

**Congresswoman Madeleine Z. Bordallo**  
**Statement to Committee on Energy and Natural Resources**  
**Hearing on “State of the Economies and Fiscal Affairs in the Territories of Guam,**  
**American Samoa, the Commonwealth of the Northern Mariana Islands, and the**  
**United States Virgin Islands”**  
**March 1, 2006 at 9:30 a.m.**  
**366 Dirksen Senate Office Building**

Mr. Chairman, Ranking Member Bingaman, and Members of the committee:

Thank you for calling this hearing on the economic and financial state of the U.S. territories. Ensuring that the U.S. territories continue to develop and strengthen economically should remain an important part of overall U.S. policy. I appreciate the opportunity to share my views on both the challenges facing Guam and the many opportunities within reach for our island.

Today I will address three specific issues for which I believe this Committee should exercise oversight. These issues touch upon the need to improve public utilities and infrastructure in the territories to better the business climate and quality of life on our islands. Workforce development and support for greater access to the federal marketplace for small businesses are also important priorities for which I seek this Committee’s support.

Tourism and the military presence on Guam drive the island’s economy and will continue to serve as areas of growth for the foreseeable future. Our visitor arrivals are on the increase. We hope this positive trend continues so that our visitor and hospitality industry will continue to grow and diversify. Additionally, the military presence on Guam will significantly increase in the years ahead. Recent bilateral talks between the United States and Japan yielded an agreement to reposition Marines from Okinawa to Guam. This means that up to 8,000 Marines will arrive on Guam over the next several years, beginning in 2008.

A significant investment of federal dollars is planned to accommodate the Marines and to support additional naval and Air Force assets on the island. An exact dollar figure for the level of investment has not been announced. Recent estimates reported by various media outlets range on the conservative side from \$3 to 4 billion over the next ten years. This level of investment promises to create many new jobs and the increased military activity will stimulate a sustained period of economic growth.

There is concern that Guam’s workforce is not adequately developed to meet the surge of both military and off-base construction. To meet these labor demands, the Federal Government should increase assistance for job training programs on Guam. The Agency for Human Resources Development (AHRD) and the Department of Labor within the Government of Guam locally administers the Workforce Investment Act (WIA) and job training programs. The Guam Community College (GCC) offers vocational and technical training. These programs should receive increased federal

support in order to develop the workforce needed to meet the demands in the future years. Additionally, I believe that the establishment of a Job Corps center on Guam would help fulfill future labor demands.

Increasing federal support for local job training and vocational education programs is one way to meet demand for labor. Guam's aggregate workforce, however, will in all likelihood not be able to provide all of the labor required to meet future needs. Presently, U.S. law prohibits the use of foreign labor on military construction projects on Guam. This restriction is unique to Guam and serves as a constraint which should be reviewed. While there may be security concerns regarding military construction projects, these concerns can be met in a number of ways, including limiting foreign labor to non-sensitive projects and recruiting the H2-B visa labor pool from reliable allies. We will be developing this approach with the appropriate committees of jurisdiction. Additionally, I want to state for the Committee my support for the reauthorization and raising of the national H2-B visa cap. That cap should be set at a level that better reflects the needs of American businesses. In that vein, under current law, return workers under the H2-B visa program are not counted against the cap. I urge that this provision be continued.

Infrastructure improvements financed by military constructions funds will not address all of Guam's critical infrastructure, essential services, and economic development needs. Financing from other sources must be sought and received. Securing this financing, however, is not easy. Alone, Guam cannot attract the capital and does not have a sufficient debt ceiling to underwrite the loans that we require for these infrastructure improvements. The other territories face similar challenges in gaining access to capital to finance infrastructure improvements.

Establishing a U.S. Territories Bond Bank that pools territorial resources and issues combined debt in the form of tax-exempt bonds is a possible solution to this challenge that I support. Proceeds from these bonds sales would be reissued in the form of loans aimed to finance reconstruction projects. Bond banks serve at least twelve States today. Like those banks, a U.S. Territory Bond Bank will use federal grant money to as collateral to guarantee the loans. Only by pooling our resources can the territories access the capital we need to improve the lives of their residents. I am committed to developing legislation that may be deemed necessary for the implementation of the territorial bond bank proposal.

One of the concerns our local government has is the tax status of off-island contractors who may be performing work on the military bases and whose corporate domicile is off-island. This is a complex issue that relates to our status as a mirror code jurisdiction. We have been exploring this issue and believe that a mechanism, whether initiated through administrative action or by legislation, is needed to inform the local tax jurisdictions of federal contract awards. I will be raising this issue with the House Armed Services Committee and I am prepared to offer an amendment to the National Defense Authorization Act so that each State and Territorial Tax Commissioner is notified of federal contracts awarded for work in their jurisdiction that may be subject to state, territorial, or local tax law. Compliance with this proposed requirement should be

relatively simple as federal contract award data is already collected and logged into the Federal Procurement Data System (FPDS). Additionally, most federal agencies, including the Armed Services, customarily send courtesy notifications to Members of Congress of contracts awarded for work in their district. My proposal would simply require that the notification generated for this purpose also be reported to the appropriate State or Territorial Tax Commissioner. The State and Territorial Tax Commissioners would be responsible for enforcing the local tax law and by doing this we have created a mechanism by which federal contractors can be notified of their tax obligations.

Last year, Congress enacted legislation that I proposed along with Congressman Faleomavaega and Congresswoman Christensen that effectively designates our entire islands as Historically Underutilized Business Zones. The HUBZone program, administered by the U.S. Small Business Administration, is an important federal contracting tool that may be used to ensure that small businesses have competitive access to the federal marketplace. Prior to the enactment of this legislation last August, Guam had only four HUBZone certified firms. Today, 54 firms on Guam are HUBZone certified, an astounding 1300 % increase in just seven months. In fact, one of the first HUBZone certified companies has since been awarded two HUBZone set-aside federal contracts. Utilizing the HUBZone small business contracting preference and set-aside rules is the best way to ensure that local businesses can be empowered by the hundreds of millions of federal contract dollars planned for Guam in coming years. I urge the Committee to support the HUBZone Program and to encourage federal agencies to promote small businesses by utilizing this initiative.

In closing, I want to reiterate that the improvement of public infrastructure, workforce development, and support for greater access to the federal marketplace for small businesses are the three policy areas for which federal support is needed to further develop and diversify Guam's economy. Thank you again for the opportunity to testify today. I appreciate the opportunity to share my views on Guam's continued economic development.