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FISCAL YEAR 2021 BUDGET REQUEST FOR DEPARTMENT OF THE INTERIOR'S OFFICE OF INSULAR AFFAIRS

OVERSIGHT HEARING

BEFORE THE

COMMITTEE ON NATURAL RESOURCES
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTEENTH CONGRESS

SECOND SESSION

Tuesday, February 11, 2020

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OVERSIGHT HEARING ON FISCAL YEAR 2021 BUDGET REQUEST FOR DEPARTMENT OF THE INTERIOR'S OFFICE OF INSULAR AFFAIRS

Tuesday, February 11, 2020
U.S. House of Representatives
Committee on Natural Resources
Office of Insular Affairs
Washington, DC

The Committee met, pursuant to notice, at 2:09 p.m., in room 1324, Longworth House Office Building, Hon. Gregorio Kilili Camacho Sablan [Vice Chair of the Committee for Insular Affairs] presiding.

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

Also present: Representative Plaskett.

Mr. SABLAN. I apologize, I was at a markup that was supposed to last an hour-and-a-half, and it lasted 4 hours. The Committee will now come to order.

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

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

Therefore, I ask unanimous consent that all other Members' opening statements be made part of the hearing record if they are submitted to the Clerk by 5 p.m. today.

Hearing no objection, so ordered.

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

Without objection, so ordered.

I now recognize myself for my opening statement.

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

Mr. SABLAN. Good afternoon again, everyone, and thank you very much for joining us this afternoon. Thank you to the governors, Governor Guerrero, Governor Bryan, and Lieutenant Governor Palacios, for being here for this oversight hearing on the President's budget proposal for Fiscal Year 2021.

I know Washington is a long way from home and you will have to make best use of your limited time here. Obviously, you think it is important to let Congress know what your financial needs are

for the coming fiscal year because Congress appropriates the money.

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

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

You wanted a Federal local Medicaid match like a state's. Congress gave you an 83–17 Federal-local match, better than any state gets. You wanted unlimited Federal money like a state. I can't say we have unlimited money, but in the case of the Marianas, for example, Congress provided $60 million. That is nine times more than current law, exactly what the Governor's office told us would cover their costs.

What we did not get you is a permanent fix. Congress was ready to give you 6 years of funding. I understand that the White House is responsible for cutting that back to 2 years. It was the last item on the agenda before the President said he may consider threatening to veto the budget if 6 years of funding for Medicaid for Puerto Rico and other territories are in there.

So, now the ball is in your court. Congress wants you to have more Medicaid money, and we are willing to give you a very generous FMAP, just what the governors are asking for. But I have to caution you—if the insular areas do not use this Medicaid money with a Federal-local match better than any state, then it will be very difficult for your Representatives here in Congress to make the case for continuing Medicaid funding at this level beyond 2 years.

Please, you are getting exactly what you asked for, so use it or it will be very difficult to keep this level of medical funding.

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

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

During your statements today and during questioning, there will be ample opportunity to discuss the specifics of the President's budget.

I will now turn to the distinguished gentlelady from Puerto Rico, the Ranking Member, for her opening statement.

STATEMENT OF THE HON. JENNIFFER GONZÁLEZ-COLÓN, A RESIDENT COMMISSIONER IN CONGRESS FROM THE TERRITORY OF PUERTO RICO

Miss GONZÁLEZ-COLÓN. Thank you, Chairman, and I welcome all the governors here. For me, it is a pleasure to have governors coming from far, from the Pacific and the Caribbean, to join us today. And I do know personally how difficult it is, as a territory, to fight a lot of the issues that have us together.

I want to say welcome to our friend, Madeleine Bordallo, as well, always a Member and Representative of Guam. And, of course, our current Congressman from Guam, Mr. San Nicolas, and Mr. Sablan, and the Lieutenant Governor of the Northern Mariana Islands, as well as the Governors of the Virgin Islands and Guam. I am happy to have you here.

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

These represent a $19 million decrease over the Fiscal Year 2020, but I think it is important to establish that this budget was just presented yesterday. So, many of us haven't even finished reading how that will impact the whole Federal access to many programs. And, of course, every budget that is presented by the President during the last 4 years never has been approved after it has come to Congress. So, this is the reason we want to have your input in many of those areas, so we can work together.

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

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

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

And, in addition to providing assistance to these four territories, this office is charged with overseeing Federal assistance under the Compact of Free Association, which the United States has signed with the three freely associated states: the Republic of Palau, the States of Micronesia, and the Republic of the Marshall Islands.

Given the geographical location and size of the four small U.S. territories and the freely associated states, each one faces unique challenges. These can be in the form of economic, health, healthcare quality, infrastructure, and many others. As we know

too well in Puerto Rico, these challenges are only exacerbated by unequal treatment Americans receive in territories. Multiple Federal programs such as Medicaid, Medicare, SSI, among many other programs, treat us differently. And that is the reason we all, every time we can, work together to achieve equality in many areas.

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

Again, I want to say thank you, and I look forward to hearing your testimony. I think there are a lot of things that can be done.

I know one of the issues that is not in the purview of today's hearing is the cockfighting ban. And we just talked about that before the hearing. We also face the same situation. For Puerto Rico, this is an issue of economic development, because of the jobs that are created, the tax revenues that are created, as well.

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

With that, I yield back.

Mr. SABLAN. Thank you very much. Let me introduce the witnesses. We have the Honorable Albert Bryan, Jr., Governor of the United States Virgin Islands.

Welcome, Governor.

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

Lieutenant Governor, welcome.

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

Welcome, Governor.

I would also like to acknowledge the presence of a former colleague, Ms. Bordallo, and also the presence of—if I am not mistaken, I can see him—he is the former staff director for Insular Affairs under this Committee, Mr. Babauta, and also the Honorable Mr. Babauta, former Assistant Secretary of the Interior.

Welcome.

Under our Committee Rules, oral statements are limited to 5 minutes, but your entire statement will appear in the hearing record.

The lights in front of you will turn yellow when there is 1 minute left, and then red when time is expired.

After the witnesses have testified, Members will be given the opportunity to ask questions.

Let me start with Governor Bryan of the United States Virgin Islands.

You have 5 minutes, sir. Press the button in front of you, please.

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

Governor BRYAN. Thank you. Good afternoon, Chairman, Vice Chairman Sablan, and Committee members. Thank you for the opportunity to appear here today to outline the priorities of the U.S. Virgin Islands, and the important role of the Department of the Interior's Office of Insular Affairs in helping us achieve our goals.

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

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

The Virgin Islands believes the time is right for a comprehensive revision of the territory's economic relationship with the United States, one that will place the territory on a path to true and sustainable fiscal health.

As part of its long-standing tax relationship with the Virgin Islands, Congress has historically provided that all Federal taxes on all products, including rum, manufactured in the Virgin Islands be returned, or covered-over, to the local Treasury. Rum tax revenues covered-over to the Virgin Islands constitute a major source of funding for the territory, and are used to finance essential public services, and to securitize the territory's bonds and facilitate the territory's future access to the capital markets.

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

The cover-over provision that results in the Virgin Islands receiving the Federal tax revenues on rum products applies broadly to tax revenues generated by all articles produced in the Virgin Islands and transported to the United States. From the mid-1960s through 2012, a major oil refinery operated on the island of St. Croix and generated substantial Federal excise taxes, which, on the face of the governing statute, should have been recovered to the Virgin Islands Treasury in the same manner as rum excise taxes.

The Virgin Islands request that OIA and the Committee work with other committees to effect passage of an amendment that finally seals and returns Section 7652 to its intended function and requires that fuel excise taxes be included in the cover-over program.

The Federal Earned Income Tax Credit, or the EITC, and the Child Tax Credit are intended to encourage and foster work among low-income individuals. The Federal Government effectively funds their programs for all states and the District of Columbia through

the IRC. While a worthy goal, these tax credits have unintended and unfair consequences in the Virgin Islands, as well as other territories, due to its status as a mirror tax code system. Unlike in the states and DC, the cost of the Earned Income Tax Credit is borne solely by the fiscally stressed Virgin Islands and Guam, a cost which neither territory can bear. As a matter of fairness, and to avoid imposing an onerous financial burden on the local Treasury, Congress should provide for Federal reimbursement.

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

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

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

Last, I would like to say the Insular Areas Act expressed a policy of Congress that the four small territories should be provided certain flexibilities under Federal grant programs. Importantly, the Act, as amended, mandates that the Department of the Interior shall waive matching requirements for all insular areas under all of its grant programs and requires all other departments and agencies to waive any requirement for local matching.

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

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

There is no other land state in the Union that has as much Federal land, percentage-wise, as the Virgin Islands. The Office of Insular Affairs owns 66 percent of St. John, yet our payment in lieu of taxes is a mere $30,000, compared to—that should be closer to $30 million. Just on a glance, the Federal Government owns more than 14 percent of the land in the Virgin Islands, and all we get is a 30 percent.

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

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

[The prepared statement of Governor Bryan follows:]

PREPARED STATEMENT OF THE HONORABLE ALBERT BRYAN, JR., GOVERNOR, U.S. VIRGIN ISLANDS

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

The Committee on Natural Resources (the "Committee") is primarily responsible for Federal legislation impacting the U.S. Virgin Islands and the other U.S. Territories. The Committee also has an important role in working with other committees to ensure that those committees, in developing and considering Federal legislation, fully consider the Territories' unique status and needs and the potential impact of legislation on the Territories. The Committee also oversees OIA, which is the Federal agency tasked with assisting the Territories in promoting sustainable economic growth, fostering development, and otherwise improving the lives of their citizens, and acting as a liaison between the Territories and the Federal Government.

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

The Virgin Islands believes the time is right for a comprehensive revision of the Territory's economic relationship with the United States—one that will place the Territory on the path to true and sustainable fiscal health. I will focus today on issues of critical importance to the economic development and fiscal stability of the Territory, along with specific recommendations for action by the Committee and OIA.

TAXES

A logical starting point in considering how the Federal Government can help create the investment climate for sustainable economic growth is the critical role of Federal tax policy. Federal tax policy has an outsized impact on the economy of the Virgin Islands—a positive impact when it is designed and applied properly, and a negative impact when it is not. As discussed below, Congress and OIA have a critical role to play in how the Federal tax code impacts our Territory, our economy, and our quality of life.

RUM TAX LEGISLATION

As part of its long-standing tax relationship with the Virgin Islands, Congress has historically provided that all Federal taxes on all products—including rum—manufactured in the Virgin Islands be returned, or "covered-over," to the local treasury. Rum tax revenues covered-over to the Virgin Islands constitute a major source of funding for the Territory, and are used to finance essential public services and to securitize the Territory's bonds and facilitate the Territory's future access to the capital markets. Permanent law provides that $10.50 of the $13.50 per proof gallon tax is covered-over to the Virgin Islands, and $0.25 per proof gallon is retained by the U.S. Treasury. Cover-over of the remainder ($2.75 per proof gallon), however, has required a series of temporary fixes by Congress. Most recently, after Hurricanes Irma and Maria, Congress extended the temporary rate through December 31, 2022.

The timing of the temporary extensions often causes budget planning problems and uncertainties for the Virgin Islands. The Virgin Islands requests that OIA and the Committee support the Virgin Islands' efforts in Congress to make the temporary rate permanent and thereby avoid the need for periodic (often last-minute) increases.

FUEL TAX LEGISLATION

The "cover-over" provision that results in the Virgin Islands receiving the Federal tax revenues on rum products produced in the Virgin Islands applies broadly to tax revenues generated by *all* "articles produced in the Virgin Islands and transported to the United States." 26 U.S.C. § 7562(b). From the mid-1960s through 2012, a

major oil refinery operated on the island of St. Croix and generated substantial Federal excise taxes, which—on the face of the governing statute—should have been covered-over into the Virgin Islands treasury in the same manner as rum excise taxes. In the late 1970s, the governments of the Virgin Islands and Puerto Rico brought suit against the United States seeking to compel the "cover-over" of gasoline excise taxes into their respective treasuries. The Virgin Islands initially prevailed in the U.S. District Court and was awarded hundreds of millions of dollars in gasoline excise tax revenues.

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

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

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

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

ECONOMIC GROWTH INCENTIVES

Federal tax policy can play a critical role in creating the investment climate to help the Territory generate sustainable economic growth, create jobs, and improve its long-term fiscal health. In furtherance of these goals, the Virgin Islands requests that the Committee and OIA support fair and balanced tax rules for the Territories, including the possessions tax rules enacted as part of the American Jobs Creation Act of 2004 ("Jobs Act") and the "GILTI" rules enacted as part of the 2017 Tax Act.

Legislation to Modify the Qualified Income Rules and Provide Parity Among Territories in Treatment of Capital Gains

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

The sourcing rules, particularly whether income may be deemed "effectively connected" with a V.I. trade or business ("V.I. ECI"), should be based on established tax precedents—specifically, the principles embodied in Treasury's model income tax treaty. At the very least, even under Treasury's narrower definition of V.I. ECI, Treasury should not discriminate against U.S. source income (in favor of foreign source income) in the determination of V.I. ECI. Accordingly, Congress should modify the U.S. income limitation in Internal Revenue Code ("IRC") Section 937 to exclude only U.S. source income generated by activities in the United States (attributable to a U.S. office or fixed place of business).

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

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

Legislation to Modify Rigid Residency Requirements

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

Under IRC Section 932, a "bona fide" resident of the Virgin Islands (*i.e.*, a tax resident) may satisfy his or her U.S. income tax obligation by filing in, and paying the applicable tax to, the Virgin Islands. Under Section 934, the Virgin Islands is authorized to reduce tax on V.I. source income and V.I. ECI. Prior to the Jobs Act, the determination of "bona fide" V.I. tax residency was based on the totality of an individual's facts and circumstances (the "facts and circumstances" test). However, Section 937, added by the Jobs Act, provides that a "bona fide" resident of the Virgin Islands is a person who meets all elements of a three-part test (physical presence, tax home, and closer connection tests). Treasury has provided only very limited flexibility from the physical presence test by allowing V.I. residents to treat up to 30 days of off-island travel outside of the United States as "constructive presence."

The proper test for bona fide V.I. residency should be the test the IRS applies under IRC Section 7701(b) to determine whether a foreign individual residing in the United States has sufficient presence in the United States to justify subjecting that individual to U.S. taxing jurisdiction in the same manner as U.S. citizens. Under that test, such foreign individual must be physically present at least 183 days in any one tax year, or an average of 122 days a year over any 3-year moving period. Despite Treasury's ample discretionary authority to adopt the 122-day test, Treasury has taken the position that the Jobs Act prevents it from doing so. The Virgin Islands therefore requests that the Committee affirm to Treasury that it has authority to address the inequities in the Jobs Act residency requirements. This proposal is contained in H.R. 412.

Legislation to Address Inequities in the CFC Tax Regime

The U.S. tax system includes certain anti-deferral rules under which a "U.S. shareholder" that owns stock in a "controlled foreign corporation" (a "CFC") is required to include in gross income its pro rata share of, among other items, (i) the CFC's Subpart F income, and (ii) the CFC's "global intangible low-taxed income" ("GILTI"). A CFC's Subpart F income includes a range of items, including items of passive income such as dividends, interest, rents, royalties and annuities. Very generally, the amount of a CFC's GILTI is the CFC's income above a 10 percent annual return on the tax basis of its tangible assets. These rules result in unfavorable treatment of Virgin Islands corporations and their shareholders in at least two ways.

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

There is no rationale for this unfavorable treatment of Virgin Islands corporations and their shareholders, which diverts needed capital investments away from the Virgin Islands to other U.S. possessions. To rectify this unfavorable treatment and bring tax parity to investments in the possessions, we propose that Section 957(c)

be amended to expand the exclusion from the definition of United States person to include bona fide residents of the Virgin Islands.

Second, the application of GILTI to corporations in the Virgin Islands limits the effectiveness of the Virgin Islands economic development programs and is inconsistent with the long-standing tax relationship between Congress and the Virgin Islands. The Tax Cuts and Jobs Act of 2017 introduced a new tax on a U.S. shareholder's GILTI earned by a CFC. The GILTI tax, by increasing the tax on U.S. investment in Virgin Islands businesses, is particularly harmful to Virgin Islands corporations given that, as described above, they do not benefit from the Section 957(c) exclusion that benefits similarly situated corporations in other possessions.

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

To protect the viability of the Virgin Islands' Economic Development Commission (EDC) and other economic development programs and to encourage investment in economic development in the Territories, the GILTI inclusion received from CFCs formed in the Territories should be exempt from tax. This critical change could be accomplished by excluding corporations formed in the Virgin Islands and other Territories from the definition of "controlled foreign corporation" for purposes of Code Section 951A. Without this change, almost all potential investors in the Territories, other than investments from residents of the Territories, will be subject to the GILTI inclusion, including hotels, manufacturing operations, and high-tech businesses. Absent a full exemption, the effective rate of tax on GILTI inclusions from possessions corporation should be reduced. This could be accomplished for corporate U.S. shareholders by increasing the amount of the deduction for GILTI inclusions that are attributable to possessions corporations. The Virgin Islands therefore requests that OIA and the Committee work with Treasury and other committees to amend the GILTI provisions that would exempt, or reduce the rate of tax applicable to, GILTI inclusions attributable to possessions corporations.

Legislation to Reimburse the Virgin Islands and Other Mirror Code Territories for the Cost of the EITC and CTC

The Federal Earned Income Tax Credit ("EITC") and Child Tax Credit ("CTC") are intended to encourage and foster work among low-income individuals. The Federal Government effectively funds these programs for all States and the District of Columbia through the IRC. While a worthy goal, these tax credits have unintended and unfair consequences in the Virgin Islands due to its status as a mirror tax code jurisdiction. Unlike in States and DC, the cost of the EITC is borne solely by the fiscally stressed Virgin Islands, a cost which the Territory cannot bear.

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

The CTC is another Federal tax credit that imposes costs (in the form of lost local revenue) on the mirror code jurisdictions. Congress has provided to the mirror code jurisdictions Federal reimbursement for the cost of the CTC for families with more than two children. The GVI was reimbursed $3,547,924.93 in 2018. However, there is no Federal reimbursement for the cost of the CTC for families with one or two children. The CTC for such families has reduced the revenues of the GVI by $8,318,616.08 in 2018, down from $18,045,792.29 in 2015. As a matter of fairness, and to avoid imposing an onerous financial burden on the local treasury, Congress should provide for Federal reimbursement for the cost of the CTC for families with any number of children incurred by the mirror code jurisdictions. There is ample precedent for reimbursement, as noted above. Indeed, in its final Report, the Congressional Task Force on Puerto Rico recommends that Congress provide Federal reimbursement for the costs borne by the mirror code jurisdictions for the CTC. *See* Task Force Final Report, p. 31, fn. 38.

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

HEALTHCARE AND SOCIAL WELFARE

Notwithstanding the additional Federal resources that the Affordable Care Act and disaster funding provided, the task of implementing healthcare reform in the Virgin Islands has proven to be challenging, particularly in light of the disparate treatment of the Territories. Significant progress has been made in addressing—in the short term—the Medicaid funding issues in the Territory, but a permanent solution is still needed. Further, under Medicare, the Virgin Islands-owned hospitals are under-reimbursed for the costs of providing care to the many Medicare-eligible U.S. citizens in the Territory. These challenges can be significantly ameliorated by permanent changes to Medicaid provisions in the Social Security Act and changes to the reimbursement methodology for the hospitals under Medicare.

Medicaid

The Virgin Islands appreciates the disaster-related Medicaid relief, particularly the additional funding and temporary waiver of the local match in the aftermath of Hurricanes Irma and Maria, and for the recently enacted relief in the final FY 2020 appropriations package, specifically a state-like FMAP and a deferral of the "fiscal cliff" for 2 years. This interim relief avoided the loss of healthcare coverage for thousands of U.S. citizens in the Virgin Islands and a possible collapse of our healthcare system. A permanent solution that provides for state-like treatment for the Virgin Islands and other Territories is needed in order to avoid the same dire consequences recently averted upon enactment of the final FY 2020 appropriations package. The Virgin Islands requests the support of OIA and the Committee for legislation that permanently guarantees state-like treatment for the Territories.

Medicare Reimbursement for Hospitals

The two hospitals in the Virgin Islands are reimbursed for Medicare expenditures based on an outdated methodology established under the Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA"), resulting in under-reimbursement in the millions of dollars for each hospital each year. In 2011, the hospitals each submitted to the Centers for Medicare and Medicaid Services ("CMS") a request for assignment of a new base year. Those requests are still pending.

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

Extension of SSI to the Virgin Islands and Other Territories

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

SSI is a Federal entitlement program, paid out of the general revenue of the United States. However, residents of the Virgin Islands, Guam, and American Samoa are not under the SSI program, despite having needs similar to low-income aged, blind, and disabled persons in other Territories and the States. Instead of SSI, the former Federal-state programs of Old-Age Assistance, Aid to the Blind, and Aid to the Permanently and Totally Disabled (AABD) continue to operate in the Virgin Islands. Benefits are capped, which means that the grant in no way considers actual need. There also is a 25 percent local match, and the responsibility to administer these programs falls on the Territory. As a result, benefits are far less than those under SSI and far less predictable (benefits can vary significantly from year to year and even within a year).

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

Proposed Virgin Islands Special Visa Waiver Program

Tourism is the lifeblood of the Virgin Islands economy. The Virgin Islands is a highly desirable tourist and sporting event destination, and the Territory's ability to attract is limited by the lack of a visa waiver program similar to those in the Pacific Territories. The Virgin Islands seeks authority from Congress or administrative authorization from the Department of Homeland Security to establish a special visa waiver program for the Virgin Islands that mirrors programs currently authorized for, and utilized successfully by, Guam and the Commonwealth of the Northern Marianas ("CNMI").

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

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

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

As the Virgin Islands is outside of the U.S. Customs Zone, such waiver would pose no threat to the United States and its other Territories because movement beyond the Virgin Islands would require any such visa-less guests to subject themselves to U.S. immigration and customs inspection and control. Visitors arriving by sea or air would be notified that they cannot move beyond the boundaries of the Virgin Islands.

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

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

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

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

INFRASTRUCTURE

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.

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).

The subsequent bill ("FAST Act") did not restore the funding cut in MAP-21; it provided only a small (5 percent) 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 percent over the life of the FAST Act (through FY 2020). Further exacerbating these funding shortfalls is the exclusion of the Territories from other surface transportation programs, which provide substantial funding to the States and DC.

Congress will have an opportunity to correct these inequities in the upcoming surface transportation reauthorization and any other infrastructure funding bills. For example, on January 29, 2020, House Democrats put forth a framework to invest $760 billion over 5 years in the Nation's infrastructure. Earlier, the Trump Administration had proposed investing $2 trillion on infrastructure.

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

UPDATE TO INSULAR AREAS ACT

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

There is ample precedent for Federal agencies to exercise their discretion under the Act to waive the local match. Indeed, the local match has been waived under the Insular Areas Act in a number of contexts in the past, particularly after catastrophic events. For example, in recognition of the severity of Hurricanes Irma and Maria, FEMA invoked the Insular Areas Act authority to waive the 25 percent non-Federal matching requirement for the Hazard Mitigation Grant Program in the Virgin Islands. However, FEMA has not waived the local match for most categories (Categories C-G) of public assistance in response to Hurricanes Irma and Maria, requiring the Virgin Islands to come up with potentially hundreds of millions of dollars in local match under those programs, amounts that could and should be better spent on disaster recovery and economic development. In other instances, Federal agencies have not used their discretion to waive the local share in other grant programs, despite the difficulty that the Virgin Islands and the other Insular Areas have in providing a local match.

Opportunities abound as well. As the world becomes increasingly interconnected, the opportunity for economic growth and expansion in our territories has never been greater. Innovation, investment, entrepreneurialism: they are the building blocks

that made America into one of the most dominant economies on Earth. We now have the opportunity to transform our natural blessings in the territories into unprecedented prosperity for our people, in partnership with our fellow U.S. citizens and our Federal Government.

Our goal is not just to survive. Our goal is to thrive.

The GVI proposes that the Act be amended to provide a statutory presumption in favor of waiving the local share; to foster economic development and stability; and to update the relationship of the Territories to the Federal Government as partners in the global influence and economic dynamics of the United States of America.

QUESTIONS SUBMITTED FOR THE RECORD TO GOVERNOR ALBERT BRYAN JR. OF THE U.S. VIRGIN ISLANDS

Governor Bryan did not submit responses to the Committee by the appropriate deadline for inclusion in the printed record.

Questions Submitted by Rep. Neguse

Question 1. Governor Bryan, is the Virgin Islands still dealing with an outbreak of the Stoney Coral Tissue Loss Disease?

Question 2. Governor, you know better than us that healthy coral reefs protect your islands from coastal erosion and storm damage among other beneficial effects. But these precious resources have been experiencing a variety of threats including poor water quality, over-harvesting, coastal development, disease and bleaching. The Office of Insular Affairs ("OIA") has supported coral reef initiatives on your islands in the past under recommendations from the Coral Reef Task Force. However, for FY2021, OIA is proposing cuts to their Coral Reef Initiative by more than 65 percent.

Question 3. How will such a drastic cut affect your natural resources managers' ability to control and eradicate invasive species and protect your fragile environments?

Question 4. Are there particular environment or wildlife challenges that Congress can be helpful to you in addressing?

Question 5. Is the Department of the Interior being responsive to your needs? What is the most pressing of those that is not currently funded at necessary levels?

Questions Submitted by Rep. Sablan

Question 1. The Interagency Group on Insular Areas was created to "solicit information and advice from the elected leaders of the U.S. Insular Areas" and make recommendations to the President to address appropriate issues regarding Federal programs. Do you believe the executive branch is doing enough to address your concerns?

Question 2. Are there any specific issues you think Congress needs to address?

Question 3. Congress passed the FY 2020 appropriation with $6.25 million for the formulation and implementation of energy action plans to reduce the cost of electricity, stop the loss to island economies from purchase of imported fuels, and increase the efficiencies of your distribution systems. This a long over-due down payment on P.L. 113–235. The House has shown we are willing to invest much more. Our FY 2020 bill had $12 million, but the final bill cut that in half. We need to hear from you. Are you interested in more help to cut the cost of electricity for your constituents and modernize your electrical systems?

Question 4. How is Interior and the Office of Insular Affairs helping your administration combat and prepare for the effects of climate change?

Question 5. On February 7, 2020, the House passed legislation that would provide funding for the Earned Income Tax Credit in Guam, the U.S. Virgin Islands, American Samoa, and the Northern Marianas. The White House says the President will veto the bill. President Obama came out in favor of EITC for the insular areas at the end of his second term. Where do you stand on this issue? Should Congress provide Federal funding to pay our low-income working families?

Question 6. Congress helped you avoid the Medicaid cliff with passage of Public Law 116–94. The law also reduced your local share of Medicaid from 45 percent to 17 percent—better than the matching amount for any state. Can you tell us how you are using all this new money to improve delivery of health care to your constituents?

Question 7. Congress provided $20.8 million for technical assistance to the insular areas last year. The administration keeps trying to cut technical assistance. The President's FY 2021 budget proposes $14.67 million. OIA hands out that technical assistance money in response to requests from governors and others. Congress gives OIA free rein to decide. Would you would prefer more control of that money? For instance, would you like some of that technical assistance slush fund put it into specific programs?

Mr. SABLAN. Thank you very much, Governor.

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

Governor, you have 5 minutes.

STATEMENT OF THE HONORABLE ARNOLD I. PALACIOS, LIEUTENANT GOVERNOR, NORTHERN MARIANA ISLANDS

Lieutenant Governor PALACIOS. Thank you, Chairman Sablan, Ranking Member, and other members of your Committee. Thank you for allowing me to testify this afternoon. I am here on behalf of Governor Torres, who sends his regrets for not being here to speak with you once again.

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

As a result of this outbreak, CNMI expects to lose 150,000 tourist arrivals, primarily from China, and 30 percent of our expected total annual arrivals for this fiscal year.

This year has proven that our economic development trajectory has led us to a position that is the definition of fragility. In a moment, without a single instance of an outbreak in the CNMI, we lost the second-largest tourism market due to a force that we cannot even see.

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

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

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

However, the program has been $27.7 million since the inception of the CNMI in 1978, and continues at this level, when it was modified to include Guam, American Samoa, and the U.S. Virgin Islands. We would like to see Congress increase the level of funding for the CIP programs in our insular areas. The CNMI once again urges the review, therefore, of the CIP grant programs to allow an increase in the budgeted amount that adjusts for inflationary costs and current infrastructure needs of the U.S. territories.

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

I wish to offer the following recommendations for your consideration: (1) allow the CNMI Government to participate in the labor certification process in a similar manner as is allowed for our sisters and brothers in Guam; (2) fully lift the exclusion of construction workers from the CW-1 program. A full relief of this restriction will help support the development of our new homes damaged by our typhoons, and to further develop the economy toward increased jobs and opportunities for U.S. workers; and (3 we ask that you eliminate the touch-back provision to prevent a quarter of the labor force departing the CNMI for an indeterminate number of months at the start of Fiscal Year 2021.

Mr. Chairman, we need your assistance. The American economic community's promise to our forefathers is not defined by the rigor of our regulations. It is defined by the promise of our ideals. I believe this to be true, and I look forward to continuing to work alongside you as we inch closer to that dream of real membership in this great community.

Before closing, Congressman, I wish to also extend our appreciation for your work, and those of the other Congressional Members from the insular areas on the new Medicaid allocation. This was one of the most welcome news in our healthcare system. Thank you. [Speaking foreign language.]

[The prepared statement of Lieutenant Governor Palacios follows:]

PREPARED STATEMENT OF THE HONORABLE ARNOLD I. PALACIOS, LIEUTENANT GOVERNOR, COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Good afternoon, Chairman Grijalva, Ranking Member Bishop, Congressman Sablan and members of the Committee. Thank you for allowing me this opportunity to testify at this hearing on the Fiscal Year 2021 budget request for the Department of the Interior's Office of Insular Affairs (OIA).

Additionally, I appreciate that this hearing will afford us the opportunity to discuss the many urgent and troubling economic issues facing the CNMI today and ways Congress can support our resiliency toward external economic shocks.

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

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

This year has proven that our economic development trajectory, inclusive of the effects of Federal laws, has led us to a position that is the definition of fragile. In a moment, without a single instance of the outbreak in the CNMI, we lost the second largest tourism market due to a force we cannot even see. In this state, we must return to the hopes created during our origins as a Commonwealth.

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

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

The recent history of the CNMI's collaboration with the OIA has produced tangible and lasting results that have aided in the development of our infrastructure and provided additional resources for our community and our economy. The redevelopment of the former Puerto Rico dump to a beautiful tourist attraction and the ongoing sewer line development efforts are prime examples of the possibilities that can be obtained through collaboration. Additionally, OIA has been instrumental in the funding of a range of programs to advance the service of government through the technical assistance program. For the hard work in understanding the needs and complexities present in the CNMI, we wish to thank the Department of the Interior, and OIA.

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

The Congress and the Administration must continue to recognize, as they have done since the origins of the Commonwealth government, that a modern, functional infrastructure is an absolute prerequisite to economic development. However, time continues forward and as with all things, these resources will one day no longer be of use. We do not have the resources available to undertake the redevelopment of the monumental infrastructure initiatives of the U.N. Trust Territory era, but we must. We soon must rehabilitate our airport, our seaports, our sewage treatment facilities, our water wells, our sewer and water lines, but we simply cannot do these necessary things while partitioning up a single pot of resources that have not changed since the inception of the Commonwealth government.

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

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

The CIP Grants Program has been one of the most successful Federal programs for the CNMI, Guam, American Samoa, and the U.S. Virgin Islands for infrastructure projects, and has had a significant impact on the advancement of quality of life and economic development in the islands.

Given that the program has been $27.72 million since its inception for the CNMI in 1978 under Section 701 of U.S. Public Law 92–241, and continued at this level when it was modified to include Guam, American Samoa, and the U.S. Virgin Islands under U.S. Public Law 104–134 until today, a review of the CIP Grants Program is timely given the priority of infrastructure for the smaller U.S. Territories and the severe economic conditions that have presented themselves in recent years.

The discussion of the budget for this critical department is important for the CNMI. However, the needs of our people span across the Federal Government.

I wish to thank all the members in this Committee for your continued support through the many challenges we have faced with our current immigration transition period. Because of your support and assistance, the CNMI economy averted total collapse after the passage of the Northern Mariana Islands U.S. Workforce Act (U.S.

Public Law 115–218) and the allowance for the CNMI economy to continue to grow beyond the expiration of the transition period in 2019. We have made tremendous progress in committing ourselves to building a strong and vibrant economy based on the strengths of U.S. workers, but this ongoing transition period should be one of fluidity and willingness to be flexible toward accomplishing the intents of the law.

In this first year of implementation of U.S. Public Law 115–218, the CNMI has been diligent in our pursuit of full compliance with the new requirements of the law. In light of this experience, I must raise concern about the unintended consequences that must be averted at the risk of damaging our struggling economy further and imperiling the many U.S. jobs we have created thus far.

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

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

1. Allow the CNMI Government to participate in the labor certification process in a similar manner as is allowed for in Guam. The U.S. Department of Labor does not produce labor force data for the CNMI, the Bureau of Labor Statistics does not conduct labor market surveys in the CNMI, and the CNMI is not included in USDOL's Occupational Employment Statistics (OES) program. This is understandable as USDOL had limited historic involvement in the CNMI labor market. To remedy this deficiency and to ensure labor market decisions are being made with the most relevant and locally contextualized information, providing the same authority as Guam to certify wage and labor needs prior to submission of a CW-1 petition would be logical and efficient.
2. Fully lift the exclusion of construction workers (Standard Occupational Classification Code 47–0000) from the CW-1 program and further recognize the limited number of U.S. construction workers and the inapplicability of alternative visa classification on the labor force needs of the CNMI community. A full relief on this restriction will help support the development of new homes to combat the housing shortage caused by the destruction of Super Typhoon Yutu and to further develop the economy toward increased jobs and opportunities for U.S. workers.
3. Eliminate the touch-back provision to prevent a quarter of the labor force departing the CNMI for an indeterminate number of months at the start of Fiscal Year 2021. At this time of severe financial difficulties, a dramatic reduction in the size of the labor force will compound our mounting challenges into a potential collapse of our economy. Removing the requirement for foreign workers to return to their country of origin following the second renewal period does not create a pathway to citizenship. The periodic loss of a large segment of the workforce will create unnecessary complications within the economy and hurt U.S. job seekers entering into the labor force.

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

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

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

We are here asking for your assistance to be proactive in the support of these ideals. Moreover, to work with us in addressing the unique and dire needs of the thousands of Americans living on our shores. I also ask that you understand our attempts to fight for every opportunity we must thrive within this community. We

need increased access to financial resources to scale that development ladder, but we also need your trust that we can succeed together.

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

QUESTIONS SUBMITTED FOR THE RECORD TO LIEUTENANT GOVERNOR ARNOLD I. PALACIOS OF THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Questions Submitted by Rep. Neguse

Question 1. Governor, you know better than us that healthy coral reefs protect your islands from coastal erosion and storm damage among other beneficial effects. But these precious resources have been experiencing a variety of threats including poor water quality, over-harvesting, coastal development, disease and bleaching. The Office of Insular Affairs ("OIA") has supported coral reef initiatives on your islands in the past under recommendations from the Coral Reef Task Force. However, for FY 2021, OIA is proposing cuts to their Coral Reef Initiative by more than 65 percent.

1a. How will such a drastic cut affect your natural resources managers' ability to control and eradicate invasive species and protect your fragile environments?

Answer. The CNMI immensely values its coral reefs and continues to implement management efforts that support its sustained use and conservation as it is a significant part of the Commonwealth's culture. Unfortunately, these critical habitats face multiple threats that continue to place severe stress upon one of the CNMI's most valued resources. These threats grow exponentially as the CNMI sees its population increase, its tourism market thrive, and coastal development climb.

To address such threats such as coral bleaching and diseases, invasive species, and physical damage, the CNMI's natural resource managers rely on its partnership with the Department of the Interior's Office of Insular Affairs to carry out various management actions and plans specifically crafted to address the declining health of the CNMI's coral reefs. Previous grants awarded to the CNMI through OIA's Coral Reef Initiative (now the Coral Reef and Natural Resource Initiative) have gone toward projects such as developing Conservation Action Plans and Watershed Management Plans for the CNMI priority watersheds, behavior change campaigns to raise awareness and promote sustainability and green lifestyles, building local capacity in coral reef management, and coral reef restoration work.

As the United States Coral Reef Task Force's co-chair, the Department of the Interior has been an invaluable partner to the CNMI, assisting the jurisdiction to address these various threats to our most precious resource. Currently, DOI is providing funding to the CNMI to implement restoration activities as a more proactive approach toward coral reef management. The successful establishment of a state-managed in-water coral nursery will allow the CNMI to eventually outplant coral fragments that are proven to be more resilient to climate change and restore degraded or damaged reefs around the islands.

1b. Are there particular environment or wildlife challenges that Congress can be helpful to you in addressing? Is the Department of the Interior being responsive to your needs? What is the most pressing of those that is not currently funded at necessary levels?

Answer. OIA had previously supported the Micronesia Challenge—a shared commitment between the Federated States of Micronesia, the Republic of the Marshall Islands, the Republic of Palau, Guam, and the CNMI to effectively conserve at least 30 percent of near-shore resources and 20 percent of terrestrial resources across Micronesia by 2020. In 2019, the Chief Executives of the Micronesian jurisdictions renewed their commitment to the Micronesia Challenge by extending and expanding their goal of conservation to be met by 2030. Continued funding support for this initiative will be helpful toward achieving this collective effort.

Questions Submitted by Rep. Sablan

Question 1. The Interagency Group on Insular Areas was created to "solicit information and advice from the elected leaders of the U.S. Insular Areas" and make recommendations to the President to address appropriate issues regarding Federal programs. Do you believe the executive branch is doing enough to address your concerns?

Answer. The annual IGIA Senior Plenary Meeting serves an integral forum for insular area leaders to bring awareness to the critical issues faced by the territories. These annual meetings provide a great opportunity to directly engage with Federal departments and agencies on the needs and concerns of Federal programs in the insular areas.

Question 2. Are there any specific issues you think Congress needs to address?

Answer. Paramount among our many pressing issues is the state of the economy in the aftermath of Super Typhoon Yutu in 2018 and the outbreak of the novel coronavirus which has severely impacted vital tourism arrivals. Throughout the many actions in the past several years, Congress has shown a willingness to understand the unique circumstances the CNMI faces in establishing and maintaining a viable and functioning economy. If Congress were to look at the totality of our circumstances with objectivity of the present facts, it would be apparent that much needs to be done to mitigate the ever-present and high probability of economic collapse that we contend with on a near constant basis. We cannot maintain a long-term growth trajectory while remaining at the edge of a cliff. Small changes around the world can result in catastrophic repercussions to our economy. Congress should recognize that we are not similar to the states in this regard, and to see stability in this region, greater emphasis on developing a more diversified and sustainable economy is an absolute requirement.

As the CNMI government has stated before, the CW-1 program is crucial toward obtaining the necessary labor to grow our economy. That is still true today, and the opportunity to obtain that growth is affected by several provisions contained in the Northern Mariana Islands U.S. Workforce Act. These concerns I have outlined in my submitted testimony.

Further, however, the CNMI needs additional Federal Government support in ensuring long-term competitiveness of our industries against regional and international destinations. Greater emphasis should be added toward crafting national legislation that drives U.S. investment to the U.S. territories, as we continue to struggle to compete against even the most disadvantaged U.S. mainland community due to our unique and crippling limitations. The Congress can assist the CNMI in meeting its U.S. workforce targets by allotting additional Federal resources to the CNMI labor force. Currently the majority of the funds dedicated to supporting the transition program, originate from employers within the CNMI through the additional fees required under the CW-1 petition process. If Congress wishes to see greater levels of success in this effort, more resources are needed.

If we were to look at the major economic issues facing the U.S. territories in the last decades of our histories, it is difficult to locate action by Congress that has showcased a proactive interest in supporting economic development among our communities. We do not wish to remain a problem to be solved by the Federal Government, but Congress must realize that there needs to be a new approach to territorial issues that is driven by a goal of viable, resilient and functioning economies within its U.S. territories.

Question 3. Congress passed the FY 2020 appropriation with $6.25 million for the formulation and implementation of energy action plans to reduce the cost of electricity, stop the loss to island economies from purchase of imported fuels, and increase the efficiencies of your distribution systems. This a long over-due down payment on P.L. 113–235. The House has shown we are willing to invest much more. Our FY 2020 bill had $12 million for all of you, but the final bill cut that in half. We need to hear from you. Are you interested in more help to cut the cost of electricity for your constituents and modernize your electrical systems?

Answer. The CNMI appreciates all assistance provided toward the reduction of our dependence on imported fossil fuels. We are approaching a period of great opportunity in the coming years, as we target this funding source, along with additional resources provided through the Federal Government's response to Super Typhoon Yutu, to harden our power system and implement efficiencies that will support more affordable and consistent utilities services to our people.

We are certainly in support of any additional assistance Congress can provide and the need for such assistance is apparent. But it is also important to recognize that direct appropriations are a part of the equation. Congress can assist the CNMI in accessing greater resources within the financial markets to support financing for large-scale and necessary infrastructure spending. Increasing the total amount of CIP provided to the CNMI to an inflation adjusted level and ensuring consistent apportionments would open a range of financing opportunities presently unavailable due to our present financial condition. I additionally ask for consideration of territory-specific legislation from Congress that would greater incentivize U.S.

investment into the territories as a means to find the necessary capital to modernize our electric grid and our general infrastructure.

Question 4. How is Interior and the Office of Insular Affairs helping your administration combat and prepare for the effects of climate change?

Answer. The Office of Insular Affairs has been a consistent ally in our efforts to confront and respond to increasing weather events. The effects of natural disasters are profound and the impacts are spread throughout the Nation. The response of the entire Federal Government to Super Typhoon Yutu has been of tremendous support to the CNMI and OIA has been a critical partner in this effort alongside the range of Federal agencies that include FEMA, EDA and HUD to name a few.

Question 5. On February 7, 2020, the House passed legislation that would provide funding for the Earned Income Tax Credit in Guam, the U.S. Virgin Islands, American Samoa, and the Northern Marianas. That is worth $11 million per year for the Marianas. But the White House says the President will veto the bill. President Obama came out in favor of EITC for the insular areas at the end of his second term. Where do you stand on this issue? Should we provide Federal funding to pay our low-income working families?

Answer. I support the extension of Federal funding to cover the provision of the Earned Income Tax Credit to CNMI taxpayers. This administration maintains the year's long policy of the CNMI in requesting the Federal Government to recognize the disparity territorial treasuries face in the application of the EITC and the effects this program has on local budget resources. In 2016, Governor Torres requested the Federal Government's support under President Barack Obama to extend resources to implement the EITC in the CNMI and that request is present within the 902 report submitted to Congress. Further, Governor Torres supported legislation presented to Congress on the extension of the EITC to CNMI taxpayers. This is a critical program that would support families, and workforce development if Federal funding was assured to ensure it is provision.

Question 6. Congress helped you avoid the Medicaid cliff with passage of Public Law 116–94 on December 20, 2019. The Marianas is getting $60 million this year and $60 million next year—nine times more than we would otherwise have received and more than we have ever received before. Public Law 116–94 also reduced our local share of Medicaid from 45 percent to 17 percent—better than the matching amount for any state. Can you tell us how you are using all this new money to improve delivery of health care to our constituents?

Answer. The Medicaid Program received a total of $36 million in disaster relief funding at 100 percent Federal share. The disaster relief funds enabled the CNMI Medicaid program to make full payments to the Commonwealth Healthcare Corporation (CHCC) and other private providers in the CNMI.

Furthermore, since the CNMI Medicaid program had depleted its funds by September 30, 2019, the additional funds enabled the CNMI to satisfy pending payments to private providers, including off-island inpatient care, specialized consultation, laboratory, radiology, prescription drug payments, and others.

Question 7. Congress provided $20.8 million for technical assistance to the insular areas last year. The Administration keeps trying to cut technical assistance. The President's FY 2021 budget proposes $14.67 million. OIA hands out that technical assistance money in response to requests from governors and others. Congress gives OIA free rein to decide. Would you would prefer more control of that money? For instance, would you like some of that technical assistance slush fund put it into specific programs?

Answer. In our collaborative relationship with OIA, we find we have open communication as to the direction of technical assistance funding to CNMI priorities. The current operation of this program provides necessary support to the CNMI with the primary limitation being the limited total amount of funding available. I would respectfully request the consideration of Congress to continue supporting this worthwhile program and find avenues to increase the total amount appropriated to support this necessary funding source for the territories.

Question 8. The Pacific governors know that the Federal Government made an error in how it counts the number of FAS immigrants in Hawaii. Because of their error, OIA has proposed cutting what American Samoa, Guam, and the Northern Marianas get in Compact Impact funding to make up for what Hawaii did not get in past years. Hawaii needs that money, but I do not think that the other insular areas should have to pay for the Census Bureau's and OIA's mistake. Do you think we should reduce the administrative budget of OIA to make up for their mistake,

rather than making you pay? Does your administration provide reports on the costs of hosting Compact migrants?

Answer. Resources and attention should rather be directed to the issue of whether the authorized level of mandatory assistance is insufficient to meet the costs of services provided by each affected jurisdiction. I support the call of the other territory leaders in urging Congress to work with the affected jurisdictions to resolve this issue prior to the disbursement of future Compact Impact funds.

And while I disagree that the territories should be made to pay for the mistake of the Federal Government, I also believe it is unfair to penalize OIA, when the mistake did not originate from them.

Question 9. A key feature of the U.S. Workforce Act (P.L. 115–218) is the annual spending plan the Governor puts together for the training fees that employers of CW workers must pay. The money is supposed to train local workers to replace foreign workers. Is the Governor's plan working as projected? How many local workers are being adding to the workforce?

Answer. The first annual plan for the expenditure of CW training fees is currently progressing toward full implementation. We are thankful for the cooperation the CNMI has received with the U.S. Department of Labor in creating the plan and look forward to utilizing the available funds to ensure more U.S. workers in our labor force. It is critical to note that the demand for workers is contingent upon the state of our economy. The CNMI economy is currently experiencing difficulties related to the effects of Super Typhoon Yutu, the outbreak of the coronavirus and the newly implemented requirements of the U.S. Workforce Act. It continues to be the position of the CNMI government that a good and growing economy creates opportunities for U.S. workers in our community.

Question 10. Another key feature of the U.S. Workforce Act is that OIA must report to Congress on what that agency is doing to help economic development in the Marianas. Do you agree with their first report? Are you satisfied with what OIA is doing to identify economic development opportunities for the Northern Marianas? Can you give us an example of how OIA is helping you?

Answer. Economic development in the CNMI is difficult, as the strict limitations we face on land and resources are only compounded by limited access to labor and capital resources. The report of the Department of the Interior showcases a brief but accurate narrative of the financial difficulties experienced in the CNMI and the Administration has been diligent partners in recognizing the needs of our economy. The report details the numerous grant programs and consultative support funded by the Department and the accounting of these programs is an accurate description of the help being provided to the CNMI.

Question 11. EPA was recently in the Marianas to plan for using the $56 million for solid waste. Can you tell me what the plan is? Will Rota and Tinian finally get modern, environmentally appropriate solid waste systems?

Answer. The CNMI Government, through the Bureau of Environmental and Coastal Quality (BECQ), Office of Planning and Development (OPD), Capital Improvement Projects (CIP), and Department of Public Works (DPW), are in ongoing discussions with EPA to formulate the Draft Strategy Summary and Initial Plan for CNMI Recovery and Solid Waste Management.

At this time, ongoing discussions are centered on the following proposals:

1. $1.1M—Update of CNMI Integrated Solid Waste Management Plan
2. $2.6M—Increase solid waste staffing capacity within the CNMI
3. $1M—Design and implement composting pilot project on Tinian
4. $51M—CNMI solid waste infrastructure
    i. Close Marpi Cell 1; open Cell 2; construct Cell 3
    ii. Construct Tinian landfill
    iii. Construct Rota landfill

Question 12. How is the additional Nutritional Assistance Program funding being used? Do you have enough money to keep benefits at the same level as Guam?

Answer. The disaster funding of $25.2 million was allocated as follows: 8.68 percent ($2,186,727) for Administrative costs and 91.32 percent ($23,013,273) for Program Benefits costs.

A total of $7,904,171 had been spent as of February 24, 2020.

Any costs incurred above the $25.2M will be charged against the FY 2020 NAP Block Grant. Utilizing both funding sources, the CNMI will have enough funding to keep benefits at the same level as Guam for FY 2020. However, NAP is currently evaluating the income standards and benefit levels for FY 2021 with $12.148M plus anticipated carryover funds of $2,032,783 from the FY 2020 block grant and $3,124,593 from the ENAP funds, roughly $17,305,376 in total. With the anticipated funding availability for FY 2021, it appears that funding would be insufficient to maintain the Guam level in FY 2021.

Question 13. What are you doing with the water and sewer money?

Answer. These funds will support 14 well sites and for wastewater treatment plant rehabilitation for both Sadog Tasi and Agingan. The intent is to return them to their original design specification and operating condition so that CUC can get an additional 25 to 40 years of life out of those two critical facilities.

CUC will also be completing its water hardening efforts with installation of back-up power supplies and building structures to house these units for up to 70 percent of the water supply system.

Question 14. How is the $2 million for financial management being used?

Answer. The Office of Grants Management will expand on its duties and responsibilities, specifically related to disaster recovery that is primarily focused on financial management, reporting, and compliance pertaining to all disaster-related funding. The Commonwealth Office of Recovery & Resiliency (CORR) is being established alongside a team of technical experts (contracted consultants) and will be working with the various CNMI Government Departments, Offices, and instrumentalities in order to maximize efficiency and productivity of recovery efforts.

The primary goals of CORR will include coordinating the implementation of disaster recovery programs; monitoring expenditure of all Federal disaster assistance programs; and tracking progress on all Federal recovery program awards.

The grant will be utilized to fund activities of the CORR to help improve financial management coordination across each agency and organization receiving disaster recovery funds related to Typhoon Yutu. In turn, improvement of the financial management processes will help ensure:

- Compliance with Federal grant regulations for financial and performance management;
- Increased financial management accountability and transparency through reporting; and
- Improvements to the CNMI Government's overall administration of Federal grant programs.

The grant will also be utilized to fund capacity building for financial and performance management across the recipient agencies of Federal disaster funds (grantees) and others performing disaster recovery work through the following activities:

- Hands-on training;
- Workshops;
- Strengthening of internal controls (policies and procedures) including capacity building (hands-on workshops)
- Tracking tools such as electronic database, logs and spreadsheets; and
- Upgrading/purchasing of equipment and software, as applicable.

Furthermore, the grant will be utilized to create and maintain critical reports on disaster funding for all interested parties. These reports shall be made available on a website and shall identify:

- Summary total of Federal awards per grantor agency;
- Detailed expenditures for awarded projects updated on a monthly basis; and
- Elements of the Federal program and projects and the CNMI Government administering and user agency.

Overall, the effect of the above CORR activities will be improved coordination and oversight for financial and program management at the grantee user agency level that may be adopted for all grant programs as applicable.

The CNMI Government is receiving multiple Federal disaster grant funds to assist in the response, restoration and mitigation efforts across the territory as a result of Super Typhoon Yutu.

This request through the OIA's Technical Assistance grant will provide technical assistance with funding key fiscal management, accountability, and transparency

activities related to disaster recovery brought upon by the major disaster declaration of Super Typhoon Yutu.

Question 15. Are you having any problems accessing these funds that I put into the Disaster Recovery Act for the Marianas?

Answer. No.

Question 16. What are your thoughts on the Prior Service Trust Fund? Should OIA continue to bankroll the fund? Should OIA keep using Technical Assistance Program grant funds?

Answer. I support the United States' continued commitment to the hundreds of beneficiaries who previously served in the U.S.-administered Trust Territory of the Pacific Islands (TTPI), as these benefits represent a responsibility assumed by the Federal Government following the dissolution of the TTPI in 1986.

Question 17. Recently imposed austerity measures include 32-hour work weeks for government employees because of the significant downturn in economic revenue. How will this impact employees who are paid with Federal program funds? How will cutting their hours help with the financial challenges?

Answer. Tourism is the lifeblood of this economy. It funds necessary public services and provides jobs for our residents. When events such as Super Typhoon Yutu and the outbreak of the coronavirus impact this flow of resources into our economy, the entire community is affected. Both public and private sector organizations are reeling from this onslaught of economic disruptions, and nearly all employers are making the difficult but unavoidable decisions to reduce work hours. It is critical to note that federally funded employees work alongside locally funded employees, in the same office spaces and using the same pool of physical resources. It is not a prudent use of limited Federal Government resources to continue to open offices at a total capacity in which the programs funded cannot find productive use for the time being spent. As I have mentioned, the CNMI economy is in a difficult position. The steps we are forced to take have tremendous impacts to the nature of our community, but are required to ensure the continuation of government services, the proper use of Federal resources, and the mitigation of financial crisis of substantially deeper proportions. The thoughts and assistance of Congress in supporting a more resilient and diversified economy in the CNMI is necessary, and should include all issues of congressional jurisdiction, such as, limiting restrictions on labor and construction resources, providing greater incentives for U.S. companies to invest in the CNMI, and increasing Federal resources in targeted areas to support economic stability, ameliorate structural inefficiencies present in small island economies and proactively supporting economic growth in lieu of tighter restrictions on economic activity.

Mr. SABLAN. [Speaking foreign language.] I would now like to welcome the Governor of Guam, the Honorable Lou Leon Guerrero.

Governor, you have 5 minutes, please.

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

Governor GUERRERO. Thank you, Congressman.

[Speaking foreign language] for the opportunity to appear before this Committee today to make comments on the proposed Fiscal Year 2021 budget request for the Department of the Interior. My testimony on OIA's budget will be brief.

Throughout OIA's existence, the U.S. territories have largely benefited from the flexibility of Federal grants that respond to the diverse needs of our islands. These grants vary. OIA's role in providing this assistance continues to be an important part of Guam's strategic growth, but we are appreciative of more than OIA's funding. We also value its partnership and advocacy within the Federal bureaucracy.

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

U.S. territories, however, need changes in policy that this Committee has supported in the first session of the 116th Congress. Specifically, I would like to acknowledge Chairman Grijalva, Ranking Member Bishop, and Delegate Kilili Sablan for convening a hearing that identified the Medicaid cliff caused by expiring provisions of the Affordable Care Act for the territories. Through their leadership, the work of this Committee, and the Congress as a whole, millions of Americans living in the territories maintained their access to health care without unfair matching rates or onerous caps.

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

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

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

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

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

As I give this testimony, I cannot help but think how many governors of Guam have covered the same ground. For years, territorial governors sitting in hearings like this have highlighted the

costs associated with the Compacts of Free Association. While these bilateral documents help to offset China's growing influence in the Western Pacific, and preserve our national security interests, Guam and other affected jurisdictions are left to fund the consequences of unmitigated migration.

While Guam's Compact-related expenditures far outweighs the Federal offset, equal to only 10 percent of our total island costs, the methodology used to calculate these costs is often the subject of skepticism and inquiry. The economic benefit analysis will accompany shortly our Federal report.

As the upcoming negotiations to extend financial terms of the current Compact nears, I implore this Committee to encourage the Administration to consider including as agenda items: (1) a screening program by the Department of Homeland Security to ensure that migration to U.S. jurisdictions complies with the Compact; (2) I would like them to reimburse Guam 100 percent of our total costs; and (3) I would also like the Committee to consider providing greater support to FAS countries in developing their economies and opportunities for their people.

As the Committee is aware, as a strategic location for the country's projection of forces in the Indo-Pacific region, Guam is host to a multi-billion-dollar military infrastructure. We soon will have a home inaugurated as Camp Blaz, and we will be endeavoring about $8 billion in cost, an expense shared by both Japan and the United States.

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

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

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

We are hopeful that the U.S. Senate will pass H.R. 1365. Thank you again for the opportunity to appear before this Committee, and I apologize for going over by 3 minutes, 44 seconds, but we have all traveled very far. Thank you for your patience in listening to our testimony.

[The prepared statement of Governor Guerrero follows:]

PREPARED STATEMENT OF THE HONORABLE LOURDES A. LEON GUERRERO, GOVERNOR OF GUAM

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

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

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

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

As this Committee contemplates OIA's FY 2021 request, I am in favor of increasing OIA's budget that provides for territorial assistance in areas of Technical Assistance, Maintenance Assistance, and Energizing Insular Communities. The purposes of these areas, along with the flexibility maintained by OIA to prioritize these grants, respond to both basic and growing needs of U.S. island communities.

U.S. territories however need changes in policy that this Committee has supported in the first session of the 116th Congress. Specifically, I would like to acknowledge Chairman Grijalva, Ranking Member Bishop, and Delegate Kilili Sablan for convening a hearing that identified the Medicaid cliff caused by expiring provisions of the Affordable Care Act for the territories. Through their leadership, the work of this Committee, and the Congress as a whole, millions of Americans living in the territories maintained their access to health care without unfair matching rates or onerous caps.

As a result of this Committee's interest and advocacy, the Congress passed legislation that raised the caps for all U.S. territories and changed our matching formula from 43 percent to 17 percent for the next 2 years. We are of course grateful for this new formula and that Guam's cap was raised from $18 million to $127 million per/year. However, Americans living in territories should be treated no differently than if one resided in a state. I am hopeful that when the Congress revisits this issue, that state-like treatment for Medicaid can be fully extended to U.S. territories.

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

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

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

As you may know, the Administration has issued a "Statement of Administration Position" on the supplemental measure which indicates that the President will veto it if passed by the Senate. The SAP does not mention any specific opposition to

offsetting Guam's costs, so I am hopeful that the House can move the bill as a stand-alone or find another legislative vehicle that the Senate can eventually pass.

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

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

With the upcoming negotiations to extend financial terms of the current Compact nears, I implore this Committee to encourage the Administration to consider including as agenda items: (1) an executable screening program by the Department of Homeland Security to ensure that migration to U.S. jurisdictions complies with the Compact; (2) reimbursing Guam 100 percent of our total costs or, at minimum, define "offset" to be 75 percent of our total expenditures hosting FAS citizens; and (3) providing greater support to FAS countries in developing their economies and opportunities for their people.

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

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

A decision by the Homeland Security Department in 2014 rolled back Guam's use of H-2 laborers, however the labor demands needed to build Camp Blaz continued to be available to the military. Because foreign labor was preserved for primarily military construction and severely limited for civilian projects, the cost of construction in Guam has risen, housing is becoming unaffordable, our hotel industry cannot provide enough rooms to meet growing tourism, and in the midst of an $8 billion investment in Guam which naturally attracts private interests—investors are deterred from investing in our island because of the uncertainty of securing labor for any projects outside of military interests.

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

Peace is good for everyone. And the national interest is best served when the military and civilians are good neighbors—especially in small communities. It is also important to point out that lacking an overall policy to economically develop our U.S. territories, it would behoove us all to not take advantage of interests who want to develop Guam while the Federal Government is making an $8 billion investment into the island.

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

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

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

We are appreciative of the Committee's long-standing involvement, dating back to our first Delegate, Antonio Won Pat and with every Delegate who has championed

the issue of parity to Guam; Mr. Blaz, Mr. Underwood, Ms. Bordallo, and your current colleague, Mr. San Nicolas.

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

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

QUESTIONS SUBMITTED FOR THE RECORD TO GOVERNOR LOU LEON GUERRERO OF GUAM

Questions Submitted by Rep. Neguse

Question 1. Governor, you know better than us that healthy coral reefs protect your islands from coastal erosion and storm damage among other beneficial effects. But these precious resources have been experiencing a variety of threats including poor water quality, over-harvesting, coastal development, disease and bleaching. The Office of Insular Affairs ("OIA") has supported coral reef initiatives on your islands in the past under recommendations from the Coral Reef Task Force. However, for FY 2021, OIA is proposing cuts to their Coral Reef Initiative by more than 65 percent.

1a. How will such a drastic cut affect your natural resources managers' ability to control and eradicate invasive species and protect your fragile environments?

1b. Are there particular environment or wildlife challenges that Congress can be helpful to you in addressing?

1c. Is the Department of the Interior being responsive to your needs? What is the most pressing of those that is not currently funded at necessary levels?

Answer. (A) Funding under the Coral Reef Initiative is a major pillar of Guam's coral reef protection, resiliency, and restoration efforts. This drastic a reduction coral reef funding would severely impact efforts to cope with major losses to Guam's coral reefs as a consequence of the impact of invasive species and coral bleaching events caused by climate change including the loss of ⅓ of all shallow corals around the island.

(B) Given the enormity of the challenge for habitat ecosystem management to address the consequences of invasive species and climate change, increased technical and funding support from the Federal Government is sorely needed.

(C) The support provided by the Department of the Interior to address these issues is greatly appreciated. Additional funding support though is needed to advance local efforts with respect to soil and coastal erosion, coral reef restoration, as well as the increasing adverse impact of invasive species.

Questions Submitted by Rep. Sablan

Question 1. The Interagency Group on Insular Areas was created to "solicit information and advice from the elected leaders of the U.S. Insular Areas" and make recommendations to the President to address appropriate issues regarding Federal programs. Do you believe the executive branch is doing enough to address your concerns?

Answer. The relationship between the executive branch and Guam has been good during my first year in office. We have no expectations that all concerns we have raised will see immediate resolution. However, we find that there is a level of engagement that we believe is sincere in nature.

Question 2. Are there any specific issues you think Congress needs to address?

Answer. We are thankful to Congress' action that has changed the cap and matching requirement for Guam under the Medicaid program. Guam would like Congress to: (a) pass legislation that reimburses mirror-code jurisdictions that are required to provide the Earned Income Tax Credit, Guam's estimated annual costs is estimated at $60 million; (b) provide a solution for Guam to regain access to foreign labor; and (c) address Guam's annual public expenditure of $150 million attributed to effects of the free migration provisions of the Compacts of Free Association with the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau.

Question 3. Congress passed the FY 2020 appropriation with $6.25 million for the formulation and implementation of energy action plans to reduce the cost of electricity, stop the loss to island economies from purchase of imported fuels, and increase the efficiencies of your distribution systems. This a long over-due down payment on P.L. 113–235. The House has shown we are willing to invest much more. Our FY 2020 bill had $12 million, but the final bill cut that in half. We need to hear from you. Are you interested in more help to cut the cost of electricity for your constituents and modernize your electrical systems?

Answer. Yes, we need more assistance to reduce Guam's reliance on fossil fuels and to increase our utilization of alternative forms of energy both at the residential and commercial levels.

Question 4. How is Interior and the Office of Insular Affairs helping your administration combat and prepare for the effects of climate change?

Answer. In 2016, DOI provided a $50,000 Technical Assistance Program grant to address Guam's climate change concerns with respect to Guam. This has been utilized for several projects including: vulnerability analysis of built environments at coastal bays, multi-section resiliency workshops, a pilot climate GIS Project, all planners Climate Training Workshops, and the update of Guam's Storm Water Management Plan for climate change impacts.

Question 5. On February 7, 2020, the House passed legislation that would provide funding for the Earned Income Tax Credit in Guam, the U.S. Virgin Islands, American Samoa, and the Northern Marianas. The White House says the President will veto the bill. President Obama came out in favor of EITC for the insular areas at the end of his second term. Where do you stand on this issue? Should Congress provide Federal funding to pay our low-income working families?

Answer. Guam is in favor of the passage of Federal legislation that would require mirror-code jurisdictions to be reimbursed by the Federal Government for carrying out implementing the Earned Income Tax Credit.

Question 6. Congress helped you avoid the Medicaid cliff with passage of Public Law 116–94. The law also reduced your local share of Medicaid from 45 percent to 17 percent—better than the matching amount for any state. Can you tell us how you are using all this new money to improve delivery of health care to your constituents?

Answer. The new funding is being used to Increase the Guam Medicaid Poverty level to reduce the uninsured population on Guam and reduce the only Government Hospital's outstanding receivables, thereby improving its service delivery. Additionally, we will amend the Medicaid State Plan to cover all medically necessary cardiac related devices, such as watchman device, implantable cardioverter-defibrillator, other FDA approved cardiac implants, and also to cover prosthetic device (Knee and hip replacement). We are also exploring the possibility of increasing the provider fee schedule to increase provider participation.

Question 7. Congress provided $20.8 million for technical assistance to the insular areas last year. The Administration keeps trying to cut technical assistance. The President's FY 2021 budget proposes $14.67 million. OIA hands out that technical assistance money in response to requests from governors and others. Congress gives OIA free rein to decide. Would you would prefer more control of that money? For instance, would you like some of that technical assistance slush fund put it into specific programs?

Answer. I am in favor of increasing OIA's budget that provides territorial assistance in the areas of Technical Assistance, Maintenance Assistance, and Energizing Insular Communities. We recommend a change to the current process of allocating technical assistance funding whereby a set amount is allocated to each insular area versus OIA prioritization or a "first come, first served basis" would give our governments more access and control over these limited financial resources. It should be noted that, based on information in DOI OIA's FY2020 and FY2021 Budget Justification documents, technical assistance funding is typically via direct grants to insular areas or through "TAP Crosscutting" programs which benefits multiple insular areas (e.g., Close Up and Junior Statement Foundations, the Graduate School USA programs, etc.). However, in FY2018 and FY2019, it appears that approximately $2M and $3M in technical assistance funding respectively was redirected to specific insular areas for disaster relief efforts. Perhaps OIA lobbying for more funding support for the insular areas from the Federal Emergency Management Agency and other Federal agencies, would safeguard already-limited technical assistance funding for our insular governments.

Question 8. The Pacific governors know that the Federal Government made an error in how it counts the number of FAS immigrants in Hawaii. Because of their error, OIA has proposed cutting what American Samoa, Guam, and the Northern Marianas get in Compact Impact funding to make up for what Hawaii did not get in past years. Hawaii needs that money, but I do not think that the other insular areas should have to pay for the Census and OIA's mistake. Do you think we should reduce the administrative budget of OIA to make up for their mistake, rather than making you pay?

Answer. As I mentioned in my December 2019 memorandum to Assistant Secretary for Insular and International Affairs, Douglas Domenech, our island should not be penalized $12M for technical error that was not of our doing. This need to maintain Guam's Compact Impact Assistance allocation through FY2023 is especially important considering our long-standing position that our government is already grossly under-compensated in the areas of health, safety and education as a result of the Compact of Free Association between the United States and the FSM and RMI. With that said, I'll defer to the Committee on Natural Resources on identifying a viable source of funding to provide to the state of Hawaii.

Mr. SABLAN. You are more than welcome. It is our privilege that all three of you are actually here this afternoon.

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

Without objection, so ordered.

It is now time for Members to ask questions. Members will each have 5 minutes to ask their questions and get the response.

I will and I would think that others may be submitting questions for the record. The Committee will forward those questions to you, the witnesses, and look forward to getting responses in a 10-day period. Thank you.

I yield myself 5 minutes for questions.

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

A couple thoughts for American Samoa. I am not sure how the other Delegates feel, but some of these issues that I worked on, I have never heard anything from OIA. It was Congressional Members working together on the Medicaid. It is over 2 years of work.

So, I am going to ask. Did you hear any proposal this morning that will get your economies growing, Governor Bryan?

Governor BRYAN. We were the ones doing the proposing, in terms of it growing our economy.

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

I mean, we are so small, anything that happens—we also pointed out the fact that Puerto Rico has been under duress for several years now, and there has been no real definitive action by the U.S. Congress or the Administration to help to create a vehicle that would put us on a road to sustainability again. And at the same

time they watch us headed down the same track as Puerto Rico has been, and there is no help in sight.

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

Mr. SABLAN. Governor, thank you. I have 5 minutes, so I really—no disrespect.

Governor BRYAN. Oh, I thought it was my 5 minutes. I am sorry, sir.

[Laughter.]

Mr. SABLAN. No, sorry.

Lieutenant Governor Palacios, did you hear any specific proposals that would get the Marianas' economy growing?

Lieutenant Governor PALACIOS. Nothing specific. We pointed out a lot of issues that need to be addressed. EDA was there.

Mr. SABLAN. Yes.

Lieutenant Governor PALACIOS. There were several departments, Federal departments, that offered the assistance.

But we always talk about capacity. And there are times when we just don't have the capacity. Surely, with a nation like the United States, which is the most prosperous country in the world, there has to be a policy that would work for the insular areas. Somebody within the Federal machinery could certainly take a look at this issue and say, "What can we do to craft policies for the Virgin Islands, for the Commonwealth, for Guam, as they are unique."

Mr. SABLAN. And the Department of the Interior, Governor, is supposed to be our advocate in the executive branch. And I would be remiss if I don't say that they have not exactly had stellar records. I am not saying they have not done anything, but there is a lot of wish—we wish they would do a little bit more.

I have 47 seconds. Governor Guerrero?

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

We also talked a lot about workforce development, and the importance of apprenticeship, business-private partnerships. But I think, as territories, we need to be the one aggressively driving the agenda. That is what I would like to see.

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

And, of course, we have to bring in our Congressional Delegates, also.

Mr. SABLAN. Thank you. Thank you very much. My time is up. I now recognize the Ranking Member, the gentlelady from Puerto Rico. She has 5 minutes.

Miss GONZÁLEZ-COLÓN. Thank you, Chairman Sablan. And again, thank you, all the governors, for being here.

I know many of the situations that we all face are examples of what it is like living in the territories. I will begin with Lieutenant

Governor for the Northern Mariana Islands, specifically about the bill. And you were saying about—can you discuss the importance of the capital improvement project grants in CNMI, and how these capital improvement project dollars aided during Typhoon Yutu recovery efforts? If you can—and remember, I have just 4 minutes. So, if we can be concise so I can do other questions.

Lieutenant Governor PALACIOS. The capital improvement issue that I brought up is actually a funding that was under the provision of our covenant, our agreement with the Federal Government, to come into the U.S. family of $27 million a year. Somehow, somewhere, some time that disappeared. I don't know why it disappeared, how it disappeared. But the fact of the matter is that today, instead of $27 million, the Commonwealth only gets $9 million to do infrastructure development.

Some of those monies now go to our brothers and sisters in Guam, our brothers and sisters in American Samoa, and our brothers and sisters in the Virgin Islands, and I think even Puerto Rico. We don't want to take those monies back from our brothers and sisters in these other insular areas. We want and we would like to see if Congress would consider increasing the level of that funding for the insular areas, so that everybody has a bigger piece of this pie.

Miss GONZÁLEZ-COLÓN. Lieutenant Governor, I know that tourism is one of the biggest areas in your economy, and I don't know if the Department of the Interior is helping you out, considering the coronavirus and many other things in the Pacific, as well. But in terms of the territorial assistance line item, which of the programs, in terms of technical assistance, maintenance assistance, coral reef initiatives, among many others, which one of them is the most important one, the most that CNMI get more benefits from?

Lieutenant Governor PALACIOS. It is the CIP money, $9 to $15 million, and perhaps the technical assistance program.

Miss GONZÁLEZ-COLÓN. I am going to do kind of the same question to the Honorable Governor of Guam. You ask in your statement for support for an increase in the territorial assistance. Which program under that umbrella is most helpful to Guam?

Governor GUERRERO. I would say they are all three equally important. But I think, for the most part, the technical assistance is very important, because it provides us with help in whatever projects that we are going through. For example, automation is one, and just maybe analytics and data collection, so we can have a much better understanding of our issues in Guam.

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

Miss GONZÁLEZ-COLÓN. I would never put you to choose, but I just want to know which one of them is the most important in terms of helping you out, has the most positive impact. I was thinking about when we went there, we saw the brown tree snake control program, among many others. See, I remember.

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

Governor, I know tourism for you, as well, is one of the most important tools. What is the U.S. Virgin Islands doing, actually, to

cope with the situation in terms of the industry recovering from the hurricanes?

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

Governor BRYAN. We don't see any direct benefit to the budget.

But on the other question, I think at this point in time, the coral reef is very important, only because we have a new blight in the Caribbean. That is, we really don't have an answer, and no one has an answer for it. The reefs also sustained damage in both storms. And I know Puerto Rico was getting some money—and then it stopped at FEMA—for coral reef repair and revitalization.

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

Miss GONZÁLEZ-COLÓN. Thank you. I yield.

Mr. SABLAN. I thank the Ranking Member. I next recognize the distinguished gentleman from Guam, Mr. San Nicolas, for 5 minutes.

Mr. SAN NICOLAS. Thank you, Mr. Chairman. I want to begin by thanking you for your leadership on this Committee, and also thanking you for your leadership with respect to our recent achievements on our Medicaid funding. I know that you have been working with that for many years.

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

I would like to thank our Ranking Member and our colleague of Puerto Rican descent for our Puerto Rican brothers and sisters always being here for us, as well; and our brother from Hawaii, thank you so much also, as well, for always looking out for the needs of our territories.

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

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

I know that my colleague from Puerto Rico has about maybe 30 different companies that have been able to avail of that. But as far as the U.S. Virgin Islands, the Commonwealth of the Northern Mariana Islands, and Guam, we have still not been able to tap into that resource. Hopefully, we can get that legislation through the Financial Services Committee. But in the meantime, I think that it will be great for the respective administrations to begin looking

at that opportunity, so that we can begin to align local policy with Federal policy.

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

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

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

Governor BRYAN. Thank you. I think, immediately, Medicaid is one that is really huge. And then the other one is the visa waivers. We have been asking for that for quite some time. They are the GILTI tax changes in the law that make other tax incentive areas that are foreign more attractive than we are. I think those are three right off the cuff that would give us that sustainability, and give us the ability to do a lot of things.

Mr. SAN NICOLAS. Is the EITC something that is a major issue that the Virgin Islands wants to have addressed here by this body?

Governor BRYAN. To make out how important that is, it accounts for almost 40 percent of our tax returns in any given year. We are behind a year-and-a-half. This past year we kind of made a record with $70 million in tax returns. It is more than have ever been returned in the Virgin Islands in one year. But we are still——

Mr. SAN NICOLAS. Thank you, Governor. I don't mean to cut you off, but I do have limited time. Thank you, Governor.

Lieutenant Governor Palacios?

Lieutenant Governor PALACIOS. Thank you. I was just listening to some of the testimonies of the two governors. Actually, Governor Lou mentioned something regarding Federal payment, taking control of the EITC issue so that the territories don't have to be burdened with this requirement, whereas in the mainland United States, the Federal Government pays out.

This is a very, very critical amount of funding for our governments. And if we are burdened with this, that is one issue that I believe I can get on. Right now we don't pay that.

But in my very brief discussion yesterday with my Congressman, he said we are actually risking being sued by somebody in the Northern Marianas on this particular issue. And I can assure you we will most likely lose. In that regards——

Mr. SAN NICOLAS. Governor, I don't mean to cut you off, but I do want to afford my governor a quick opportunity to respond.

Lieutenant Governor PALACIOS. Thank you.

Mr. SAN NICOLAS. Thank you.

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

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

Mr. SAN NICOLAS. Thank you, Mr. Chairman, I yield back.

Mr. SABLAN. Thank you, Mr. San Nicolas.

Mr. Soto, sir, you have 5 minutes.

Mr. SOTO. I am all about empowering our U.S. territories. And with that spirit in mind, I yield to the gentleman from Guam.

Mr. SABLAN. The gentleman has 5 minutes.

Mr. SAN NICOLAS. I thank my colleague. Thank you.

So, as we were discussing that common denominator of EITC, I think that that is something that we all should begin rallying around. I would like my colleagues to just kind of put that on notice, because the EITC, I know for Guam, accounts for about one-third of the total tax refund liability paid out by the territory of between $56 to $60 million. So, you are talking about 30 percent of a component on the Guam tax refund budget, 40 percent on the U.S. Virgin Islands.

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

I am glad that the governors were able to share with us that particular common denominator on EITC. And I would just like to put my colleagues on notice, because that is something that actually we were able to move forward recently. And I know that my colleague to my left spoke very passionately about some components of that particular bill. I know that my colleagues from Puerto Rico were very active in getting that bill passed through the House, H.R. 5687.

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

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

With that, I don't want to use up all of my colleague's time. I will yield back to my colleague from Florida.

Mr. SOTO. I reclaim my time and yield to the gentlelady from the Virgin Islands.

Ms. PLASKETT. Thank you very much for your cooperation and support of the territories all of the time.

Mr. SABLAN. The gentlelady is recognized.

Ms. PLASKETT. Thank you so much, sir. I wanted to ask, Governor Bryan, you talked a little about the coral and how

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

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

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

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

Ms. PLASKETT. Thank you. Under the President's Administration budget request for Fiscal Year 2021, under the Coral Reef Initiative in OIA's budget, it is proposed to cut that coral reef program by $1.6 million. Will that have an effect on your work to sustain the coral reef?

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

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

Ms. PLASKETT. Thank you.

Mr. SOTO. I reclaim my time and yield back.

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

I now recognize the gentleman from Hawaii, Mr. Case, for 5 minutes.

Mr. CASE. Thank you very much, Mr. Chair. And it is truly an honor for me to be a member, together with my colleagues here of our Island Jurisdiction Caucus, and my colleague to my immediate right from Florida. He is an honorary member, so he is participating here, too.

Look, this is pretty serious. Yesterday, we saw the President's budget. And I assume that you have all taken at least a preliminary look at it. And if you haven't, it is devastating to the Office of Insular Affairs. It is a reduction, again, of somewhere around 20, 25 percent. That is after the prior year, in which the same thing

happened, and Congress had to restore the funding to the Office of Insular Affairs for a number of different projects.

We see here that technical assistance is reduced very significantly, from $20 million to $14 million. Maintenance assistance, from $4 million to $1 million. The brown tree snake control, $3.5 million down to $2.8 million. Coral Reefs, as the Chair just noted, $2.6 million down to $950 thousand. Emerging insular communities, $6.2 million down to $2.8 million. And a complete zeroing out of the discretionary Compact Impact aid, a complete zeroing out of $4 million of Compact Impact aid. Now, there is mandatory Compact Impact aid, but there is discretionary over and above that, and that is what this Administration has gone after.

And it puzzles me. I don't know if that is the right word—I am amazed. I don't understand it. There seems to be some level of actual animus inside somewhere in this Administration to Federal funding to our territories through the Office of Insular Affairs. And I don't know whether any of you have any explanation for it.

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

Is it a lack of advocacy inside the Administration? Because certainly Congress is favorable to this funding. We have restored it and increased it in many areas.

And it is a little bit of a rhetorical question I am going to leave you with, because I want to ask you, Governor Guerrero, some very specific questions about Compact Impact aid, which we share a great concern about. You spoke earlier about Compact Impact aid, and about how strongly you felt about that. I think the figure is that we both get $14 million—or have, at least in mandatory Compact Impact aid. CNMI gets a little bit, as I recall. And that is about it for Compact Impact aid.

My state's direct expenses for Compact Impact assistance are quantified at $187 million. I think your colleague, my colleague here, as I recall, Congressman, quantified it somewhere in the range of $200 million. So, we are talking about the same amount. You have more Compact residents. And in some cases your cost differential is correct.

Would you say that that is—and we have, by the way, taken the position, collectively, that in the renegotiation of the Compacts, we are not willing to just roll over and accept and ratify—which is Congress's obligation, and duty, and choice—another set of Compacts as they come up for renegotiation, unless there are substantial increases in Compact funding. Would you agree with that, Governor?

Governor GUERRERO. I certainly do. And I am very thankful for your passion and your advocacy for it.

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

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

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

Mr. CASE. Governor, we are intending to insert ourselves into the negotiations on this point, and already have. Because if we simply do what we did the last time around, your bill and my bill is going to be well over a couple hundred million within a very short period of time. And that is unfair to both of us.

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

Mr. SABLAN. Thank you. The gentleman's time is up.

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

We are going to have a second round of questioning.

Oh, I am sorry. I apologize sincerely. I recognize the distinguished gentlelady from the U.S. Virgin Islands, Ms. Plaskett, for 5 minutes.

Ms. PLASKETT. Thank you. I first want to thank you for allowing me to be a part of the Committee testimony today. I think it is so important, these discussions, and I am grateful for the care that you take in addressing the issues of the territories in this Committee.

One of the things that I wanted to ask, as you know, so many of us are dealing with recovery from natural disasters—the Northern Marianas, Puerto Rico, as well as the Virgin Islands.

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

Governor BRYAN. Thank you, Delegate.

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

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

And then last——

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

Governor BRYAN. That would be about $500 million, which is over 25 percent of the money that we are being granted in order to make the 10 percent grants, which makes absolutely no sense.

Ms. PLASKETT. When this body, Congress, gave the authority for those agencies to waive that statutory requirement?

Governor BRYAN. That is correct—$550 million is more than 75 percent of our general fund budget. That is a lot of money.

The other piece is there has to be a different approach. FEMA is good at response, but they are not so good at recovery. Island nations cannot be forced to wait 10 years to recover. We have storms that come every season. This is Year 2—we are in Year 2½, and we still haven't finished our temporary hospital. We need to have an expedited way so we skip all of these NEPA, Army Corps, and all of the other processes, and be able to rebuild our schools, hospital, roadways, infrastructure in a quick way.

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

Governor BRYAN. There is a real terrible relationship now by the people who live on St. John and the Park Service. It is—66 percent of the land on St. John is park land and can never be developed or built on. This creates the unintended consequence, a very inflated land price. An acre of land on St. John can go for a million dollars, just raw land.

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

Also, the Delegate has a piece of legislation to stop the Park Service from buying any more or taking on any more land in St. John. The park is big enough. They have way more land than they will ever use. And I ask you to support the Delegate's measure in Congress.

Ms. PLASKETT. Thank you. Is there anything else you wanted to share with the Committee in the remaining time that I have?

Governor BRYAN. The one thing that I always stress is that no matter what state you are in, you are probably going to be a victim of disaster. When you compare Puerto Rico's place to where we are in the Virgin Islands, you can see where we are far ahead, not only because we are good, but because Puerto Rico has many layers of government, and it is very complicated to get that aid to where it needs to be. That is the same type of situation you are going to be in in your state, when you get into a disaster.

The Virgin Islands is a good place to test programs that expedite the Federal recovery process, so that when it happens in your

state, it won't take you 10 years to get back to where your residents once were. Thank you, Delegate.

Ms. PLASKETT. Thank you. I know that Congressman Graves and I have a piece of legislation that we have in the Transportation and Infrastructure Committee to expedite that process, and we are hoping to get that to the Floor some time.

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

Mr. SABLAN. Thank you. And you don't mind going to a second round, Governors?

Thank you. OK, we are going to have a second round. I yield myself 5 minutes.

And just a commentary on Mr. Case's comments about the Department maybe having some kind of an agenda against the territories. I will say that I am not sure, because it hasn't always been like this. We have an Assistant Secretary in the room, and he came, he consulted Delegates, he consulted us about what we thought about his plans. So, it was not always like this.

Mr. CASE. Would the Chair yield, just for a quick comment?

Mr. SABLAN. Yes.

Mr. CASE. I certainly didn't want to—my comments were very non-specific as to where the problem is. And I have always found the Department of the Interior and the folks that work in DOI to be very committed to the territories. So, I suspect strongly that the issue as to why this funding continues to be cut lies in another area than the actual Department of the Interior.

Mr. SABLAN. So, I will go back. Congress provided $20.8 million for—let me go to Compact Impact.

The Pacific governors know that the Federal Government made an error in how it counts the number of freely associated states immigrants—in Hawaii, Samoa, Guam, and the Marianas. So, as a result, the OIA has proposed cutting what Samoa, what Guam, and the Marianas get in Compact Impact to make up for what Hawaii did not get in past years. Hawaii should get more money. But the other insular areas should not have to pay for OIA's mistake.

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

[Laughter.]

Mr. SABLAN. Yes or no?

Governor GUERRERO. Oh, is he yielding to me? I really believe I do not agree, and I strongly oppose any kind of deductions from our Compact.

First of all, we have never been over-funded. And one of the comments made was that we were over-funded the last 4 years as a result of not having correct census numbers.

Mr. SABLAN. That wasn't your mistake, Governor.

Governor GUERRERO. It was not my mistake.

Mr. SABLAN. So, do you think that your Compact Impact money should not be cut, and——

Governor GUERRERO. I do not believe it should be cut.

Mr. SABLAN. So, your answer is no.

Governor GUERRERO. No.

Mr. SABLAN. OK, thank you.

Governor GUERRERO. Absolutely not.

Mr. SABLAN. Lieutenant Governor Palacios?

Governor GUERRERO. And could I just say Governor Ige agrees with me?

Mr. SABLAN. Lieutenant Governor Palacios, yes or no?

Lieutenant Governor PALACIOS. No.

Mr. SABLAN. OK, thank you. Let me ask you also, does your administration, does the Northern Marianas provide reports on the cost of housing, Compact Impact migrants, as required?

Lieutenant Governor PALACIOS. Costs?

Mr. SABLAN. Yes.

Lieutenant Governor PALACIOS. Cost of housing?

Mr. SABLAN. I mean hosting.

Lieutenant Governor PALACIOS. Oh, hosting. We do submit a report to OIA for the small amount of funding that we get, from Compact Impact——

Mr. SABLAN. No, I am a small census count of how many COFA citizens reside in the Marianas. I think we have been negligent, Governor, at this point. Guam has been reporting——

Governor GUERRERO. Guam has more, yes.

Mr. SABLAN. On this count, the Northern Marianas has not been a part, so we actually wrote a letter asking the Governor to come back in compliance with the law.

Lieutenant Governor PALACIOS. I will take a look at that.

Mr. SABLAN. Yes. But I have no scruples in getting up and amending the next fiscal year budget, which, to be very honest, would probably be next January. It would be between the Election Day and the new year, the new Congress.

But let me also ask—well, I have 40 seconds. Congress provided $20.8 million for technical assistance to the insular areas last year and this year, but the Administration keeps trying to cut it. This year it is $14.7 million. We are going to work hard to increase that money.

OIA hands out technical assistance money in response to requests from governors and others. Congress gives them free reign. But I want to ask whether you would prefer more control of the money. Would you like us to take some of the technical assistance slush fund and put it into implementing specific programs—the coral reef, the Compact Impact, the CIP money? What do you think?

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

Governor GUERRERO. I wouldn't mind putting it in other projects, but would like to give input in where we can prioritize that.

Mr. SABLAN. Thank you.

Lieutenant Governor PALACIOS. That could be a workable solution.

Mr. SABLAN. Thank you. I now yield to Miss González-Colón for her 5 minutes.

Miss GONZÁLEZ-COLÓN. I will reserve.

Mr. SABLAN. You could yield.

Miss GONZÁLEZ-COLÓN. No, I reserve.

Mr. SABLAN. She reserves. She won't give it to me.

[Laughter.]

Mr. SABLAN. So, she will give it to Mr. San Nicolas. You have 5 minutes.

Mr. SAN NICOLAS. Thank you, Mr. Chairman. Hopefully, she is reserving so she can give it to me.

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

If the census is making errors in counts, and those errors in counts are resulting in some areas getting over-funded and some areas getting under-funded, how we address that census error, I think, is going to set a precedent in this case with respect to every other census error that may happen in the future.

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

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

And I don't think that territory should suffer this consequence today, any more than states should suffer a similar consequence tomorrow. If there was an error in census counts, the census budget should absorb that error, and this body should open up the possibility of appropriating not just the funding for the census, or for the census activities, but also backstop funding for any census errors that need to be corrected as a result of funding misapplications.

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

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

As a closing, Mr. Chairman, on that subject of Compact Impact, I wanted to afford our governors an opportunity to clarify certain

statements, because I know that in the dialogue it was expressed that we were over-funded in Compact Impact over those prior years. But the reality is for all these years we have been grossly under-funded in Compact Impact. So, I wanted to afford our governors an opportunity to speak to Compact Impact funding, how short it actually has been with respect to the actual costs to the territories.

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

And exactly, we are not, and I totally agree with my Congressman in his comments and his analysis of the Compact Impact monies.

Mr. SAN NICOLAS. Lieutenant Governor Palacios, did you want to chime in?

Lieutenant Governor PALACIOS. Compact Impact has been an issue of contention ever since it was implemented. At one point, we were up in arms because we had a lot of migrants from the free-state—FAS citizens. But obviously, the issue has become larger in the territory of Guam and Hawaii.

So, whatever could be done to address the issue needs to be done. We cannot continue to see this issue linger on in the CNMI, in Guam, and now the state of Hawaii. Thank you.

Mr. SAN NICOLAS. Thank you, Governor. I yield back, Mr. Chairman.

Mr. SABLAN. Thank you. I now recognize the Delegate from the Virgin Islands, Ms. Plaskett.

Ms. PLASKETT. Thank you.

Governor Bryan, I wanted to give you some time to discuss the issue of an idea that we have been talking about, which is a special visa waiver program similar to what has been given in Guam, and in the Pacific area. How would that be supportive and beneficial to the economy of the Virgin Islands?

Governor BRYAN. One of the things that I discussed today at the IGIA was how both of our islands are in places where they are surrounded by foreign countries. While we regularly look to the United States for support, whether in tourism, or business, or investment, there are 60 million people in the Caribbean at any given time. Because we are not a country, we can't negotiate with any of those countries, we can't trade with any of those countries fairly, and we can't exchange commerce.

There is a huge potential for us, because we are in the English-speaking Caribbean, for health care to be provided. One of the things that has adversely impacted us since the storm is our hospitals I mentioned aren't together yet. We are paying upwards of $250,000 per person to fly individuals from the Virgin Islands to Florida for emergency care, per person. If we were able to expand our hospital systems and the care that we are able to provide in the Caribbean, it would open us up to a lot of new traffic that

would come to us on the English-speaking Virgin Islands, rather than go to Miami, which is much further away.

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

Ms. PLASKETT. Yes, I know you talked about the hospitals, rather than people from other islands—Saint Kitts, Antigua—going to Canada, or to London, or other places, they would utilize the Virgin Islands for healthcare benefits. Even our children would be able to compete on a level playing field, rather than having to come—it is much cheaper to go to another island than it might, in some instances, to go to Miami or other places.

Governor BRYAN. Right.

Ms. PLASKETT. But one of the things that I didn't hear discussed at IGIA, which you might have an opportunity here to talk about, is some of the initiatives or support that this Congress can give you in terms of dealing with your retirement pension plan, and support that couldn't be coming from us, as the Virgin Islands Government has to deal with the large issues with this retirement program in the same way that Northern Marianas and some of the other places have had to deal with that in the past.

Governor BRYAN. There are over 8,000 people on our current government retirement system right now, and over 9,000 people in the government. That is 17,000 people that rely on this retirement system directly, and probably 34 percent or 40 percent—34,000 to 40,000—who rely on it indirectly. That is 40 percent of our population that depends on this system being viable.

Currently, we have a $2.8 billion shortfall—anywhere from a $1 billion to $2.8 billion, depending on whose math you are using. The recaptures of the gasoline tax would be the first part in providing a steady funding stream in order to float a bond that we would hope that Treasury would be willing to extend to us in order to put a billion-dollar base in that retirement system.

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

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

Lieutenant Governor PALACIOS. Well, somebody took us to court and got a court injunction that we have to pay, make sure that we pay at least 75 percent of those pensions.

That was one of the most difficult situations that I have ever faced as Lieutenant Governor. Thirty days after I got in, the pension trustees called me up. I actually e-mailed the governors that we are not going to pay, we are not going to push the button to pay the retirees unless you can come up with $5 million by Tuesday afternoon. Those are the type of horror stories that we have. But we have put ourselves on a payment schedule, and that becomes a priority in our budget.

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

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

Thank you so much, Mr. Chair.

Mr. SABLAN. Thank you, Ms. Plaskett. And now the gentlelady who has reserved her 5 minutes is recognized for 5 minutes.

Miss GONZÁLEZ-COLÓN. Thank you, Chairman. I know we have been discussing many, many issues here. And one of the issues that has been part of the discussion is that requirement that now relies on the hands of the local governments to make the estimates for the migrants that used to be part of the Department of the Interior, and then they changed it to allow you to do that without reimbursement of the cost of doing that.

And I think, having the discussion, we should go back to the law President Reagan signed, allowing those goals to be part of the DOI. And in that sense, if not that, at least the reimbursement of the funds you are using to make those calculations.

But I want to, in terms of—another area that we can work with is in the renewal of the Compacts that Secretary Pompeo is saying are going to be renewed in a few months. We should include that opportunity. That is something that we have on the horizon, and should be included there. And thanks to God we have this kind of a hearing just to get all that information together, and do it in a bipartisan way.

Another area that I just want to mention—and I said it at the beginning of the hearing—is the issue of the cockfighting. I know that, in the case of Puerto Rico, it has been a tough issue, because it is part of our economy, and it has been legislated. It is a state-regulated economic area since 1922, so this is not new. This is highly regulated. We have judges, a complete industry around the cockfighting. So, that amendment was passed. And I remember Stacey Plaskett and I were on the Floor when that was discussed, and an ultimate-minute amendment.

So, in the case of Puerto Rico, we did a new legislation in December of last year allowing this to be treated as a state issue, not interfering with the interested interstate commerce. But again, as territories, we don't have Senators, we don't have many Members with votes on the Floor of the House.

So, I just want to tell you that anything that we could do together to push for this, and how this is impacting our economies

and our way of life, should be really appreciated. I know we may not have enough time to discuss this issue, but if you can do something in terms of writing, let's have a meeting or something. All the Delegates, I need to say we were all on the same page on this issue. We even filed and dropped a bill regarding this. Nothing has happened in the Committee of Agriculture. So, we should push together again to see if we can have at least a 1-year or a 2-year waiver to see the economic impact of banning that kind of industry. That is what we are asking. That legislation was approved without any study of the impact of that ban in our respective territories, as well.

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

And I congratulate the U.S. Virgin Islands in getting access to the CDBG-DR funds immediately. In our case, as you may say, we have several layers. And plus to that, an Oversight Board, and plus to that we have a monitor, and plus to that we have an inspector for all of those agencies. So, everything is getting longer to get access to those funds.

What should be the main issue to develop the economic activity? Will it be in tourism, will it be in manufacturing for all of the territories, should it be CDBG funds, should it be to be treated as equal in all Federal programs? If we can have that decision today, Governor Guerrero, what will be Guam's choice?

Governor GUERRERO. I think we should create a different funding source called "Territories Economic Development Improvement," and to focus primarily on our each unique ways of our economic development.

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

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

Miss GONZÁLEZ-COLÓN. I know my time has expired, but I will really appreciate, Lieutenant Governor Palacios and Governor Bryan, if we can continue this conversation later on, in terms of writing or a phone call. I will really appreciate it.

Thank you. I yield back.

Mr. SABLAN. Thank you very much. I now recognize the gentleman from Florida, Mr. Soto.

Mr. SOTO. Thank you, Mr. Chairman. Before, I thought it would be appropriate to give your Delegates my time, because 5 minutes just isn't enough. Even 10 minutes.

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

In Florida, we have some of the same issues you all are facing. We are just a giant state with these disaster relief issues, reef

issues, pythons, lionfish, and we have bills that we are working on in this Committee to address some of those things.

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

And with reefs, I have a bill with my Puerto Rican sister here, Miss González-Colón, and with Mr. Case and others, that we are hopeful, with movement in the Senate, we are going to see pass through, this bill, as well as we have python hunts in Florida, and we have a lionfish bill that many of us have co-sponsored, as well, that we are hopeful to address some of those issues.

But I want to follow up on what Resident Commissioner González-Colón had talked about, which is how could we promote some of these high-growth industries. And I am going to first start with Governor Bryan.

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

Governor BRYAN. Oh, financial services. If we were to get those tax issues closed, it would have the most immediate impact.

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

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

And then the flexibility of funds. We know, on a micro level, where funds would best be utilized. Grant us the ability to use them for energy, especially. That would solve a lot of problems.

Mr. SOTO. One Caribbean, one love, and many visas. That is a disgrace. We have to fix that.

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

Lieutenant Governor PALACIOS. Well, earlier today in my statement, I stated that tourism is the one and only industry. And its vulnerabilities are very obvious.

But there are policies that we have been working on, thanks to Congressman Sablan, who has been helping us with our labor issue, to make sure that the industry doesn't all of a sudden collapse because of sudden applications of Federal labor policies. He has introduced and had Congress pass legislation that became law about a year or 2 years ago. Yet, Federal agencies have yet to promulgate rules and regulations to implement those on labor. I believe he has two legislation or laws already.

So, sometimes it is prodding the Federal agencies required to assist us in those policies to help with our industries and the vulnerability of industries.

Mr. SOTO. Thank you, Governor. Because my time is limited, I want to make sure Governor Guerrero—what do you anticipate, the highest growth industry right now, and how we could help?

Governor GUERRERO. Our high growth industry right now, I think, continues to be tourism, although I am looking to diversify it, and I am really focusing on aquaculture to be a main improved industry in Guam. And agriculture. So, budget monies for OEI, if you would not have any decrease in any of those, especially in the technical assistance, would be great. And even increase it, so we can have some Department of Agriculture research and data and so forth, in terms of developing aquaculture and agriculture in our island.

Mr. SOTO. Thank you so much, and I yield back.

Mr. SABLAN. Thank you, Mr. Soto. I now recognize the gentleman from California, Mr. Cox.

Mr. COX. Thank you so much, Chairman.

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

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

Mr. SABLAN. OK, thank you, Mr. Cox. Let me just, again, because the team at IGIA was economic development, supposedly, and sometimes it takes more than just money to assist the territories. I mean I can speak for the Northern Marianas. Lieutenant Governor Palacios and I had a conversation yesterday. Regulations for two of the three workforce acts are way overdue.

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

Lieutenant Governor PALACIOS. That would be great.

Mr. SABLAN. Things like the Jones Act, I mean Puerto Rico has been asking for that. Guam has been asking for that for a while. We need the assistance of our main advocates in the Administration to get something moving.

I am not saying that we can get it done immediately, but get information out there, because educating, informing Members of Congress, informing agencies in the executive branch, this is sometimes, it is very important. I know, I have gone through that, where I have to talk to many Members of Congress to make them understand. I spoke to Mr. King of Iowa for 6 months, trying to make him understand about the immigration program in the Marianas, why it is different from the Nation.

I never could understand why Delta could fly from Narita to Saipan and back to Narita, and fly from Narita to Guam and back to Narita, and not be able to pick up passengers between Guam and Saipan. That is something that I would really like to go in

again and try to see if we could get that. It needs legislation, I would say.

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

And the cockfight, everybody went to bat on that one. We were not successful. I am telling you, the vote was like, wow, 400-something to very little. But in 2014, I was able to take it out of the farm bill then. And it wasn't easy because Jim McGovern was a member of the Committee, and I had to convince him to let it slide, but this time it was just a really difficult thing.

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

Again, we are continuing to carry on our work on the Medicaid issue. We want to be—for the Marianas, at least, I have the 6-year program so that we could get our Medicaid office to put together the reporting system, electronic system, and the fraud system, so that they meet all their requirements of getting into the full program, and SSI, and those kind of things for everybody, because we have it and the rest don't.

But please know that we work together, we work hard here. And we don't give up. If we get turned down today, we ask again yesterday.

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

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

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

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

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