

**STATEMENT OF CONGRESSWOMAN MADELEINE Z. BORDALLO
MEETING OF THE INTERAGENCY GROUP ON INSULAR AREAS (IGIA)**

Washington, D.C.

February 28, 2006

Thank you for the opportunity to again provide input on the issues of priority for Guam. Review and action on these issues by the Interagency Group on Insular Areas (IGIA) is important if we are to make progress on them this year. There remains three specific issue areas of interest to Guam that I would like to again address this year. Two of these issue areas – infrastructure improvements and tax policy – fall under task forces previously established by the IGIA and introduced at the meeting on March 1, 2005. I hope that this meeting will afford us the opportunity to discuss in detail the progress that may have been made by these task forces over the past year and the work that remains. The third priority issue area affecting the territories which demands attention and coordination through the IGIA is immigration policy. Accordingly, I recommend that the IGIA establish a task force with representation from the Department of Homeland Security (DHS), the Department of State, the Department of Justice (DOJ), the Department of Labor (DOL), and the Department of the Interior, to review immigration issues affecting the territories, to develop appropriate policy in this area, to recommend actions, and to provide important guidance to Congress.

Specifically, I look forward to working with the IGIA and my colleagues in Congress this year to implement the bond bank proposal that was presented at last year's meeting. The establishment of a bond bank will significantly improve the ability of the territories to finance critical infrastructure improvements. Secondly, I renew my call for IGIA input and action on the legislative proposal that Congresswoman Christensen and I have put forward to facilitate a fair cost-sharing arrangement between the Federal Government and the Governments of Guam and the Virgin Islands in financing the payment of the Earned Income Tax Credit (H.R. 1555). I have raised this issue with the IGIA during each of the last three meetings and it remains a priority. IGIA involvement is necessary for success to be realized in this area. Lastly, I respectfully request that the IGIA support legislation I have introduced to increase the period of authorized stay under the Guam Visa Waiver Program (H.R. 4147).

I address each of these three issues in detail below. Beyond these issues are other federal policy matters of continued interest to Guam that are appropriate for IGIA involvement, some of which I have previously raised with IGIA and which remain unresolved.

Infrastructure Improvements and Bond Bank Financing

It is now well known that the anticipated increased military presence on Guam along with increased utilization of the military installations will include nearly a 100% growth in assigned active duty military personnel. The demands of the addition of between six and ten thousand uniformed personnel along with their dependents may significantly tax an already heavily burdened and in many cases antiquated public utility

infrastructure system on Guam. The people of Guam embrace additional military presence and our island stands to benefit in many ways from the planned growth. However, a realistic approach to preparing for this growth must be undertaken. Included in this preparation must be improvement of public infrastructure, not merely to support the new demands associated with the military growth but to finally deliver to the people of Guam the type of services they fully deserve and, in several of the extreme cases, to bring the Government of Guam into legal compliance with federal law.

The IGIA has worked over several years to evaluate financing options to enable the territories to undertake some of these infrastructure improvements. I appreciate the IGIA interest in this important area. The Government of Guam's ability to borrow money in order to accomplish these projects is extremely limited. Therefore, I strongly support the bond bank concept that was previously evaluated and presented at last year's meeting. I encourage the IGIA to move forward with making a bond bank available to Guam and I stand ready to assist by developing legislation if necessary to ensure its implementation.

There are other areas apart from implementation of the bond bank proposal where federal involvement is helpful for financing of infrastructure improvements in the territories. Of particular note is the management of the Capital Improvement Program (CIP) by the Department of the Interior's Office of Insular Affairs (OIA). Fiscal Year 2007 will be the third year in which OIA will allocate mandatory Covenant grants among the four territories for capital needs (P.L. 94-241). While OIA has implemented a new competitive system based on improved accountability to allocate these limited funds, the results for this allocation formula alone have not indicated significant financial reforms or sufficient incentives for improvement. I believe financial management and accountability needs are best addressed through the management controls of OIA. The allocation of CIP grants should be prioritized on the basis of capital needs in the territories. Highest among these needs is environmental infrastructure improvements necessary for territorial compliance with federal law, including the Safe Drinking Water Act and the Clean Water Act. Estimates indicate that the U.S. territories would need \$600 million over the next five to ten years along for improvements to environmental infrastructure alone. The \$27.7 million budgeted for CIP grants to be administered by OIA for Fiscal Year 2007 should be allocated, not simply on the basis of financial management reforms, but also based upon compliance with federal mandates including court orders and consent decrees.

Additionally, greater interagency planning and information sharing is needed with respect to infrastructure development and hardening in the territories. Better coordination between the Department of Housing and Urban Development (HUD), the Department of Commerce, including the Economic Development Administration (EDA), the Department of Transportation, the Department of Defense, the Department of Homeland Security, including the Federal Emergency Management Agency (FEMA), and the Department of the Interior, will ultimately help ensure the best application of limited federal funds and the leveraging of all available financing options for infrastructure improvements in the territories.

Earned Income Tax Credit

This is the third time that I place before you the unresolved issue of fair financing for the Earned Income Tax Credit (EITC) in Guam and in the Virgin Islands. It is imperative that the issue of federal assistance for the payment of the EITC and the Additional Child Tax Credit (ACTC) be finally assessed and addressed by the IGIA this year. As explained at the first meeting on September 10, 2003, Guam and the Virgin Islands are mirror code tax jurisdictions and are each required to honor and implement refundable tax credits such as the EITC. However, the cost of these tax credits is disproportionately high in Guam and in the Virgin Islands and their implementation is a significant budgetary challenge affecting the territories' cash flow. Taxpayers in Guam and in the Virgin Islands contribute in the same manner to payroll taxes under the Federal Insurance Contributions Act as taxpayers do in the 50 States and in the District of Columbia. Despite these contributions, there is no federal support for the EITC or ACTC in Guam and the Virgin Islands. The IGIA should work with the Department of the Treasury and the Government of Guam and the Government of the Virgin Islands on implementing a fair and consistent policy of shared federal and territorial responsibilities for administering the EITC and the ACTC. Congresswoman Christensen and I have introduced legislation to implement a cost-sharing arrangement for these tax credits. This bill is H.R. 1555 and it is currently in the process of being scored by the Joint Committee on Taxation. I ask that the IGIA and the Department of the Treasury support H.R. 1555, and examine other regulatory ways to relieve the financial stress placed upon the territorial treasuries by the tax code.

Immigration Policy

At last year's meeting I took the opportunity to place several major immigration issues before you for your consideration. These are issues that cross the responsibilities of multiple federal departments and agencies as well as affect more than one insular area.

At the forefront of the immigration issues this year is the effort to increase the period of authorized stay under the Guam Visa Waiver Program from 15 days to 90 days. The 90-day period would match the period of authorized stay under the nation-wide Visa Waiver Program. I introduced H.R. 4147 to accomplish this objective and I ask that the IGIA review this proposal on its merits.

The Guam Visa Waiver Program was authorized by Congress through passage of the Omnibus Territories Act of 1986 (Public Law 99-396). This program was established to complement the nation-wide Visa Waiver Program, which was permanently authorized by Congress in 2000 (Public Law 106-396). While there are currently 27 participating countries in the nation-wide Visa Waiver Program, an additional ten countries, including most notably South Korea and Taiwan, are authorized to participate in the Guam-only Visa Waiver Program pursuant to regulations established by the Department of Homeland Security and the Department of State. Under current law, visitors arriving through the nation-wide Visa Waiver Program are permitted entry into the United States

for a period not to exceed 90 days. However, visitors arriving in Guam through the Guam Visa Waiver Program are permitted entry for a period not to exceed 15 days. My bill, H.R. 4147, would increase the period permitted for stay in Guam under the Guam Visa Waiver Program from 15 to 90 days, a period equal to that established in law for the nation-wide Visa Waiver Program. I believe that establishing consistency in the authorized periods of stay under both programs would ease and improve the administration of the Guam-only Visa Waiver Program and result in increased tourism benefiting Guam.

Apart from H.R. 4147 are visa issues pertaining to the retention of both unskilled and skilled workforces in Guam. We also continue to request a Philippine Visa waiver program that would stimulate our visitor industry and that would help to re-unite Filipino-American residents on Guam with their relatives in the Philippines under the auspices of this program. While we appreciate the security concerns of the Department of Homeland Security, as I stated last year we remain convinced that new technologies make it feasible to implement a Guam-only visa waiver program for visitors who pose no security risk to our nation.

ADDITIONAL ISSUES

Guam's Expanded Air Services Petition

Earlier this month, the Government of Guam filed a petition with the Department of Transportation regarding air transportation issues. I have asked DOT for an expeditious, complete and fair evaluation of the petition. While the petition raises various issues regarding federal policy, I support the approval of limited exceptions specific to air cargo as has been granted to both Hawaii and Alaska in the past. There may be potential to grow the Antonio B. Won Pat International Airport on Guam for air cargo because of Guam's location. Projects to lengthen the runway at the airport may enable long range aircraft to fly directly from Guam to the U.S. mainland, making the airport an even more appealing cargo handling point for routes into and out of Asia.

Increased Defense Presence on Guam

As previously referenced, over the next ten years, Guam will see tremendous growth at its military installations. In addition to known Air Force, Navy and Marine growth on the island, the potential remains for, among other things, increased submarines to be homeported on Guam and the assignment of a U.S. aircraft carrier to the island. It is vital, as Guam prepares for this growth and as the Department of Defense undertakes it, that a fully joint-interagency approach be taken.

Further, it is of even greater importance that the federal agencies managing the growth on Guam integrate local voices through coordination with the Government of Guam. I commend the approach the U.S. Pacific Command has taken, under the leadership of Deputy Commander Lt. Gen. Dan Leaf, as well as the efforts of the Commander Marine Corps Forces Pacific, Lt. Gen. John F. Goodman, along with the

work of Rear Admiral Joe Leidig, Commander, Naval Forces Marianas, to work closely with Guam's leaders. Of great importance in the future will be the operations of a new Guam Military Development Organization and the activities of the Military and Public Community Working Group expected to be created within the structure of the current Joint Guam Development Group.

With negotiations as to cost sharing for the movement of Marines from Japan to Guam between the Japanese and the United States governments continuing, it is especially important to ensure that Guam's interests are considered. I strongly encourage the Department of Defense and the Department of Labor to work with us in training, to the extent possible, Guam's work force to fully take advantage of the opportunities that the defense build-up will bring.

Health Care

We recently made progress in addressing the inequities inherent in the ceilings and limitations placed on federal Medicaid funding to the territories by Section 1108 of the Social Security Act. Section 6055 of the Deficit Reduction Act of 2005 (Public Law 109-171) adjusts the ceilings by providing increases in annual authorized federal Medicaid spending for Guam and the Virgin Islands by \$5 million, for the Commonwealth of the Northern Mariana Islands by \$4 million and for American Samoa by \$2 million. The new base will continue to be adjusted for inflation in future years. The next step is to address the inequities with respect to the Federal Medical Assistance Percentage (FMAP) for the territories, which is arbitrarily set at 50%. A higher FMAP is important so that the territories can fully access the new federal Medicaid funding authorized by the Deficit Reduction Act. I ask that the IGIA work with Congress to make an appropriate adjustment in the FMAP for the territories. Additionally, I call upon the IGIA to review the facts presented in the Government Accountability Office Report issued in October: U.S. Insular Areas: Multiple Factors Affect Federal Health Care Funding (GAO-06-75).

Single Audit Reconciliation

In August 2004, Governor Camacho submitted a request to the President requesting that his Administration release, reduce, or waive certain amounts owed by the Government of Guam to the Federal Government under Public Law 108-188. Ultimately, the President did not act on this request. However, the Office of Management and Budget indicated that certain items contained in Governor Camacho's request were related to unresolved audit questions that may be resolved in Guam's favor through the normal process of follow-up and closure of these audits. I urge favorable and timely review of these single audit issues by the appropriate federal agencies and the waiver of any penalty that may be placed on the Government of Guam for any single audit.

In conclusion, I again request that the work of the IGIA in addressing these issues be documented and that a written report on the progress of the IGIA be issued and updated as appropriate. Si Yu'os Ma'ase (thank you).