

**U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON NATURAL RESOURCES HEARING
February 11, 2020**

**TESTIMONY PROVIDED BY
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 benefitted 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 first hand. 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 FY2021 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.

US 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 Kili 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% to 17% for the next

two 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 dollar 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 dollars. 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% of its EITC costs. Mr. San Nicolas is a cosponsor of the bill and though I believe that Guam and our sister territories should be treated equally with the States by reimbursing us 100% of our costs, H.R. 3300 is a step towards 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 standalone 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 dollars per/year.

While Guam's Compact related expenditures far outweighs the federal offset, equal to only 10% 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 US jurisdictions complies with the Compact, 2) reimbursing Guam 100% of our total costs or, at minimum, define “offset” to be 75% 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 dollars - 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 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 dollar 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 sunset 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 US 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 dollar 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 HR 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 longstanding 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.