

Testimony of Congresswoman Stacey Plaskett (VI)

House Committee on the Budget

Hearing: “Members Day”

210 Cannon House Office Building

March 6, 2019. 10:00am

Chairman Yarmuth, Ranking Member Womack, members of the committee. Good morning and thank you for the opportunity to present a brief statement of my views about what the budget should look like for the upcoming fiscal year.

As we often hear, budgets are moral documents. They are a statement about what we want our future to look like, and where we are going to spend our resources. It will set the stage for whether this country will continue to lead. I'll start by saying that, over the long term, this will require cancellation of sequestration, rethinking current tax policy, modernizing our military, and investing in education, health care, infrastructure and jobs.

I want to use my time addressing a few specific areas, and in particular to speak to the concerns of the island territories of the United States.

Congress doesn't always acknowledge the contributions that the territories make to our nation. But the geographical importance of the territories and our high participation rates in the United States armed forces are clearly an integral contribution to our country.

Each of the territories has had at least one major disaster declared by the president in the past two years. Of course, we're all very familiar with the impacts of hurricanes Irma and Maria on the Virgin Islands and Puerto Rico.

Recovery is still going on and I applaud the excellent work that has been done. However, I would be remiss if I did not acknowledge how much work remains in order to fulfill the promise of a full recovery.

Many of the challenges are the result of factors beyond the control of the government, such as geographic isolation; but some challenges we face are exacerbated by federal policies, which are within the power of the Congress to change.

Firstly, with an economy that primarily relies on tourism, the Virgin Islands depends heavily on infrastructure.

Given the catastrophic level of damage suffered, the recovery of our islands will hinge on the level of support from Congress for rebuilding and maintaining infrastructure.

The budget must call for significant investments in infrastructure, with a piece of it geared towards assistance to rural and traditionally underserved areas, including U.S. territories.

The Territorial Highway Program, for example, has been unfairly singled out in recent years for funding cuts, while the states and D.C. have received

significant increases. I have been urging my colleagues to correct this inequity for years.

Along with transportation and other infrastructure, a great many of the schools in our country are at the end of their life cycle. School buildings, classrooms, and equipment, among other things, are crucial to our children's future.

America's public schools are the second-largest public infrastructure investment after roads and bridges, but investments in schools have lagged behind. Schools in the Virgin Islands are still in temporary units. So it is very important for the budget to call for increased investments in improving our schools.

We will also need significant investments in health care. Even before the disasters of the last two years, the healthcare systems in the territories were under great stress.

Specifically regarding Medicaid, the arbitrarily high local match required of territories under Medicaid has imposed severe and unsustainable financial demands on our territory.

In addition, while overall federal Medicaid funding to the states and DC is open-ended, the Medicaid programs in the territories are subject to annual federal funding caps. Once the cap is reached, the territory must assume the full cost of Medicaid services.

The annual federal capped funding has been supplemented by additional Affordable Care Act block grants since 2011; but the Virgin Islands and all other territories face the so-called fiscal cliff on September 30th of this year when these Affordable Care Act allotments expire.

Up to 30 percent of our population could lose access to Medicaid unless Congress takes action to eliminate the fiscal cliff. Congress must act to prevent this potential calamity well before September 30th, and this year's budget would be a great place to send that message.

The island territories are also faced with unique security threats, and we will need additional funding for advance customs clearances and for costs of collecting customs duties, and more support to counter drug and weapons trafficking that runs through our islands.

Lastly, I would like to discuss how federal tax policy relates to economic development on our islands. Federal tax policy plays a crucial role in creating the investment necessary to create more jobs outside of the tourism sector to generate sustainable economic growth and improve the territory's long-term fiscal health.

The current federal tax code is unfair to the territories in certain key ways that impair economic development and financial self-sufficiency.

Under the Internal Revenue code, the Virgin Islands is considered a foreign jurisdiction even though Virgin Islanders are U.S. citizens and Virgin

Islands businesses are American businesses. U.S. territories should always be treated more favorably than foreign jurisdictions under federal tax law.

But as a result of unduly harsh provisions in the code, stemming from the so-called American Jobs Act of 2004, the territories are treated worse than foreign jurisdictions. In particular, the revised income sourcing rules have inhibited our ability to attract new employers and create more jobs. I urge your support for modest corrective changes that I have proposed to remedy these inequities.

Furthermore, very importantly, the Tax Cuts and Jobs Act of 2017 disadvantaged U.S. investments in the Virgin Islands, especially with respect to new taxes imposed on so-called Global Intangible Low Taxed Income (or “GILTI”). I request committee's support for a technical amendment to provide parity for such investment in American sovereign territory.

Most of our hotels will not be fully reopened until 2020. We won't be getting any real tourism until after next year. We simply don't have that luxury of time. These tax policy fixes are very important.

Thank you for considering this testimony and for your support of your fellow Americans in the Virgin Islands.