they have done since the origins of the Commonwealth  
1135 government, that a modern, functional infrastructure is an  
1136 absolute prerequisite to economic development. However, time  
1137 continues forward and as with all things, these resources will  
1138 one day no longer be of use. We do not have the resources  
1139 available to undertake the redevelopment of the monumental  
1140 infrastructure initiatives of the UN Trust Territory era, but  
1141 we must. We soon must rehabilitate our airport, our seaports,  
1142 our sewage treatment facilities, our water wells, our sewer  
1143 and water lines, but we simply cannot do these necessary things



1144 while partitioning up a single pot of resources that have not  
1145 changed since the inception of the Commonwealth government.

1146

1147 As the CNMI has asked before, Congress and the Administration  
1148 must recognize that the Capital Improvement Project (CIP)  
1149 Grants provided under the CNMI's Covenant agreement with the  
1150 United States must adapt to the circumstances of today.

1151

1152 The CNMI once again urges the review of the CIP Grants Program  
1153 to allow for an increase in the budgeted amount that adjusts  
1154 for inflationary costs and current infrastructure needs of the  
1155 U.S. territories.

1156

1157 The CIP Grants Program has been one of the most successful  
1158 federal programs for the

1159 CNMI, Guam, American Samoa, and the U.S. Virgin Islands for  
1160 infrastructure projects, and has had a significant impact on  
1161 the advancement of quality of life and economic development in  
1162 the islands.

1163

1164 Given that the program has been \$27.72 million since its  
1165 inception for the CNMI in 1978 under Section 701 of U.S. Public  
1166 Law 92-241, and continued at this level when it was modified  
1167 to include Guam, American Samoa, and the U.S. Virgin Islands  
1168 under U.S. Public Law 104-134 until today, a review of the CIP

1169 Grants Program is timely given the priority of infrastructure  
1170 for the smaller U.S. Territories and the severe economic  
1171 conditions that have presented themselves in recent years.

1172

1173 The discussion of the budget for this critical department is  
1174 important for the CNMI. However, the needs of our people span  
1175 across the federal government.

1176

1177 I wish to thank all the members in this committee for your  
1178 continued support through the many challenges we have faced  
1179 with our current immigration transition period. Because of your  
1180 support and assistance, the CNMI economy averted total collapse  
1181 after the passage of the Northern Mariana Islands U.S.  
1182 Workforce Act (U.S. Public Law 115-218) and the allowance for  
1183 the CNMI economy to continue to grow beyond the expiration of  
1184 the transition period in 2019. We have made tremendous progress  
1185 in committing ourselves to building a strong and vibrant  
1186 economy based on the strengths of U.S. workers, but this  
1187 ongoing transition period should be one of fluidity and  
1188 willingness to be flexible toward accomplishing the intents of  
1189 the law.

1190

1191 In this first year of implementation of U.S. Public Law 115-  
1192 218, the CNMI has been diligent in our pursuit of full  
1193 compliance with the new requirements of the law. In light of

1194 this experience, I must raise concern about the unintended  
1195 consequences that must be averted at the risk of damaging our  
1196 struggling economy further and imperiling the many U.S. jobs  
1197 we have created thus far.

1198

1199 As Governor Torres and I continue to say, we have every  
1200 interest in creating more jobs and opportunities for U.S.  
1201 workers seeking to build their lives in the CNMI. However, the  
1202 counter intuitive nature of the CNMI economy has showcased that  
1203 the best way to create opportunities for U.S. workers is to  
1204 continue to build the economy alongside our foreign workers.  
1205 Labor is a critical factor necessary for production, and the  
1206 reality is, at this point in time, we simply do not have enough  
1207 to sustain a viable economy.

1208

1209 In an effort to continue the pursuit of greater levels of U.S.  
1210 workers in our economy, I wish to offer the following  
1211 recommendations for your consideration:

1212 1. Allow the CNMI Government to participate in the labor  
1213 certification process in a similar manner as is allowed  
1214 for in Guam. The United States Department of Labor does  
1215 not produce labor force data for the CNMI, the Bureau of  
1216 Labor Statistics does not conduct labor market surveys in  
1217 the CNMI, and the CNMI is not included in USDOL's  
1218 Occupational Employment Statistics (OES) program. This is

1219 understandable as USDOL had limited historic involvement  
1220 in the CNMI labor market. To remedy this deficiency and  
1221 to ensure labor market decisions are being made with the  
1222 most relevant and locally contextualized information,  
1223 providing the same authority as Guam to certify wage and  
1224 labor needs prior to submission of a CW-1 petition would  
1225 be logical and efficient.

1226

1227 2. Fully lift the exclusion of construction workers  
1228 (Standard Occupational Classification Code 47-0000) from  
1229 the CW-1 program and further recognize the limited number  
1230 of U.S. construction workers and the inapplicability of  
1231 alternative visa classification on the labor force needs  
1232 of the CNMI community. A full relief on this restriction  
1233 will help support the development of new homes to combat  
1234 the housing shortage caused by the destruction of Super  
1235 Typhoon Yutu and to further develop the economy toward  
1236 increased jobs and opportunities for U.S. workers.

1237

1238 3. Eliminate the touch-back provision to prevent a quarter  
1239 of the labor force departing the CNMI for an indeterminate  
1240 number of months at the start of Fiscal Year 2021. At this  
1241 time of severe financial difficulties, a dramatic  
1242 reduction in the size of the labor force will compound  
1243 our mounting challenges into a potential collapse of our

1244 economy. Removing the requirement for foreign workers to  
1245 return to their country of origin following the second  
1246 renewal period does not create a pathway to citizenship.  
1247 The periodic loss of a large segment of the workforce will  
1248 create unnecessary complications within the economy and  
1249 hurt U.S. job seekers entering into the labor force.

1250

1251 Congress must understand the vulnerability that persists in a  
1252 small island economy like the CNMI. Limited resources, high  
1253 transportation and trading costs, diseconomies of scale all  
1254 play a significant role in leading the CNMI to the position it  
1255 is in today. We struggle against global forces, unprecedented  
1256 natural disasters, and a litany of impediments keeping us from  
1257 making good on the promise enshrined in our founding document  
1258 - "A progressively higher standard of living for its people as  
1259 a part of the American economic community."

1260

1261 I am seeking your help in finding solutions and before you,  
1262 there are many. To break the barriers keeping us from viability  
1263 is our access to tourists who would pay to enjoy our beaches  
1264 and breath in our clean air, the cost of transportation of  
1265 goods and people that locks our residents in and a world of  
1266 potential visitors out. We need your assistance to ensure that  
1267 poor health does not guarantee financial struggles. We can do  
1268 so much if we work toward a shared understanding of who we are.

1269

1270 The American Economic Community promised to our forefathers is  
1271 not defined by the rigor of our regulations. It is defined by  
1272 the promise of our ideals.

1273

1274 We are here asking for your assistance to be proactive in the  
1275 support of these ideals. Moreover, to work with us in  
1276 addressing the unique and dire needs of the thousands of  
1277 Americans living on our shores. I also ask that you understand  
1278 our attempts to fight for every opportunity we must thrive  
1279 within this community. We need increased access to financial  
1280 resources to scale that development ladder, but we also need  
1281 your trust that we can succeed together.

1282

1283 I believe this to be true and I look forward to continuing to  
1284 work alongside you as we inch closer to that dream of real  
1285 membership in this great community.

1286           \*Mr. Sablan. [Speaking foreign language.]

1287           And I would like to now welcome the Governor of Guam,  
1288 the Honorable Lou Leon Guerrero.

1289           Governor, you have five minutes, please.

1290

1291 STATEMENT OF THE HON. LOU LEON GUERRERO, GOVERNOR, GUAM

1292

1293 \*Governor Guerrero. Thank you, Congressman. [Speaking  
1294 foreign language] for the opportunity to appear before this  
1295 Committee today to make comments on the proposed Fiscal Year  
1296 2021 budget request for the Department of the Interior. My  
1297 testimony on OIA's budget will be brief.

1298 Throughout OIA's existence, the U.S. territories have  
1299 largely benefitted from the flexibility of federal grants  
1300 that respond to the diverse needs of our islands. These  
1301 grants vary. OIA's role in providing this assistance  
1302 continues to be an important part of Guam's strategic growth,  
1303 but we are appreciative of more than OIA's funding. We are  
1304 also very valuable its -- in its partnership and advocacy  
1305 within the federal bureaucracy.

1306 Having served my first year as Governor of Guam, I have  
1307 been witness to this value firsthand. As this Committee  
1308 contemplates OIA's Fiscal Year 2021 requests, I am in favor  
1309 of increasing the budget that provides for territorial  
1310 assistance in the areas of technical assistance, maintenance  
1311 assistance, and energizing insular communities. The purposes  
1312 of these areas, along with the flexibility maintained by OIA  
1313 to prioritize these grants, respond to both basic and growing  
1314 needs of U.S. island communities.

1315 U.S. territories, however, need changes in policy that



1316 this Committee has supported in the first session of the  
1317 116th Congress. Specifically, I would like to acknowledge  
1318 Chairman Grijalva, Ranking Member Bishop, and Delegate Kilili  
1319 Sablan for convening a hearing that identified the Medicaid  
1320 cliff costs by expiring provisions of the Affordable Care Act  
1321 for the territories. Through their leadership, the work of  
1322 this Committee, and the Congress as a whole, millions of  
1323 Americans living in the territories maintain their access to  
1324 health care without unfair matching rates or onerous caps.

1325 As a result of this Committee's interest and advocacy,  
1326 the Congress passed legislation that raised the caps for all  
1327 U.S. territories, and changed our matching formula from 43  
1328 percent to 17 percent for the next 2 years. We are, of  
1329 course, grateful for this new formula, and that Guam's cap  
1330 was raised from 18 million to 127 million per year. And  
1331 Congressman, be assured we will spend all that money.

1332 However, we should be treated no differently than if one  
1333 resided in a State. I am hopeful that, when Congress  
1334 revisits this issue, that State-like treatment for Medicaid  
1335 can be fully extended to U.S. territories.

1336 Similarly, U.S. territories whose tax code mirrors the  
1337 U.S. tax code find themselves treated differently with the  
1338 Earned Income Tax Credit, which is a program that benefits  
1339 working people with low to moderate income. I am in favor of  
1340 programs such as this. However, its application in Guam and

1341 other territories is a burden on our local coffers. The EITC  
1342 benefit is directly paid out by the U.S. Treasury, and is  
1343 estimated to be a \$56 billion program.

1344         However, such benefit is not one assumed directly by the  
1345 Federal Government. Rather, the benefit is paid directly out  
1346 from our local coffers. For Guam the estimated value annual  
1347 cost is \$60 million, a benefit that is otherwise paid by the  
1348 Federal Government in every State of the Union, and a figure  
1349 which, if left in Guam's budget, would allow us to nearly  
1350 retire our deficit, make investments into education and  
1351 public safety, or replace our only public hospital.

1352         I applaud House Ways and Means Chairman Richard Neal for  
1353 authoring H.R. 3300, the Economic Mobility Act of 2019, and  
1354 for its inclusion in the recent supplemental bill passed by  
1355 the House last week. The language will direct the U.S.  
1356 Treasury to reimburse Guam for 75 percent of its EITC costs.  
1357 Mr. San Nicolas is the sponsor of this bill, and though I  
1358 believe that Guam and our sister territories should be  
1359 treated equally with the States by reimbursing us 100 percent  
1360 of our costs, H.R. 3300 is a step towards fairness.

1361         As I give this testimony, I cannot help but think how  
1362 many governors of Guam have covered the same ground. For  
1363 years territorial governors sitting in hearings like this  
1364 have highlighted the costs associated with the compacts of  
1365 free association. While these bilateral documents help to

1366 offset China's growing influence in the Western Pacific, and  
1367 preserve our national security interests, Guam and other  
1368 affected jurisdictions are left to fund the consequences of  
1369 unmitigated migration.

1370         While Guam's compact-related expenditures far outweighs  
1371 the federal offset equally to only 10 percent of our total  
1372 island costs, the methodology used to calculate this cost is  
1373 often the subject of skepticism and inquiry. The economic  
1374 benefit analysis will accompany shortly our federal report.

1375         With the upcoming negotiations to extend financial terms  
1376 of the current compact nears, I implore this Committee to  
1377 encourage the Administration to consider including, as agenda  
1378 items, a screening program by the Department of Homeland  
1379 Security to ensure that migration to U.S. jurisdiction  
1380 complies with the compact. I would like them to reimburse  
1381 Guam 100 percent of our total costs.

1382         I would also like to provide -- I would also like the  
1383 Committee to consider providing greater support to FAS  
1384 countries in developing their economies and opportunities for  
1385 their people.

1386         As the Committee is aware, as a strategic location for  
1387 the country's projection of forces in the Indo-Pacific  
1388 region, Guam is host to a multi-billion-dollar military  
1389 infrastructure. We soon will be half -- will have a home  
1390 inaugurated as the Camp Blaz, and we will be endeavoring

1391 about \$8 billion in cost, an expense shared by both Japan and  
1392 the United States.

1393 In the past, Congress has created a Guam-only visa  
1394 waiver program, and has also removed Guam from the national  
1395 cap on H-2 labor. Given these precedents, I am advocating  
1396 that Congress pass legislation to create a Guam-only H-2  
1397 labor program. I am hopeful that you would consider my  
1398 proposal, as I advocate for it this year.

1399 Finally, I want to thank this Committee for its  
1400 expeditious action on H.R. 1365, and we are equally grateful  
1401 to the Office of Insular Affairs' role, and to that of the  
1402 Assistant Secretary Doug Domenech for the interagency effort  
1403 to work bipartisanly with my administration that has allowed  
1404 Guam to make awards to those remaining survivors. The  
1405 ability to do this, while still supporting the passage of  
1406 H.R. 1365 and maintaining our local action, does not abdicate  
1407 or negate the need for action by Congress.

1408 We are appreciative of the Committee's longstanding  
1409 involvement dating back to our first delegate, Antonio Won  
1410 Pat, and with every delegate who has championed the issue of  
1411 parity in Guam: Mr. Blaz, Mr. Underwood, Mr. -- Ms.  
1412 Bordallo, and your current colleague, Mr. San Nicolas.

1413 We are hopeful that U.S. Senate will pass H.R. 1365.  
1414 Thank you again for the opportunity to appear before this  
1415 Committee, and I apologize for going over by 3 minutes, 44

1416 seconds, but we have all traveled very far. And thank you  
1417 for your patience in listening to our testimony.

1418 Thank you.

1419 [The prepared statement of Governor Guerrero follows:]

1420

1421

1422 Hafa Adai and Si Yu'os Ma'ase for the opportunity to appear  
1423 before this Committee today to make comments on the proposed  
1424 FY 2021 budget request for the Department of the Interior's  
1425 Office of Insular Affairs. By extension, I will also share with  
1426 the Committee my perspective on federal policy which weakens  
1427 Guam's economic growth.

1428

1429 My testimony on OIA's budget will be brief. Throughout OIA's  
1430 existence, the U.S. territories of Guam, American Samoa, the  
1431 U.S. Virgin Islands, and the Commonwealth of the Northern  
1432 Mariana Islands have largely benefitted from the flexibility  
1433 of federal grants that respond to the diverse needs of our  
1434 islands. These grants vary. They can provide technical  
1435 assistance to improve our human capacity making our local  
1436 governments more efficient and effective, they can help our  
1437 governments meet a shortage of public school busses or  
1438 emergency vehicles, or they can be the building blocks of our  
1439 plans to address school maintenance, adopt greener energy  
1440 solutions, or develop our workforce.

1441 OIA's role in providing this assistance continues to be an  
1442 important part of Guam's strategic growth. But we are  
1443 appreciative of more than OIA'S funding, we also value its  
1444 partnership and advocacy within the federal bureaucracy.

1445

1446 Having served my first year as Governor of Guam, I have been  
1447 witness to this value first hand. I am grateful to OIA's career  
1448 staff and its leadership for the strong professional  
1449 relationship we have forged since I took office.

1450

1451 As this Committee contemplates OIA's FY2021 request, I am in  
1452 favor of increasing OIA's budget that provides for territorial  
1453 assistance in areas of Technical Assistance, Maintenance  
1454 Assistance, and Energizing Insular Communities. The purposes  
1455 of these areas, along with the flexibility maintained by OIA  
1456 to prioritize these grants, respond to both basic and growing  
1457 needs of U.S. island communities.

1458

1459 US territories however need changes in policy that this  
1460 Committee has supported in the first session of the 116th  
1461 Congress. Specifically, I would like to acknowledge Chairman  
1462 Grijalva, Ranking Member Bishop, and Delegate Kilili Sablan  
1463 for convening a hearing that identified the Medicaid cliff  
1464 caused by expiring provisions of the Affordable Care Act. for  
1465 the territories. Through their leadership, the work of this

1466 Committee, and the Congress as a whole, millions of Americans  
1467 living in the territories maintained their access to health  
1468 care without unfair matching rates or onerous caps.

1469

1470 As a result of this Committee's interest and advocacy, the  
1471 Congress passed legislation that raised the caps for all U.S.  
1472 territories and changed our matching formula from 43% to 17%  
1473 for the next two years. We are of course grateful for this new  
1474 formula and that Guam's cap was raised from \$18 million to \$127  
1475 million per/year. However, Americans living in territories  
1476 should be treated no differently than if one resided in a  
1477 State. I am hopeful that when the Congress revisits this issue,  
1478 that State-like treatment for medicaid can be fully extended  
1479 to U.S. territories.

1480

1481 Similarly, U.S. territories whose tax code mirrors the U.S.  
1482 tax code find themselves treated differently with the Earned  
1483 Income Tax Credit, which is a program that benefits working  
1484 people with low to moderate income. I am in favor of programs  
1485 such as this, however, its application in Guam and other U.S.  
1486 territories is a burden on our local coffers. The EITC benefit  
1487 is directly paid out by the U.S. Treasury and is estimated to  
1488 be a \$56 billion-dollar program.

1489

1490 However, in Guam and the U.S. Virgin Islands, where our tax

1491 code mirrors the U.S. tax code, such benefit is not one assumed  
1492 directly by the Federal government. Rather, the benefit is paid  
1493 directly from local government coffers. For Guam, the estimated  
1494 annual cost is \$60 million dollars. A benefit that is otherwise  
1495 paid by the federal government in every State of the Union and  
1496 at a figure which, if left in Guam's budget would allow us to  
1497 nearly retire our deficit, make investments into education and  
1498 public safety or replace our only public hospital which was  
1499 built in 1964.

1500

1501 I applaud House Ways and Means Chairman Richard Neal for  
1502 authoring H.R. 3300, the Economic Mobility Act of 2019 and for  
1503 its inclusion in the recent supplemental bill passed by the  
1504 House last week. The language will direct the U.S. Treasury to  
1505 reimburse Guam for 75% of its EITC costs. Mr. San Nicolas is  
1506 a cosponsor of the bill and though I believe that Guam and our  
1507 sister territories should be treated equally with the States  
1508 by reimbursing us 100% of our costs, H.R. 3300 is a step towards  
1509 fairness.

1510

1511 As you may know, the Administration has issued a "Statement of  
1512 Administration Position" on the supplemental measure which  
1513 indicates that the President will veto it if passed by the  
1514 Senate. The SAP does not mention any specific opposition to  
1515 offsetting Guam's costs, so I am hopeful that the House can



1516 move the bill as a standalone or find another legislative  
1517 vehicle that the Senate can eventually pass.

1518

1519 As I give this testimony, I cannot help but think how many  
1520 Governors of Guam have covered the same ground. For years,  
1521 territorial Governors, sitting in hearings like this, have  
1522 highlighted the costs associated with the Compacts of Free  
1523 Association. While these bilateral documents help to offset  
1524 China's growing influence in the Western Pacific, and preserve  
1525 our national security interests, Guam and other affected  
1526 jurisdictions are left to fund the consequences of unmitigated  
1527 migration. We have documented our costs at \$150 million dollars  
1528 per/year.

1529

1530 While Guam's Compact related expenditures far outweigh the  
1531 federal offset, equal to only 10% of our total costs island,  
1532 the methodology used to calculate these costs is often the  
1533 subject of skepticism and inquiry. To that end, Guam has been  
1534 working with GAO to meet previously identified gaps in  
1535 reporting and design a methodology that works. That method,  
1536 and the Economic Benefit Analysis that accompanies it will be  
1537 finalized shortly. The net impact of this effort is a cost that  
1538 is accurate and fundable.

1539

1540 With the upcoming negotiations to extend financial terms of

1541 the current Compact nears, I implore this Committee to  
1542 encourage the Administration to consider including as agenda  
1543 items; 1) an executable screening program by the Department of  
1544 Homeland Security to ensure that migration to US jurisdictions  
1545 complies with the Compact, 2) reimbursing Guam 100% of our  
1546 total costs or, at minimum, define "offset" to be 75% of our  
1547 total expenditures hosting FAS citizens, and 3) providing  
1548 greater support to FAS countries in developing their economies  
1549 and opportunities for their people.

1550

1551 As this Committee is aware, as a strategic location for the  
1552 country's projection of forces in the Indo-Pacific region, Guam  
1553 is host to a multi-billion-dollar military infrastructure. In  
1554 a short time, Guam will also be the newest home to the newest  
1555 Marine Corps Base constructed in more than 50 years, which will  
1556 take on the name of Guam's former Delegate and first son of  
1557 Guam to attain the rank of General in the U.S. Marine Corps,  
1558 the late Ben Blaz.

1559

1560 The yet to be inaugurated Camp Blaz, has been an endeavor that  
1561 will ultimately cost \$8 billion dollars - an expense shared by  
1562 both Japan and the United States.

1563

1564 A decision by the Homeland Security Department in 2014 rolled  
1565 back Guam's use of H-2 laborers, however the labor demands

1566 needed to build Camp Blaz continued to be available to the  
1567 military. Because foreign labor was preserved for primarily  
1568 military construction and severely limited for civilian  
1569 projects, the cost of construction Guam has risen, housing is  
1570 becoming unaffordable, our hotel industry cannot provide  
1571 enough rooms to meet growing tourism, and in the midst of an  
1572 \$8 billion dollar investment in Guam which naturally attracts  
1573 private interests - investors are deterred from investing in  
1574 our island because of the uncertainty of securing labor for  
1575 any projects outside of military interests.

1576

1577 In the past, the Congress has created a Guam-only visa waiver  
1578 program and has also removed Guam from the national cap on H-  
1579 2 labor. Given these precedents, I will be advocating that the  
1580 Congress pass legislation to create a Guam-only H-2 labor  
1581 program. Such a program will be exclusive to Guam and coincide  
1582 with military buildup with a sunset provision.

1583

1584 Peace is good for everyone. And the national interest is best  
1585 served when the military and civilians are good neighbors--  
1586 especially in small communities. It is also important to point  
1587 out that lacking an overall policy to economically develop our  
1588 US territories, it would behoove us all to not take advantage  
1589 of interests who want to develop Guam while the federal  
1590 government is making an \$8 billion-dollar investment into the

1591 island.

1592

1593 I am hopeful that this Committee can support such a proposal  
1594 as I advocate for it this year.

1595

1596 Finally, I want to thank this Committee for its expeditious  
1597 action on HR 1365; and we are equally grateful to the Office  
1598 of Insular Affairs' role and to that of Assistant Secretary  
1599 Doug Domenech, for the interagency effort to work bipartisanly  
1600 with my Administration that has allowed Guam to make awards to  
1601 those remaining survivors of Guam's wartime occupation in the  
1602 absence of the Treasury not being able to do so at this time.

1603

1604 The ability to do this, while still supporting the passage of  
1605 H.R. 1365 and maintaining that our local action does not  
1606 abdicate or negate the need for action by the Congress, has  
1607 been important to allow Guam's remaining survivors parity,  
1608 justice, and healing during this 75th year marking the island's  
1609 liberation from Japanese occupation.

1610

1611 We are appreciative of the Committee's longstanding  
1612 involvement, dating back to our first Delegate, Antonio Won  
1613 Pat and with every Delegate who has championed the issue of  
1614 parity to Guam; Mr. Blaz, Mr. Underwood, Ms. Bordallo, and your  
1615 current colleague, Mr. San Nicolas.

1616 We are hopeful that the U.S Senate will pass H.R. 1365 soon.  
1617 As the number of living World War II survivors shrinks each  
1618 day, I think it is right that they know you stood with them.

1619

1620 Thank you again for the opportunity to appear before this  
1621 Committee and I look forward to answering any questions you  
1622 may have.

1623           \*Mr. Sablan. You are more than welcome. It is our  
1624 privilege that all three of you all actually are here this  
1625 afternoon.

1626           First, I would like to ask unanimous -- seek unanimous  
1627 consent that the delegate from the U.S. Virgin Islands, Ms.  
1628 Plaskett, be allowed to sit on the dais and ask questions.

1629           Without objections, so ordered.

1630           And it is now time for members to ask questions.  
1631 Members will each have five minutes to ask their questions  
1632 and get the response.

1633           There will be questions -- I will -- and I would think  
1634 that others would be submitting questions for the records.  
1635 The Committee will forward those questions to you, the  
1636 witnesses, and look forward to getting responses in a 10 days  
1637 period. Thank you.

1638           So I yield myself five minutes for questions.

1639           Again, welcome, Governors. And I understand that  
1640 economic development was a theme of IGIA, this year's theme.  
1641 But clearly, all the insular areas are struggling. I am  
1642 happy that issues identified by territorial governors last  
1643 year were reported as addressed -- the Medicaid cliff and  
1644 FMAP, natural disaster recovery, foreign worker visas,  
1645 federal tax policy, Guam World War II Recognition Act.

1646           A couple thoughts for the American Samoa. I am not sure  
1647 how the other delegates feel, but some of these issues that I

1648 worked on, I have never heard anything from OIA. It was  
1649 congressional members working together on the Medicaid. It  
1650 is an over-two-years work.

1651 But -- so I am going to ask. Did you -- and if you hear  
1652 any proposal this morning that will get your economies  
1653 growing -- Governor Bryan?

1654 \*Governor Bryan. We were the ones doing the proposing,  
1655 in terms of it growing our economy.

1656 One of the things that came up key that I mentioned was  
1657 that we need to be aligned with U.S. foreign policy in the  
1658 Caribbean, as well as within in the Pacific for my friends.  
1659 We don't really see a strategy that is beyond us.

1660 I mean, we are so small, anything that happens -- we  
1661 also pointed out the fact that Puerto Rico has been under  
1662 duress for several years now, and there has been no real  
1663 definitive action by the United States Congress or the  
1664 Administration to help to create a vehicle that would put us  
1665 on a road to sustainability again. And at the same time they  
1666 watch us headed down the same track as Puerto Rico has been,  
1667 and there is no help in sight.

1668 I mean, more than putting the PROMESA in there, there  
1669 has not been an act that would create more pharmaceutical  
1670 companies, an advantage to distillation, or some other  
1671 economic incentive that would create prosperity and  
1672 sustainability --

1673           \*Mr. Sablan. Governor, thank you. I have five minutes,  
1674 so I really -- no disrespect.

1675           \*Governor Bryan. Oh, I thought it was my five minutes.  
1676 I am sorry, sir.

1677           [Laughter.]

1678           \*Mr. Sablan. No, sorry.

1679           Governor Palacios, did you hear anything specific that  
1680 -- proposals that would get the Marianas' economy growing?

1681           \*Mr. Palacios. Well, nothing specific. We pointed out  
1682 a lot of issues that needs to be addressed. EDA was there.

1683           \*Mr. Sablan. Yes.

1684           \*Mr. Palacios. There were several departments, federal  
1685 departments, that offered the assistance.

1686           But, you know, they always -- we always talk about  
1687 capacity. And there are times when we just don't have the  
1688 capacity. Surely, with a nation like the United States,  
1689 which is the most prosperous country in the world, there has  
1690 got to be a policy that would work for the insular areas.  
1691 Somebody within the federal machinery --

1692           \*Mr. Sablan. Governor --

1693           \*Mr. Palacios. -- certainly take a look at this issue  
1694 and say, "What can we do to craft" --

1695           \*Mr. Sablan. Yes --

1696           \*Mr. Palacios. -- "policies for the Virgin Islands, for  
1697 the Commonwealth, for Guam, as they are unique.'"



1698           \*Mr. Sablan. And the Department of the Interior,  
1699 Governor, is supposed to be our advocates in the executive  
1700 branch. And I will be remiss if I don't say that, you know,  
1701 I am -- they have not exactly had stellar records. I am not  
1702 saying they have not done anything, but there is a lot of  
1703 wish. We wish they would do a little bit more.

1704           I have 47 seconds. Governor Guerrero?

1705           \*Governor Guerrero. Yes. Thank you, Congressman. Yes.  
1706 We actually were driving the discussions. However, they did  
1707 talk about opportunity zones, and the process that they have  
1708 done to help us along, and encouraged us to take advantage of  
1709 that tax incentive program.

1710           They also talked a lot -- we also talked a lot about  
1711 workforce development, and the importance of apprenticeship,  
1712 business-private partnerships. But I think, as territories,  
1713 we need to be the one aggressively driving the agenda. And  
1714 that is what I would like to see.

1715           And I just wanted to say we have a very good working  
1716 relationship with OIA. And, in fact, they were very, very  
1717 visible in our National Governors Association. So I do  
1718 appreciate that working relationship.

1719           And, of course, we have to bring in our Congress  
1720 delegates, also.

1721           \*Mr. Sablan. Thank you. Thank you very much. My time  
1722 is up. So I now yield -- recognize the Ranking Member, the

1723 gentlelady from Puerto Rico. She has five minutes.

1724 \*Miss González-Colón. Thank you, Chairman Sablan. And  
1725 again, thank you, all the governors, for being here.

1726 I know many of the situations that we all face are  
1727 examples of what is living in the territories. So I will  
1728 begin with Lieutenant Governor for the Northern Mariana  
1729 Islands, specifically about the bill. And you were saying  
1730 about -- can you discuss the importance of the capital  
1731 improvement project grants in CNMI, and how these capital  
1732 improvement project dollars aided during Typhoon Yutu  
1733 recovery efforts? If you can -- and remember, I got just  
1734 four minutes. So if we can, be concise so I can do another  
1735 questions.

1736 \*Mr. Palacios. The capital improvement issue that I  
1737 brought up is actually a funding that was under the provision  
1738 of our covenant, our agreement with the Federal Government,  
1739 to come into the U.S. family of \$27 million a year. Somehow,  
1740 somewhere, some time that disappeared. I don't know why it  
1741 disappeared, how it disappeared. But the fact of the matter  
1742 is that today, instead of \$27 million, the Commonwealth only  
1743 gets \$9 million to do infrastructure development.

1744 Some of those monies now goes to our brothers and  
1745 sisters in Guam, our brothers and sisters in American Samoa,  
1746 and our brothers and sisters in Virgin Islands, and I think  
1747 even Puerto Rico. Now, we don't want to take those monies

1748 back from our brothers and sisters in these other insular  
1749 areas. We want and we would like to see if Congress would  
1750 consider increasing the level of that funding for the insular  
1751 areas, so that everybody has a bigger piece of this pie.

1752 \*Miss González-Colón. Lieutenant Governor, I know the  
1753 tourism is one of the biggest areas in your economy, and I  
1754 don't know what is the Department of the Interior helping you  
1755 out, considering the coronavirus and many other stuff in the  
1756 Pacific, as well. But in terms of the territorial assistance  
1757 line item, which of the programs, in terms of technical  
1758 assistance, maintenance assistance, coral reef initiatives,  
1759 among many others, which one of them is the most important  
1760 one, the most that CNMI get more benefits from?

1761 \*Mr. Palacios. It is the CIP money, 9 to \$15 million,  
1762 and perhaps the technical assistance program.

1763 \*Miss González-Colón. In terms of -- I am going to do  
1764 kind of the same question to the Honorable Governor of Guam.  
1765 You ask in your statement for support for an increase in the  
1766 territorial assistance. Which program under that umbrella is  
1767 most helpful to Guam?

1768 \*Governor Guerrero. I would say, of -- they are all  
1769 three equally important. But I think, for the most part, I  
1770 think the technical assistance is very important, because it  
1771 provides us with help in whatever projects that we are going  
1772 through. For example, automation is one, and just maybe

1773 analytics and data collection, so we can have a much better  
1774 understanding of our issues in Guam.

1775 But I believe they are all equally important, but if I  
1776 had to choose, I would say technical assistance.

1777 \*Miss González-Colón. I would never put you to choose,  
1778 but I just want to know which one of them are the most  
1779 important in terms of helping you out, the most positive  
1780 impact. I was thinking about when we went there, we saw the  
1781 brown tree snake control program, among many others. See, I  
1782 remember.

1783 So if we -- if you can have some of those programs  
1784 specifically, you say technical assistance. And I will go  
1785 back now to U.S. Virgin Islands.

1786 Governor, I know tourism for you, as well, is one of the  
1787 most important tools. What the U.S. Virgin Islands is doing,  
1788 actually, to cope with the situation in terms of the industry  
1789 recovering from the hurricanes?

1790 And what advantage for the U.S. Virgin Islands in the  
1791 budget are included, in terms of the budget that is included  
1792 there?

1793 \*Governor Bryan. We don't see any direct benefit to the  
1794 budget.

1795 But on the other question, I think at this point in time  
1796 the coral reef is very important, only because we have a new  
1797 blight in the Caribbean. That is, we really don't have an

1798 answer, and no one has an answer for it. The reefs also  
1799 sustained damage in the both storms. And I know Puerto Rico  
1800 was getting some money -- and then it stopped at FEMA -- for  
1801 coral reef repair and revitalization.

1802 The CIP money is very important to us, too, but at this  
1803 time we have a lot of other federal aid that helps along with  
1804 that. And it just patches those little holes that we don't  
1805 have local money for, or federal funding. But the coral reef  
1806 is something that we really need to bump up and pay attention  
1807 to as we move forward.

1808 \*Miss González-Colón. Thank you. I yield.

1809 \*Mr. Sablan. I thank the Ranking Member. I next  
1810 recognize the distinguished gentleman from Guam, Mr. San  
1811 Nicolas, for five minutes.

1812 \*Mr. San Nicolas. Thank you, Mr. Chairman. I first  
1813 want to -- I want to begin by thanking you for your  
1814 leadership on this Committee, and also thanking you for your  
1815 leadership with respect to our recent achievements on our  
1816 Medicaid funding. I know that you have been working with  
1817 that for many years.

1818 I would also like to thank my colleague to my left,  
1819 Congresswoman Plaskett, for her leadership in pushing for the  
1820 EITC issue for many years.

1821 I would like to thank our Ranking Member and our  
1822 colleague of Puerto Rican descent for our Puerto Rican

1823 brothers and sisters always being here for us, as well; and  
1824 our brother from Hawaii, thank you so much also, as well, for  
1825 always looking out for the needs of our territories.

1826 I was very interested to listen to the responses to the  
1827 question from my Chairman with respect to economic  
1828 development initiatives that were discussed today. I think  
1829 that, as much as we want to secure more federal funding for  
1830 the needs of our territories, our ability to grow into our  
1831 own capacity is something that is going to benefit all of us,  
1832 regardless of whether or not we are going to be successful in  
1833 securing legislation for more federal funding.

1834 And I wanted to just inform the governors that one of  
1835 the things that I am going to be working on is something that  
1836 we worked on earlier with respect to trying to secure an  
1837 office of territorial exporting within the Export-Import Bank  
1838 of the United States. Right now, there is no specific focus  
1839 on territories. That is about \$145 million of export-import  
1840 financing support that has not been reaching territories.

1841 I know that my colleague from Puerto Rico has about  
1842 maybe 30 different companies that have been able to avail of  
1843 that. But as far as the U.S. Virgin Islands, the  
1844 Commonwealth, the Northern Mariana Islands, and Guam, we have  
1845 still not been able to tap into that resource. So hopefully  
1846 we can get that legislation through the Financial Services  
1847 Committee. But in the meantime, I think that it will be

1848 great for the respective administrations to begin looking at  
1849 that opportunity, so that we can begin to align local policy  
1850 with federal policy.

1851         One of the things that has allowed us to be successful  
1852 in this past year for something as dramatic as Medicaid, is  
1853 the fact that, if we are able to identify common denominators  
1854 within each of the territories, and focus our energies on  
1855 advocating for that specific common denominator, then we are  
1856 not taking as much of a shotgun approach. We are able to  
1857 laser in and actually make some major achievements.

1858         And so I wanted to ask the governors, because I know  
1859 that you all had your own individual lists of needs. And we  
1860 are not going to neglect those lists, but if the governors  
1861 can come together and inform us of what they can agree on as  
1862 a common denominator that all of us up here can advocate for  
1863 within our respective capacities.

1864         Governor Bryan, I guess you can go ahead and begin.

1865         \*Governor Bryan. Thank you. I think, immediately,  
1866 Medicaid is one of the -- one that is really huge. And then  
1867 the other one is the visa waivers. We have been asking for  
1868 that for quite some time. They are the guilty tax changes in  
1869 the law that make other tax incentive areas that are foreign  
1870 more attractive than we are. I think those are three right  
1871 off the cuff that would give us that sustainability, and give  
1872 us the ability to do a lot of things.

1873           \*Mr. San Nicolas. Is the EITC something that is a major  
1874 issue that the Virgin Islands needs -- wants to have  
1875 addressed here by this body?

1876           \*Governor Bryan. To make -- to -- how important that  
1877 is, it accounts for almost 40 percent of our tax returns in  
1878 any given year. We are behind a year-and-a-half. This last  
1879 past year we kind of made a record with \$70 million in tax  
1880 returns. It is more than have ever been returned in the  
1881 Virgin Islands in one year. But we are still --

1882           \*Mr. San Nicolas. Thank you, Governor. I don't mean to  
1883 cut you off, but I am -- I do have limited time. Thank you,  
1884 Governor.

1885           Lieutenant Governor Palacios?

1886           \*Mr. Palacios. Thank you. I was just listening to some  
1887 of the testimonies of the two governors. Actually, Governor  
1888 Lou mentioned something regarding federal payment, taking  
1889 control of the EITC issue so that the territories don't have  
1890 to be burdened with this requirement, whereas, in the  
1891 mainland United States, the Federal Government is -- pays  
1892 out.

1893           You know, these are a very, very critical amount of  
1894 funding for our governments. And if we are burdened with  
1895 this, these are -- those are -- that is one issue that I  
1896 believe I can get on. Right now we don't pay that.

1897           But in my very brief discussion yesterday with my



1898 congressman, he said, you know, we are actually risking being  
1899 sued by somebody in the Northern Marianas on this particular  
1900 issue. And I can assure you we will most likely lose. In  
1901 that regards --

1902 \*Mr. San Nicolas. Governor, I don't mean to cut you  
1903 off, but I do want to afford my governor a quick opportunity  
1904 to respond.

1905 \*Mr. Palacios. Thank you.

1906 \*Mr. San Nicolas. Thank you.

1907 \*Ms. Lang. Yes, thank you very much. Of course,  
1908 Medicaid is a benefit of all that. We did write a letter  
1909 uniting together in this common issue, and I am going to look  
1910 forward to also coming forward with the EITC issue, as it  
1911 does affect each of us.

1912 And Congressman, I have been in communication with the  
1913 Governor from the U.S. Virgin Islands, and I have been in  
1914 communication with the Governor from the CNMI, so --

1915 \*Mr. San Nicolas. Thank you, Mr. Chairman, I yield  
1916 back.

1917 \*Mr. Sablan. Thank you, Mr. San Nicolas.

1918 Mr. Soto, sir, you have five minutes.

1919 \*Mr. Soto. I am all about empowering our U.S.  
1920 territories. And with that spirit in mind, I yield to the  
1921 gentleman from Guam.

1922 \*Mr. Sablan. The gentleman has five minutes.

1923           \*Mr. San Nicolas. I thank my colleague. Thank you.

1924           So, as we were discussing that common denominator of  
1925 EITC, I think that that is something that we all should begin  
1926 rallying around. I would like my colleagues to just kind of  
1927 put that on notice, because the EITC, I know for Guam,  
1928 accounts for about one third of the total tax refund  
1929 liability paid out by the territory of nearly -- between 56  
1930 to \$60 million.

1931           \*Mr. Sablan. Right.

1932           \*Mr. San Nicolas. So you are talking about 30 percent  
1933 of a component on the Guam tax refund budget, 40 percent on  
1934 the U.S. Virgin Islands.

1935           And Governor Palacios, I know that on the CNMI they  
1936 recover the EITC by taxing it back. So, you know, I am not  
1937 even sure if it is necessary to make any changes, because if  
1938 the language is written that the rebate would still kick in,  
1939 then even if we taxed it back you would still get that rebate  
1940 on top of it.

1941           So I am glad that the governors were able to share with  
1942 us that particular common denominator on EITC. And I would  
1943 just like to put my colleagues on notice, because that is  
1944 something that actually we were able to move forward  
1945 recently. And I know that my colleague to my left spoke very  
1946 passionately about some components of that particular bill.  
1947 I know that my colleagues from Puerto Rico were very active

1948 in getting that bill passed through the House, H.R. 5687.

1949           And that key language in there that also addressed the  
1950 EITC for our territories is language that I am hoping we are  
1951 going to be able to protect if the bill goes into conference.  
1952 And if we run into any kind of problems getting the bill  
1953 through, because the Administration has already signaled that  
1954 they have issues with it, I am hoping that my colleagues can  
1955 help us to find additional avenues for our EITC concern to  
1956 still be able to find that channel.

1957           Because one of the very significant things about having  
1958 that language pass through H.R. 5687 is that it at least  
1959 indicates that Members of the House of Representatives are  
1960 open to allowing for that kind of language to be included,  
1961 not just in the recent legislation that was passed, but any  
1962 future legislation that we may be able to find a vehicle for.

1963           And with that I don't want to use up all of my  
1964 colleague's time. I will yield back to my colleague from  
1965 Florida.

1966           \*Mr. Soto. I reclaim my time and yield to the  
1967 gentlelady from the Virgin Islands.

1968           \*Ms. Plaskett. Thank you very much for your cooperation  
1969 and support of the territories all of the time.

1970           \*Mr. Sablan. The gentlelady is recognized.

1971           \*Ms. Plaskett. Thank you so much, sir. I wanted to  
1972 ask, Governor Bryan, you talked a little about the coral and

1973 how important it is. What effect would the decaying coral  
1974 reef have on tourism that fuels our local economy?

1975 \*Governor Bryan. The Virgin Islands is home to several  
1976 national monuments, including the one on St. John and the  
1977 Buck Island National Monument in St. Croix. Depletion of  
1978 this coral not only harms us in terms of our tourism product.  
1979 The wall at St. Croix is also -- it is not a national  
1980 monument, but it is also a world-famous diving site. The  
1981 depletion of our coral not only hurts our tourism product,  
1982 but hurts our fisheries, hurts our ability for our fishermen  
1983 to make a living. As you know, the parrot fish is one of the  
1984 fish that eat -- feed off the coral. That would be greatly  
1985 affected by this blight.

1986 Furthermore, the scope of this is way beyond our  
1987 capabilities as an island, and we have been finding it  
1988 difficult just to identify and get the support. We continue  
1989 to be plagued by invasive species and blights.

1990 The lionfish is still a problem for us. The blight now  
1991 in the coral, a second blight that we are discovering now,  
1992 and also we have recently been invaded by boas, and we have a  
1993 real boa problem on the island that we never had seen before  
1994 on St. Croix.

1995 \*Ms. Plaskett. Thank you. Under the President's  
1996 Administration's -- his budget request for Fiscal Year 2021,  
1997 under the Coral Reef Initiative in OIA's budget, it is

1998 proposed to cut by -- cut that coral reef program by \$1.6  
1999 million. Will that have an effect on your work to sustain  
2000 the coral reef?

2001 \*Governor Bryan. It will absolutely have an effect.  
2002 Even though we have been bolstered by the Nature Conservancy  
2003 trying to grow coral in small farms, this blight is something  
2004 that we weren't dealing with before. As a fisherman, a  
2005 hobbyist fisherman and spear fisher, I could tell the  
2006 difference in the coral reefs from time I was in high school  
2007 to -- and then in 1989, with the storm.

2008 Buck Island had just begun to come back almost 30 years  
2009 later, and now we have had great damage to the reefs again.  
2010 The waters pound and break the coral reefs and they fall  
2011 over, and it takes them a really long time to recover. And  
2012 that damages fishing grounds, fish and wildlife, and, as I  
2013 said, the tourism.

2014 \*Ms. Plaskett. Thank you.

2015 \*Mr. Soto. I reclaim my time and yield back.

2016 \*Mr. Sablan. Thank you very much. And just for the  
2017 record, the cut to the Coral Reef Initiative and natural  
2018 resources in their proposed budget is 64 percent from, like  
2019 the gentlelady said, 2.6 million cut to \$946,000.

2020 I now recognize the gentleman from Hawaii, Mr. Case, for  
2021 five minutes.

2022 \*Mr. Case. Thank you very much, Mr. Chair. And it is

2023 truly an honor for me to be a member, together with my  
2024 colleagues here of our Island Jurisdiction Caucus, and my  
2025 colleague to my immediate right from Florida. He is an  
2026 honorary member, so he is participating here, too.

2027         Look, this is pretty serious. Yesterday we saw the  
2028 President's budget. And I assume that you have all taken a -  
2029 - at least a preliminary look at it. And if you haven't, it  
2030 is devastating to the Office of Insular Affairs. It is a  
2031 reduction, again, of somewhere around 20, 25 percent. That  
2032 is after the prior year, in which the same thing happened,  
2033 and Congress had to restore the funding to the Office of  
2034 Insular Affairs for a number of different projects.

2035         We see here that technical assistance is reduced very  
2036 significantly, from 20 million to 14. Maintenance  
2037 assistance, from four million to one million. The brown tree  
2038 snake control, 3.5 million down to 2.8. Coral Reefs, as the  
2039 Chair just noted, 2.6 down to 950. Emerging insular  
2040 communities, 6.2 down to 2.8. And a complete zeroing out of  
2041 the discretionary compact-impact aid, a complete zeroing out  
2042 of \$4 million of compact-impact aid. Now, there is mandatory  
2043 compact-impact aid, but there is discretionary over and above  
2044 that, and that is what this Administration has gone after.

2045         And I -- it puzzles me. Well, I don't know if that is  
2046 the right word. I am amazed. I don't understand it. There  
2047 seems to be some level of actual animus inside somewhere in

2048 this Administration to federal funding to our territories  
2049 through the Office of Insular Affairs. And I don't know  
2050 whether any of you have any explanation for it.

2051 Is this some miscommunication between our territories  
2052 and our Federal Government?

2053 Is it a lack of advocacy inside the Administration?  
2054 Because certainly Congress is favorable to these -- to this  
2055 funding. We have restored it and increased it on -- in many  
2056 areas.

2057 And it is a little bit of a rhetorical question I am  
2058 going to leave you with, because I want to ask you, Governor  
2059 Guerrero, some very specific questions about compact-impact  
2060 aid, which we share a great concern about. You spoke earlier  
2061 about compact-impact aid, and about how strongly you felt  
2062 about that. I think the figure is that we both get 14  
2063 million -- or have, at least -- in mandatory compact-impact  
2064 aid. CNMI gets a little bit, as I recall. And that is about  
2065 it for compact-impact aid.

2066 Now my State's direct expenses for compact-impact  
2067 assistance are quantified at 187 million. I think your  
2068 colleague, my colleague here, as I recall, Congressman,  
2069 quantified it somewhere in the range of 200 million. So we  
2070 are talking about the same amount. You have more compact  
2071 residents. And in some cases your cost differential is  
2072 correct.

2073           Would you say that that is -- and we have, by the way,  
2074 taken the position, collectively, that in the renegotiation  
2075 of the compacts, we are not willing to just roll over and  
2076 accept and ratify -- which is Congress's obligation, and  
2077 duty, and choice -- another set of compacts as they come up  
2078 for renegotiation, unless there is substantial increases in  
2079 compact funding. Would you agree with that, Governor?

2080           \*Governor Guerrero. I certainly do. And I am very  
2081 thankful for your passion and your advocacy for it.

2082           Governor Ige and myself are in communications of how we  
2083 can calculate it so that GAO becomes much more favorable to  
2084 maybe looking at our report and giving us more confidence and  
2085 credibility in our reports.

2086           We average about \$115 million a year. And if you, you  
2087 know, extrapolate that out, it is almost to a billion. And  
2088 so we are very concerned about it. We see it in our public  
2089 safety, we see it in our health, and we see it in our  
2090 education.

2091           But I also want to say that we welcome our brothers and  
2092 sisters to help improve their quality of life. But I think  
2093 the Federal Government has a responsibility to help us along  
2094 with that, as we are not part of the negotiations, and  
2095 decisions are made without our input.

2096           \*Mr. Case. Governor, we are intending to insert  
2097 ourselves into the negotiations on this point, and already



2098 have. Because if we simply do what we did the last time  
2099 around, your bill and my bill is going to be well over a  
2100 couple hundred million within a very short period of time.  
2101 And that is unfair to both of us.

2102 Governor Bryan, my time is up, but I appreciate your  
2103 comments on the coral reefs, as well. This is a major area  
2104 of funding that has been slashed. We have the same goals in  
2105 the oceans that we live and work and play in. And we are  
2106 completely supportive of -- I am completely supportive of  
2107 your comments, as are many Members of Congress. Thank you.

2108 \*Mr. Sablan. Thank you. The gentleman's time is up.  
2109 Thank you.

2110 Just again, just for the record, the Department of the  
2111 Interior's Office of Insular Affairs has decreased every line  
2112 item on their budget, except for their operations, the  
2113 office. Everything else is a decrease. But they gave their  
2114 operations, the cost of operations, an increase.

2115 We are going to have a second round of questioning.

2116 Oh, I am sorry. I need -- I apologize sincerely. I  
2117 recognize the distinguished gentlelady from the U.S. Virgin  
2118 Islands, Ms. Plaskett, for five minutes.

2119 \*Ms. Plaskett. Thank you. Thank you. I first want to  
2120 thank you for allowing me to be a part of the Committee  
2121 testimony today. This -- I think it is so important, these  
2122 discussions, and I am grateful for the care that you take to

2123 -- addressing the issues of the territories in this  
2124 Committee.

2125 One of the things that I wanted to ask, as you know, so  
2126 many of us are dealing with recovery from natural disasters.  
2127 Northern Mariana is, Puerto Rico, as well as the Virgin  
2128 Islands.

2129 Governor Bryan, what are some of the primary issues that  
2130 the Virgin Islands may be having with federal agencies  
2131 involved in their recovery, like FEMA and HUD?

2132 \*Governor Bryan. Thank you, Delegate.

2133 First of all, the one of the major things for us is  
2134 power, energy in the Virgin Islands. Our power bills are  
2135 four times that of the average of the nation. It was very  
2136 disruptive for us for HUD to take out the ability for us to  
2137 use CDBG-DR funds, community grant funds, to use to help us  
2138 rebuild our power systems and create a cheaper, more  
2139 efficient power in the use of propane, as well as solar and  
2140 other things that we are doing.

2141 The other thing that I keep pressing is the 10 percent  
2142 waiver. It really doesn't make sense for the federal -- for  
2143 FEMA to require us to have a 10-percent match, and then us to  
2144 take the money out of HUD. That is the same community  
2145 development block grants that the Federal Government is  
2146 giving us to pay it. It is not like we are paying it out of  
2147 our own.

2148           And then lastly --

2149           \*Ms. Plaskett. Excuse me, could you tell us how much  
2150 money, then, that you would have to use of your own CDBG  
2151 grant funding to utilize for the 10 percent?

2152           \*Governor Bryan. So that would be about 500 million,  
2153 which is over 25 percent of the money that we are being  
2154 granted in order to make the 10 percent grants, which makes  
2155 absolutely no sense.

2156           \*Ms. Plaskett. When this body, Congress, gave the  
2157 authority for those agencies to waive that statutory  
2158 requirement?

2159           \*Governor Bryan. That is correct. Five hundred and  
2160 fifty million dollars is more than seventy-five percent of  
2161 our general fund budget. That is a lot of money.

2162           So the other piece is there has to be a different  
2163 approach. FEMA is good at response, but they are not so good  
2164 at recovery. Island nations cannot be forced to wait 10  
2165 years to recover. We have storms that come every season.  
2166 This is year two, and -- we are in year two-and-a-half, and  
2167 we still haven't finished our temporary hospital. We need to  
2168 be -- have an expedited way so we skip all of these NEPA,  
2169 Army Corps, and all of the other processes, and be able to  
2170 rebuild our schools, hospital, roadways, infrastructure in a  
2171 quick way.

2172           \*Ms. Plaskett. I know one of the things that you have

2173 talked about is on the island of St. John, which is really  
2174 important to this Committee on Natural Resources, the  
2175 relationship with the national parks. That also leads to  
2176 issues that local residents have on St. John with property  
2177 tax. I know that you have a proposal to address that. Would  
2178 you like to share that with this Committee?

2179       \*Governor Bryan. So there is a real terrible  
2180 relationship now by the people who live on St. John and the  
2181 Park Service. It is -- 66 percent of the land on St. John is  
2182 park land and can never be developed or built on. This  
2183 creates -- the unintended consequence is a very inflated land  
2184 price. A piece of acre, a land on St. John, can go for a  
2185 million dollars of just raw land.

2186       That creates a situation where, too, you are having a  
2187 high tax impact on St. Johnians who have large tracts of  
2188 land. Because of this million-dollar acre next to you, you  
2189 have 20 acres, your land taxes could be in the 30, \$40,000 a  
2190 year, while the Federal Government only pays 66 for -- 30,000  
2191 for all the land they have in the Virgin Islands, including  
2192 that in St. John. If there was a mechanism that allowed for  
2193 St. Johnians to benefit from that federal land being there by  
2194 an investment in their infrastructure, whether it be in their  
2195 schools, their hospital, or their recreational facilities, it  
2196 would soften the blow and make people understand.

2197       Also, the delegate has a piece of legislation to stop

2198 the Park Service from buying any more or taking on any more  
2199 land in St. John. The park is big enough. They have way  
2200 more land than they will ever use. And I ask you to support  
2201 the delegate's measure in Congress.

2202 \*Ms. Plaskett. Thank you. Is there anything else you  
2203 wanted to share with the Committee in the remaining time that  
2204 I have?

2205 \*Governor Bryan. The one thing that I always stress is  
2206 that no matter what State you are in, you are probably going  
2207 to be in -- you are going to be a victim of disaster. When  
2208 you compare Puerto Rico's place to where we are in the Virgin  
2209 Islands, you can see where we are far ahead, not only because  
2210 we are good, but because Puerto Rico has many layers of  
2211 government, and it is very complicated to get that aid to  
2212 where it is -- need be. That is the same type of situation  
2213 you are going to be in in your State, when you get into a  
2214 disaster.

2215 The Virgin Islands is a good place to test programs that  
2216 expedite the federal recovery process, so that when it  
2217 happens in your State, it won't take you 10 years to get back  
2218 to where your residents once were. Thank you, Delegate.

2219 \*Ms. Plaskett. Thank you. I know that Congressman  
2220 Graves and I have a piece of legislation that we have in the  
2221 Transportation and Infrastructure Committee to expedite that  
2222 process, and we are hoping to get that to the floor some

2223 time.

2224 Thank you so much, Mr. Chairman, for the opportunity.

2225 \*Mr. Sablan. Thank you. And you don't mind going to a  
2226 second round, Governors?

2227 Then thank you. Okay, we are going to have a second  
2228 round again. I yield myself five minutes.

2229 And just a commentary on Mr. Case's comments about the  
2230 Department may be having some kind of maybe even an agenda  
2231 against the territories. I will say that I am not sure,  
2232 because he wasn't like this -- it wasn't -- it hasn't always  
2233 been like this. We have an Assistant Secretary in the room,  
2234 and he came, he consulted delegates, he consulted us about  
2235 what we thought about his plans. So it was not always like  
2236 this.

2237 \*Mr. Case. Would the Chair yield, just for a quick  
2238 comment?

2239 \*Mr. Sablan. Yes.

2240 \*Mr. Case. I certainly didn't want to -- my comments  
2241 were very non-specific as to where the problem is. And I  
2242 have always found the Department of the Interior and the  
2243 folks that work in DOI to be very committed to the  
2244 territories. So I suspect strongly that the issue as to why  
2245 this funding continues to be cut lies in another area than  
2246 the actual Department of the Interior.

2247 \*Mr. Sablan. I -- so I will go back. So I -- Congress

2248 provided \$20.8 million for -- let me go to compact-impact.

2249           The governors, Pacific governors, know that the Federal  
2250 Government made an error in how it counts the number of  
2251 freely associated states immigrants -- are in Hawaii, Samoa,  
2252 Guam, and the Marianas. So, as a result, the OIA has  
2253 proposed cutting what Samoa, what Guam, and the Marianas get  
2254 in compact-impact to make up for what Hawaii did not get in  
2255 past years. Hawaii should get more money. But the other  
2256 insular areas should not have to pay for OIA's mistake.

2257           Governor Palacios, Governor Guerrero, do you think we  
2258 should reduce the administrative budget of OIA or the  
2259 Secretary's budget to make up for their mistake, rather than  
2260 making you pay?

2261           [Laughter.]

2262           \*Mr. Sablan. Yes or no?

2263           \*Governor Guerrero. Oh, is he yielding to me? I really  
2264 believe I do not agree, and I strongly oppose any kind of  
2265 deductions from our compact.

2266           First of all, we have never been over-funded. And one  
2267 of the comments made was that we were over-funded the last  
2268 four years as a result of not having correct census numbers.

2269           \*Mr. Sablan. That wasn't your mistake, Governor.

2270           \*Governor Guerrero. It was not my mistake.

2271           \*Mr. Sablan. So do you think that you should be caught  
2272 -- your compact-impact money should not be cut, and --

2273 \*Governor Guerrero. I do not believe it should be cut.

2274 \*Mr. Sablan. So your answer is -- so it is no.

2275 \*Governor Guerrero. No.

2276 \*Mr. Sablan. Okay, thank you.

2277 \*Governor Guerrero. Absolutely not.

2278 \*Mr. Sablan. Governor Palacios?

2279 \*Governor Guerrero. And I -- could I just say Governor  
2280 Ige agrees with me?

2281 \*Mr. Sablan. Governor Palacios, yes or no?

2282 \*Mr. Palacios. No.

2283 \*Mr. Sablan. Okay, thank you. So I am -- but let me  
2284 ask you also, does the administration, your administration --  
2285 does the Northern Marianas provide reports on the cost of  
2286 housing, compact-impact migrants, as required?

2287 \*Mr. Palacios. Costs?

2288 \*Mr. Sablan. Yes.

2289 \*Mr. Palacios. Cost of housing?

2290 \*Mr. Sablan. Yes. I mean, you know, hosting.

2291 \*Mr. Palacios. Oh, hosting, hosting. We do submit a  
2292 report to OIA for the small amount of funding that we get,  
2293 from compact-impact --

2294 \*Mr. Sablan. No, I am -- sort of like -- I am -- a  
2295 small census count of how many COFA citizens reside in the  
2296 Marianas. I think we have been negligent, Governor, at this  
2297 point. Guam has been reporting --



2298           \*Governor Guerrero. Guam has more, yes.

2299           \*Mr. Sablan. On this count the Northern Marianas has  
2300 not been -- so we actually wrote a letter in asking the  
2301 Governor to come back in compliance with the law.

2302           \*Mr. Palacios. I will take a look at that.

2303           \*Mr. Sablan. But -- yes. But I have no scruples in  
2304 getting up and make -- you know, amending the next fiscal  
2305 year budget, which, to be very honest, would probably be the  
2306 next -- January? It would be between the Election Day and  
2307 the new year, the new Congress.

2308           But let me also ask -- well, I have 40 seconds. So  
2309 Congress provided 20.8 million for technical assistance to  
2310 the insular areas last year and this year, but the  
2311 Administration keeps trying to cut. So this year is 14.7.  
2312 We are going to work hard to increase that money.

2313           OIA hands out technical assistance money in response to  
2314 requests from governors and others. Congress gives them free  
2315 reign. But I want to ask whether you would prefer more  
2316 control of the money. Would you like us to take some of the  
2317 technical assistance slush fund and put it into implementing  
2318 specific programs -- the coral reef, the compact-impact the  
2319 -- you know, help -- CIP money? I mean what do you think?

2320           My time is up, so -- but you could respond, and -- as  
2321 quick as possible, and then I will yield.

2322           \*Governor Guerrero. I wouldn't mind putting it in other

2323 projects, but would like to get -- to give input in where we  
2324 can prioritize that.

2325 \*Mr. Sablan. Thank you.

2326 \*Mr. Palacios. That could be a workable solution.

2327 \*Mr. Sablan. Thank you. I now yield to Miss González-  
2328 Colón for her five minutes.

2329 \*Miss González-Colón. I will reserve.

2330 \*Mr. Sablan. You could yield. Okay.

2331 \*Miss González-Colón. No, I reserve.

2332 \*Mr. Sablan. She reserves. She won't give it to me.

2333 [Laughter.]

2334 \*Mr. Sablan. So I now -- she will give it to -- Mr. San  
2335 Nicolas, you have five minutes.

2336 \*Mr. San Nicolas. Thank you, Mr. Chairman. Hopefully  
2337 she is reserving so she can give it to me.

2338 But I wanted to follow up with your line of questioning,  
2339 Mr. Chairman, and your commentary with respect to the concern  
2340 about the compact funding error that the administration is  
2341 going to be looking to recover. And I wanted to put on the  
2342 record, Mr. Chairman, that we need to be very, very cautious  
2343 about the kind of precedents that the "solution" is going to  
2344 set with respect to what this is going to entail.

2345 If the census is making errors in counts, and those  
2346 errors in counts are resulting in some areas getting over-  
2347 funded and some areas getting underfunded, how we address

2348 that census error, I think, is going to set a precedent in  
2349 this case with respect to every other census error that may  
2350 happen in the future.

2351         For example, if the census makes an error in the counts  
2352 for veterans in a number of States, and that impacts the  
2353 funding available for veteran services in the various States,  
2354 are the States then going to take the reductions in future  
2355 veteran funding in order to offset miscounts by the census in  
2356 prior years?

2357         Those are the kinds of things that I think need to be  
2358 put on the table, because right now it is very easy for  
2359 territories to just be thrown this very roughshod solution of  
2360 oh, well, we overpaid you then. We are just going to  
2361 underpay you now. But if we are going to be looking at  
2362 fairness in terms of the allocation of dollars with respect  
2363 to census counts, then we need to understand that if we are  
2364 going to be doing this to the territories today, every other  
2365 State that may be impacted by a census miscount in the future  
2366 would be -- would have the door open to having the same  
2367 consequence.

2368         And I don't think that territory should suffer this  
2369 consequence today, any more than States should suffer a  
2370 similar consequence tomorrow. If there was an error in  
2371 census counts, the Census budget should absorb that error,  
2372 and this body should open up the possibility of appropriating

2373 not just the funding for the census, or for the census  
2374 activities, but also backstop funding for any census errors  
2375 that need to be corrected as a result of funding  
2376 misapplications.

2377 Another precedent that we all seem to be very mindful  
2378 of, Mr. Chairman, is if we insist on that, if we insist on  
2379 going back and reducing the funding for territories as a  
2380 result of miscounts in the past, then when our territories  
2381 finally do come up with a formula that properly prices the  
2382 cost of the compact-impact, then equally, Mr. Chairman, the  
2383 precedent should be that we should go back to all those prior  
2384 years and correct the funding that was not properly allocated  
2385 as a result of those costs.

2386 So let's put that on the table in this hearing today,  
2387 Mr. Chairman, that not only is this conversation about a  
2388 simple mathematical solution to a funding problem, it is  
2389 about precedents. What kind of precedents are we going to  
2390 set, and how we are going to impact territories with respect  
2391 that precedence?

2392 As a closing, Mr. Chairman, on that subject of compact-  
2393 impact, I wanted to afford our governors an opportunity to  
2394 clarify certain statements, because I know that in the  
2395 dialogue it was expressed that we were over-funded in  
2396 compact-impact over those prior years. But the reality is  
2397 for all these years we have been grossly under-funded in

2398 compact-impact. And so I wanted to afford our governors an  
2399 opportunity to speak to compact-impact funding, how short it  
2400 actually has been with respect to the actual costs to the  
2401 territories.

2402 \*Governor Guerrero. It has been tremendously short. We  
2403 have never been over-funded, we have never been overpaid. To  
2404 give us only \$14 million a year for an expenditure of about a  
2405 \$150 million a year, 30 million in health care, 68 million in  
2406 education, and the remainder in public safety, to say that is  
2407 really an injustice to our island. We have always been  
2408 working very hard and struggling to get our due expenses.

2409 And exactly, we are not, and I totally agree with my  
2410 congressman in his comments and his analysis of the compact-  
2411 impact monies.

2412 \*Mr. San Nicolas. Lieutenant Governor Palacios, did you  
2413 want to chime in?

2414 \*Mr. Palacios. You know, compact-impact is a -- it has  
2415 been an issue of contention since -- ever since it was  
2416 implemented. At one point we were up in arms because we had  
2417 a lot of migrants from the free-state -- FAS citizens. But  
2418 obviously, the issue has become larger in the territory of  
2419 Guam and Hawaii.

2420 So whatever could be done to address the issue needs to  
2421 be done. It is -- we cannot continue to see this issue  
2422 continue to linger on in the CNMI, in Guam, and now the State

2423 of Hawaii. Thank you.

2424 \*Mr. San Nicolas. Thank you, Governor. I yield back,  
2425 Mr. Chairman.

2426 \*Mr. Sablan. Thank you. Now I recognize the delegate  
2427 from the Virgin Islands, Ms. Plaskett.

2428 \*Ms. Plaskett. Thank you. Governor Bryan, I wanted to  
2429 give you some time to discuss the issue of an idea that we  
2430 have been talking about, which is a special visa waiver  
2431 program similar to what is happening -- what has been given  
2432 in Guam, and in the Pacific area. How would that be  
2433 supportive and beneficial to the economy of the Virgin  
2434 Islands?

2435 \*Governor Bryan. One of the things that I discussed  
2436 today at the IGIA was how both of our islands are in places  
2437 where they are surrounded by foreign countries. While we  
2438 regularly look to the U.S. for support, whether in tourism,  
2439 or business, or investment, there is 60 million people in the  
2440 Caribbean at any given time. Because we are not a country we  
2441 can't negotiate with any of those countries, we can't trade  
2442 with any of those countries fairly, and we can't exchange  
2443 commerce.

2444 There is a huge potential for us, because we are in the  
2445 Spanish -- the English-speaking Caribbean, for health care to  
2446 be provided. One of the things that has adversely impacted  
2447 us since the storm is our hospitals I mentioned aren't

2448 together yet. We are paying upwards of \$250,000 per person  
2449 to fly individuals from the Virgin Islands to Florida for  
2450 emergency care, per person. If we were able to expand our  
2451 hospital systems and the care that we are able to provide in  
2452 the in the Caribbean, it would open us up to a lot of new  
2453 traffic that would come to us on the English-speaking Virgin  
2454 Islands, rather than go to Miami, which is much further away.

2455         Also, there are over a million other tourists cruising  
2456 around in the Caribbean who are coming from European ports  
2457 that come to the Virgin Islands and can't clear in time  
2458 because it takes too long. If we had the special visa  
2459 waivers, these people would be able to disembark off those  
2460 boats, and be able to participate in our economy, and thereby  
2461 boost our tourist numbers -- not only boost them, but there  
2462 are days in the Virgin Islands when there are no ships at the  
2463 ports, and then there are other days where they are totally  
2464 clogged. So it is feast or famine. I would be able -- it  
2465 would help us to better utilize our ports and see a new  
2466 customer come to the Virgin Islands, bringing in dollars that  
2467 are otherwise being spent in foreign ports.

2468         \*Ms. Plaskett. Yes, I know you talked about the  
2469 hospitals, rather than people from other islands -- Saint  
2470 Kitts, Antigua -- going to Canada, or to London, or other  
2471 places, they would utilize the Virgin Islands for health care  
2472 benefits. Even our children would be able to compete on a

2473 level playing field, rather than having to come -- it is much  
2474 cheaper to go to another island than it might -- in some  
2475 instances, to go to Miami or other places.

2476 \*Governor Bryan. Right.

2477 \*Ms. Plaskett. But one of the things that we didn't  
2478 talk -- that I didn't hear discussed at IGIA, which you might  
2479 have an opportunity here to talk about, is some of the  
2480 initiatives or support that this Congress can give you in  
2481 terms of dealing with your retirement pension plan, and  
2482 support that couldn't be coming from us, as the Virgin  
2483 Islands Government has to deal with the, you know, large  
2484 issues with this retirement program in the same way that  
2485 Northern Marianas and some of the other places have had to  
2486 deal with that in the past.

2487 \*Governor Bryan. So there are over 8,000 people on our  
2488 current government retirement system right now, and over  
2489 9,000 people in the government. That is 17,000 people that  
2490 rely on this retirement system directly, and probably 34  
2491 percent or 40 percent -- 34,000 to 40,000 who rely on it  
2492 indirectly. That is 40 percent of our population that  
2493 depends on this system being viable.

2494 Currently we have a 2.8 billion -- anywhere from a 1  
2495 billion to \$2.8 billion shortfall, depending on whose math  
2496 you are using. The recaptures of the gasoline tax would be  
2497 the first part in providing a steady funding stream in order



2498 to float a bond that we would hope that Treasury would be  
2499 willing to extend to us in order to put a billion-dollars  
2500 base in that retirement system.

2501 We are not looking for a straight handout. We are just  
2502 looking for a situation where maybe we would get 10 years  
2503 interest only, and then start to pay back the principal.  
2504 That would give us enough time for the system to catch  
2505 itself. We are not simply just throwing money into it. We  
2506 have our other plan that downgrades the system and allows for  
2507 a 401(k) program to be reinstated, rather than padding up a  
2508 retirement system that we know is not sustainable, and that  
2509 we can't afford.

2510 \*Ms. Plaskett. Lieutenant Governor Palacios, I know  
2511 that Northern Marianas has dealt with this in the past. Is  
2512 there any insight you want to give us with regard to how to  
2513 save a government retirement system?

2514 \*Mr. Palacios. Well, somebody took us to court and got  
2515 a court junction that we have to pay, make sure that we --  
2516 at least 75 percent of those pensions.

2517 But, you know, that was one of the most difficult  
2518 situations that I have ever faced as a lieutenant governor.  
2519 Thirty days after I got in, the pension trustees called me  
2520 up. I actually emailed the governors that we are not going  
2521 to pay -- we are not going to push the button to pay the  
2522 retirees unless you can come up with \$5 million by Tuesday

2523 afternoon. Those are the type of horror stories that we  
2524 have. But we have put ourselves on schedule, put ourselves  
2525 on a payment schedule, and that becomes a priority in our  
2526 budget.

2527 Can we use the help to pay for those obligations in the  
2528 past? Definitely. Definitely. But we don't want to keep  
2529 coming to the Federal Government for help.

2530 \*Ms. Plaskett. Thank you. I don't think it is the  
2531 intention of any of the territories to ask for handouts, we  
2532 are just asking for equity and the tools to be able to  
2533 sustain and grow our economies.

2534 Thank you so much, Mr. Chair.

2535 \*Mr. Sablan. Thank you, Ms. Plaskett. And now the  
2536 gentlelady who has reserved her five minutes now has -- is  
2537 recognized for five minutes.

2538 \*Miss Gonzalez-Colon. Thank you, Chairman. I know we  
2539 have been discussing many, many issues here. And one of the  
2540 issues that has been part of the discussion now is that  
2541 requirement that is now -- that now relies on the hands of  
2542 the local governments to make the estimates for the migrants  
2543 that used to be part of the Department of the Interior, and  
2544 then they changed them to allow you to do that without  
2545 reimbursement of the cost of doing that.

2546 And I think, having the discussion, we should go back to  
2547 the law President Reagan signed, allowing those goals to be

2548 part of the DOE -- DOI let me say. And in that sense, if not  
2549 that, at least the reimbursement of the funds you are using  
2550 to make those calculations.

2551 But I want to -- and in terms of -- another area that we  
2552 can work with is in the renewal of the compacts that  
2553 Secretary Pompeo is saying that are going to be renewed in a  
2554 few months. We should include that opportunity. That is  
2555 something that we got in the horizon, and should be included  
2556 there. And thanks to God we got this kind of a hearing just  
2557 to get all that information together, and do it in a  
2558 bipartisan way.

2559 Another area that I just want to mention -- and I said  
2560 it at the beginning of the hearing -- is the issue of the  
2561 cockfighting. I know that, in the case of Puerto Rico, it  
2562 has been a tough issue, because it is part of our economy,  
2563 and it has been legislated. It is a state-regulated economic  
2564 area since 1922. So this is not new. This is highly  
2565 regulated, we got judges, you got a complete industry around  
2566 the cockfighting. So that amendment was passed. And I  
2567 remember Stacey Plaskett and I were on the floor when that  
2568 was discussed, and an ultimate-minute amendment.

2569 So, you know, in the case of Puerto Rico, we did a new  
2570 legislation in December of last year allowing this to be  
2571 treated as a State issue, not interfering with the interested  
2572 interstate commerce. But again, as territories, we don't

2573 have Senators, we don't have many members with vote in the  
2574 floor of the House.

2575         So I just want to tell you that anything that we could  
2576 do together to push for this, and how this is impacting our  
2577 economies and our way of life, should be really appreciated.  
2578 I know we may not have enough time to discuss this issue, but  
2579 if you can do something in terms of writing, let's have a  
2580 meeting or something. All the delegates, I need to say we  
2581 were all on the same page on this issue. We even filed and  
2582 dropped a bill regarding this. Nothing has happened in the  
2583 Committee of Agriculture. So we should push together again  
2584 to see if we can have at least a year or a two-year waiver to  
2585 see the economic impact of banning that kind of industry.  
2586 That is what we are asking. That legislation was approved  
2587 without any study of the impact of that then in our  
2588 respective territories, as well.

2589         One last issue, and in the case of Puerto Rico we do  
2590 have an erosion problem in our beaches. And we managed to  
2591 secure some funds from the Army Corps of Engineers to make a  
2592 study in that sense. And I know all islands should have the  
2593 same situation, specifically U.S. Virgin Islands and us.

2594         How you are -- I mean -- and I congratulate the U.S.  
2595 Virgin Islands in getting access to the CDBG-DR funds  
2596 immediately. In our case, as you may say, we got several  
2597 layers. And plus to that, an oversight board, and plus to

2598 that we got a monitor, and plus to that we got an inspector  
2599 for all of those agencies. So everything is getting longer  
2600 to get access to those funds.

2601 What are -- what should be the main issue to develop the  
2602 economic activity? It will be in tourism. It will be in  
2603 manufacturing for all of the -- all territories should be --  
2604 CDBG funds should be treated as equally in all federal  
2605 programs. If we can have that decision today, what, Governor  
2606 Guerrero, will be Guam's choice?

2607 \*Governor Guerrero. I think we should create a  
2608 different funding source called "Territories Economic  
2609 Development Improvement," and to focus primarily on our each  
2610 unique ways of our economic development.

2611 For us, of course, tourism is one of the biggest drivers  
2612 of our economy. And I am very concerned about the issue of  
2613 the coronavirus, because it is already affecting our economy  
2614 in terms of cancellations.

2615 So maybe we should think more creatively and create  
2616 different fund source, and create a different funding unit  
2617 to, say, economic development for the territories, or  
2618 tourism.

2619 \*Miss González-Colón. I know my time has expired, but I  
2620 will really appreciate, Lieutenant Governor Palacios and  
2621 Governor Bryan, if we can continue this conversation later  
2622 on, in terms of writing or a phone call. I will really

2623 appreciate it.

2624 Thank you. I yield back.

2625 \*Mr. Sablan. Thank you very much. And I now recognize  
2626 the gentleman from Florida, Mr. Soto.

2627 \*Mr. Soto. Thank you, Mr. Chairman. Before, I thought  
2628 it would be appropriate to give your delegates my time,  
2629 because five minutes just isn't enough. Even 10 minutes.

2630 But I want to welcome you all. Some of you traveled for  
2631 hundreds of miles to get here, and others thousands. And we  
2632 welcome you.

2633 In Florida we have some of the same issues you all are  
2634 facing. We are just a giant State with this -- disaster  
2635 relief issues, reef issues, pythons, lionfish, and we have  
2636 bills that we are working on in this Committee to address  
2637 some of those things.

2638 We heard about the disaster relief already. And when I  
2639 think about everything from Super Typhoon Yutu, to Hurricane  
2640 Irma and Maria, to Super Typhoon Hagibis, all of you have  
2641 either seen destruction or had close calls regarding disaster  
2642 relief. So it is something we are going to continue to work  
2643 on.

2644 And with reefs, I have a bill with my Puerto Rican  
2645 sister here, Gonzalez-Colon, and with Mr. Case and others,  
2646 that we are hopeful, with movement in the Senate, we are  
2647 going to see pass through, this bill, as well as we have

2648 python hunts in Florida, and we have a lionfish bill that  
2649 many of us have cosponsored, as well, that we are hopeful to  
2650 address some of those issues.

2651 But I want to follow up on what Resident Commissioner  
2652 Gonzalez-Colon had talked about, which is, you know, how  
2653 could we promote some of these high-growth industries. And I  
2654 am going to first start with Governor Bryan.

2655 What would be probably, you think, the industry with the  
2656 most potential right now in the Virgin Islands that we could  
2657 assist to really boost? Of all the industries you are  
2658 working on.

2659 \*Governor Bryan. Oh, financial services. If we were to  
2660 get those tax issues closed, it would have the most immediate  
2661 impact.

2662 And then, of course, the visa waivers. It might come to  
2663 you as some surprise, but Congresswoman Colon can tell you  
2664 you need to clear Customs to go to Puerto Rico. I can't sail  
2665 to Culebra from St. Thomas without getting cleared by  
2666 Customs. That is ridiculous.

2667 And on the BVI, it is the British Virgin Islands. We  
2668 could -- you could swim from St. John to Tortola, and you  
2669 need clear Customs. So using the waivers in this sector  
2670 would be tremendous for us.

2671 And then the flexibility of funds. We know, on a micro  
2672 level, where funds would best be utilized. Grant us the

2673 ability to use them for energy, especially. That would solve  
2674 a lot of problems.

2675 \*Mr. Soto. One Caribbean, one love, and many visas.  
2676 That is a disgrace. We have to fix that.

2677 Governor Palacios, it would be great to hear. What do  
2678 you think is probably the biggest high-growth industry you  
2679 see? And how could we help?

2680 \*Mr. Palacios. Well, you know, today, earlier in my  
2681 statement, I stated that tourism is the one and only  
2682 industry. And its vulnerabilities is very obvious.

2683 But there are policies that we have been working on,  
2684 thanks to Congressman Sablan, who has been helping us with  
2685 our labor issue, to make sure that the industry doesn't all  
2686 of a sudden collapse because of sudden applications of  
2687 federal labor policies. He has introduced and had Congress  
2688 pass legislation that became law that -- about a year, two  
2689 years ago. Yet federal agencies have yet to promulgate rules  
2690 and regulations to implement those on labor. I believe he  
2691 has two legislation or laws already.

2692 So sometimes it is prodding the federal agencies  
2693 required to assistance us in those policies to help with our  
2694 industries and the vulnerability of industries.

2695 \*Mr. Soto. Thank you, Governor. Because my time is  
2696 limited, I want to make sure Governor Guerrero -- what do you  
2697 anticipate, the highest growth industry right now, and how we



2698 could help?

2699           \*Governor Guerrero. Our high growth industry right now,  
2700 I think, is -- continues to be tourism, although I am looking  
2701 to diversify it, and I am really focusing on aquaculture to  
2702 be --

2703           \*Mr. Soto. Okay.

2704           \*Governor Guerrero. -- a main improved industry in  
2705 Guam. And agriculture. So budget moneys for OEI, if you  
2706 would not have any decrease in any of those, especially in  
2707 the technical assistance, would be great. And even increase  
2708 it, so we can have some Department of Agriculture research  
2709 and data and so forth, in terms of developing aquaculture and  
2710 agriculture in our island.

2711           \*Mr. Soto. Thank you so much, and I yield back.

2712           \*Mr. Sablan. Thank you, Mr. Soto. I now recognize this  
2713 gentleman from California, Mr. Cox.

2714           \*Mr. Cox. Thank you. Thank you so much, Chairman.

2715           I just want to say to, Governor Bryan, we had the  
2716 pleasure this morning in Ag Committee to meet Sommer Sibilly  
2717 Brown, the Founder and Executive Director of the Virgin  
2718 Islands Good Food Coalition. So you have got a great one  
2719 there, and her testimony was very, very helpful for looking  
2720 at farmers markets.

2721           But I would like to yield my time to the Chairman, Mr.  
2722 Sablan.

2723           \*Mr. Sablan. Okay, thank you, Mr. Cox. Let me just,  
2724 you know, again, because the team at IGIA was economic  
2725 development, supposedly, and, you know, sometimes it is -- it  
2726 takes more than just money to assist the territories. I mean  
2727 I can speak for the Northern Marianas. Governor Palacios and  
2728 I had a conversation yesterday. Regulations for two of the  
2729 three workforce acts are way overdue.

2730           Governor Palacios, I need to confirm this, but it has  
2731 always been my position that the construction workers --  
2732 3,000 construction workers -- does not need regulations,  
2733 because we already have a workforce regulation that they are  
2734 using. Of course, they need to go to Labor, Department of  
2735 Labor, but not new regs for that. I need to confirm this,  
2736 because I found out -- we found out today that I was correct  
2737 the whole time. But don't quote me on that, because you  
2738 never know.

2739           But you know --

2740           \*Mr. Palacios. That would be great.

2741           \*Mr. Sablan. Things like the Jones Act, that -- I mean  
2742 Puerto Rico has been asking for that. Guam has been asking  
2743 for that for a while. We need the assistance of our  
2744 advocate, main advocates in the Administration, to give some  
2745 kind of -- get something moving.

2746           I am not saying that we can get it done immediately,  
2747 but, you know, get information out there, because educating,

2748 informing Members of Congress, informing agencies in the  
2749 executive branch, this is sometimes -- you know, it is very  
2750 important. I know, I have gone through that, where I have to  
2751 talk to many Members of Congress to make them understand. I  
2752 spoke to Mr. King of Iowa for six months, trying to make him  
2753 understand about the immigration program in the Marianas, why  
2754 it is different from the Nation.

2755 I wish I could just -- you know, I never could  
2756 understand why Delta could fly from Narita to Saipan and back  
2757 to Narita, and fly from Narita to Guam and back to Narita,  
2758 and not be able to pick up passengers between Guam and  
2759 Saipan. You know, that is something that I would really like  
2760 to go in again and try and see if we could get that. It  
2761 needs legislation, I would say.

2762 But those are policies that would help the territories a  
2763 lot, and probably -- and if it works, worth more than the  
2764 technical assistance money put together. Just give the  
2765 territories the policy tools that they need to develop  
2766 themselves and help themselves pick up. And you know,  
2767 because there is also a sense of pride in knowing that we did  
2768 something, that we helped ourselves, and -- to improving our  
2769 economy, the lives of our community.

2770 And the cockfight, everybody went to bat on that one.  
2771 We were not successful. I mean, I am telling you, the vote  
2772 was like, wow, 400-something to some -- to very little. But

2773 in 2014, I was able to get it out of -- take it out of the  
2774 farm bill then. And it wasn't easy, you know, because Jim  
2775 McGovern was a member of the committee, and I had to convince  
2776 him that -- let it slide and -- you know, but this time it  
2777 was just a really difficult thing.

2778 I know in Puerto Rico it is like a \$100 million-a-year  
2779 industry. In the Marianas -- I think you have got 90  
2780 licenses. In the Marianas there is three licenses, one in  
2781 Saipan, one in Tinian, and one on Rota. The amounts are very  
2782 small. And I am not sure about Guam. I know there is more  
2783 -- but yes.

2784 Again, we are continuing to carry on our work on the  
2785 Medicaid issue. We want to be -- for the Marianas, at least,  
2786 I have the six-year program so that we could get our Medicaid  
2787 office to put together the reporting system, electronic  
2788 system, and the fraud system, so that they meet all their  
2789 requirements of getting into the full program, and SSI, and  
2790 those kind of things for everybody, because we have it and  
2791 the rest don't.

2792 So -- but, you know, please know that we work together,  
2793 we work hard here. And we get -- we don't give up. If we  
2794 get turned down today, we ask again yesterday.

2795 So again, thank you very much, Governors, for coming.  
2796 And I have to go through this script now, so please excuse  
2797 me.

2798           The members of the Committee may have some additional  
2799 questions for the witnesses, and we will ask you to respond  
2800 to these in writing.

2801           Under Committee 3(o), members of the Committee must  
2802 submit witness questions within 3 business days following the  
2803 hearing, and the hearing record will be held open for 10  
2804 business days for these responses.

2805           If there is no further business, without objection, the  
2806 Committee stands adjourned. Thank you very much.

2807           [Whereupon, at 3:50 p.m., the Committee was adjourned.]