

**TESTIMONY OF
GOVERNOR LOLO MATALASI MOLIGA
BEFORE THE
SENATE COMMITTEE ON ENERGY AND NATURAL
RESOURCES**

February 26, 2019

Chairwoman Murkowski, Ranking Member Manchin and Members of the Senate Committee on Energy and Natural Resources, I bring to you warm island greetings from Americans living on America's only piece of real estate in the Pacific, South of the Equator. We are proud Americans as evidenced by the distinction of having the highest per capita enrollment in the Armed Forces of the United States defending our freedoms and our way of life.

Since the Flag of the United States was first hoisted on the soil of Tutuila and Manu'a 118 years ago, on April 17, 1900, a historical event which transformed our lives, the people of American Samoa have reenacted and celebrated this solemn occasion annually with pomp and pageantry reflecting our great pride and honor of being members of the American Family. We are doubly proud because this union was not fashioned by annexation or a military conquest but was shaped based on friendship and mutual respect.

This is the first time in my six years as Governor of the Territory of American Samoa that I have been able to appear before this Committee to address the needs and the challenges hindering our well-meaning efforts to grow our economy and to improve the quality of the lives of our people, and I am grateful to be afforded this opportunity this morning.

I would be remiss if I did not recognize, with appreciation, the benevolence and the kindness of the United States of America and its continued commitment to promoting and safeguarding the welfare of the people of American Samoa spanning 118 years since the memorialization of the Treaties of Cession.

The United States Department of the Interior, since it assumed the administration of the Territory of American Samoa, established its vision for the islands underscoring the advancement of self-sufficiency and self-reliance objectives. This vision has guided the efforts of the Territory of American Samoa to become a contributive member of the American family with hopes of becoming self-sufficient and self-reliant to the maximum extent practicable.

Regrettably, this vision seems very elusive and misleading because, given certain realities and prevailing challenges, it is deemed implausible and unreachable. Notwithstanding, we have not, cannot, and will not succumb to any perceived sense of desperation because the lives of our people are at stake.

We are making strides toward a more vibrant economy, better lives for our people and much more self-sufficiency through transformation of our economy to industries like tourism,

but such a transformation for a small island territory such as ours faces many challenges that only Congress can help us overcome.

Our appeal to you today, Madame Chairwoman and Members of the Committee, is to continue to work with us to remove as many obstacles as possible to our progress through policy and regulatory reforms that recognize the realities of our Territory, its location and its economy.

Madame Chairwoman, I would like to describe for the Committee our highest priorities for assistance from the federal government which will address our many social, economic and infrastructure challenges and I am hopeful for your kind advocacy of these initiatives as the Committee performs its oversight role of policies affecting the U.S. Territories.

Cyclone Gita Disaster Relief. The spate of disasters that occurred across the United States and throughout its territories in 2018 was horrific in terms of loss of life as well as in the lingering effects on the health and well-being of the people of the affected areas and on local economies.

While damage sustained by American Samoa from Cyclone Gita last February was thankfully not of the same magnitude as some other disasters, the effect of losses sustained by the people of American Samoa were dramatic, indeed.

We sustained significant damage to our infrastructure, including our LBJ Medical Center, but we were especially hard hit by losses to our 2600 farmers who lost 100% of their crops for an entire growing season. Where many of these farmers depend on their crops not only for their livelihood but also to feed themselves and their families (numbering 15600 in total), the need for nutritional assistance on American Samoa skyrocketed this year.

I therefore made a request to Congress and the Administration for nutritional assistance that will allow us to help feed those thousands of people.

As a result, \$5 million in nutrition assistance was included in the House passed Disaster Supplemental Appropriations bill, however, the need is much greater than originally estimated. I therefore wrote to you, Madame Chairwoman, and other Members of the United States Senate asking that the amount be increased to a total of \$18 million.

I would greatly appreciate the strong support of the Members of this Committee for this modest request which would provide \$139 per month in food assistance for each affected child, woman and man through the remainder of this fiscal year.

Assistance to Territories. I would like to acknowledge and thank the Congress, beginning with you, Chairwoman Murkowski, for certain provisions included in the recently enacted Interior Appropriations bill which will provide much needed assistance to American Samoa; specifically, an increase to the American Samoa Operations Grants/American Samoa Construction program.

We would like to encourage Congress to provide annual funding to this program in a way that acknowledges the growing needs and costs associated with maintaining our operations and infrastructure.

Healthcare/Medicare/Medicaid. Healthcare is a very important priority because there is only one acute care hospital and four community health clinics which serve our population of 59,600. The nearest US hospital is Hawaii.

American Samoa depends heavily on Medicaid and Medicare funds to supplement the cost of healthcare services provided to the people of American Samoa. While we are very thankful for the availability of Medicaid funds, the American Samoa government must pay a 45% local fund match to access 55% of the Medicaid dollar spent on healthcare service. Moreover, a Medicaid funding cap that is placed on Medicaid funding availability to the territory prevents full coverage of actual spending on medical services delivered to the people of American Samoa. We are fortunate that we are able to access Affordable Care Act funds when the Medicaid Cap is reached. Lamentably, our ACA fund allocation will lapse on September 30, 2019.

It appears that Congress will not extend the period of use for our ACA funds when they lapse but instead it will consider the establishment of Block Grants to support the healthcare needs of the territories. If this is the case, American Samoa hopes that a minimum of \$30 million will be the amount of its block grant to minimally meet the healthcare needs of our people.

LBJ Acute Care Hospital. American Samoa's only acute care facility is 54 years old and is simply not sufficient to meet the healthcare needs of our people. Incremental progress has been made through the renovation of the patient wards, pharmacy, diagnostic imaging, dialysis and laboratory facilities. The main operating theaters and the intensive care unit are in the process of being renovated.

However, the needs at LBJ are great and the progress towards making necessary improvements slow; a situation that was exacerbated as a result of damage incurred by the Medical Center during Cyclone Gita.

We appreciate the acknowledgement by Congress of the importance of LBJ to the health and well-being of the people of Samoa. We are particularly grateful for the inclusion of language in the recently enacted fiscal year 2019 Interior Appropriations bill which directs the Office of Insular Affairs to study and report to the Committee, within 90 days of enactment, on the condition at LBJ, the estimated cost that would be required to replace the hospital building, estimated costs associated with modernizing the hospital and estimates as to whether a renovated facility would have sufficient capacity to meet American Samoa's needs.

Madame Chairwoman, after OIA submits its report to Congress, we would like to work with this Committee and the Committee on Appropriations to formulate the best option for renovating or replacing the LBJ Medical Center and respectfully request the support of this Committee in providing necessary financial assistance to undertake the preferred option as soon as possible.

Minimum Wage. American Samoa raised its minimum wage once again on September 30, 2018, marking the 5th federally-imposed increase since the passage of the 2007 Fair Minimum Wage Act. Per the Act, American Samoa's minimum wage will reach that of the current Federal minimum wage by 2036.

While we agree with the spirit of having a minimum wage that keeps pace with the cost of living for our people, once again we face the consequences of decisions made in Washington with insufficient consideration given to local conditions.

Our insular economy does not compare to economies in the continental United States, a condition that is worsened by our geography which does not allow us to participate significantly in tourism from Japan, China, Korea and other Asian countries. In addition, we do not enjoy the financial benefits of having a significant military presence in our territory.

As such, special considerations must be made before making decisions, or enforcing poor decisions, that can ultimately decimate our economy and eventually our territory.

After a complete and thorough economic analysis, including a 2016 GAO report on this matter, and having lived through the past five increases, we can no longer remain silent nor tolerate inaction on this very critical matter, especially in the face of a possible \$15 per hour national minimum wage.

Ultimately, what we would like to see happen is that the authority or control of our minimum wage be returned to local decisionmakers, with representation from public, private, and labor groups with oversight or participation by DOI as we had in place previously.

We are pleased that in the FY19 Interior Appropriations bill Congress acknowledged the potentially dramatic negative impact that an unrealistic minimum wage could have on American Samoa, especially on top of an economy that is far less robust than that of much of the rest of the United States and exacerbated by very significant losses recently sustained from Cyclone Gita. We hope that this awareness of our unique circumstances will remain as Congress deliberates over a minimum wage bill in the coming months.

30(A) Tax Credit Permanent Extension. We are keenly aware of and fully understand the challenges placing the future of the remaining tuna fish canning plant, Star Kist, one of two economic pillars, in jeopardy which among others include federal policies such as the automatic imposition of the federal minimum wage escalation, removal of federal incentive programs such as the 30(A) tax credit, IRC Section 936, shrinking fishing grounds for the US Fishing Fleet, and the added financial cost attributed to regulatory assessed penalties.

The two other tuna fish canning plants, Van Camp Seafood Company and Samoa Tuna Processor, which operated out of American Samoa, closed in 2009 and 2016 respectively, instantly terminating 2,500 direct jobs and approximately 1,500 residual jobs triggering economic havoc reflected in the recorded plunge in our Gross Domestic Product figures since 2015. If Star Kist closes operation in American Samoa economic and social chaos will occur and the displacement of the population will result.

The support for American Samoa's efforts to diversify its economy received from the U.S. Department of the Interior and its Office of Insular and International Affairs is recognized with deep gratitude and appreciation particularly shoring up federal funds to supplement locally generated dollars dedicated to the establishment of our third economic development technologically based economic pillar.

Given the limited amount of capital improvement project funds provided to the territory on an annual basis for infrastructure projects, we have twice entered the Bond Market to derive needed investment capital to accelerate the construction of need economic development projects.

While we recognize that we cannot solely depend on the federal government for all of our financial needs, which then compels us to seek other investment capital sources from other avenues such as the bond market, we are very sensitive, fully mindful, and committed to our obligation to make sure sufficient revenues are generated to liquidate our liabilities.

Economic diversification is the key to American Samoa's economic and financial stability and we are taking steps to realize this vision. One important way to make this vision a reality is to extend – and make permanent – the American Samoa Economic Development Credit, known as 30(A). 30(A) will help attract new businesses to the island, as companies will be incentivized to invest in American Samoa.

Territorial Education Improvements. Education is crucial to the future of American Samoa and I am not ashamed to say that our students' reading and writing skills are three to four grades behind their Hawaii and mainland counterparts.

English is a second language to 90 percent of our student population thus comprehension and analytical skills are a challenge, as well, which consequently demands smaller classes sizes and a well-trained cadre of teachers.

Our partnership with the Department of the Interior and its Office of Insular and International Affairs in the development of technologically based third economic pillar was the positive implication on improving the quality of our educational system making available additional educational resources through the internet to improve learning experience.

With the assistance of the Department of the Interior and the Office of Insular and International Affairs 85 additional classrooms have been constructed and more are being planned not counting the repair of the existing classroom structures, thus additional funds, estimated at \$2 million, are needed to accelerate the construction of new classrooms, providing training for teachers, and apply required maintenance to old buildings to prolong their useful lives.

We are mindful of the natural athletic aptitude of our young men and women along with the need to combat the threat of obesity among our young people, thus we have started investing in the construction of gymnasiums so year-round athletic activities are made possible. It is estimated that \$5 million is needed to construct gymnasiums for elementary schools with 1,000 or more enrollment.

Department of Veterans Affairs Clinic. It is our hope that Congress will authorize and appropriate funds for construction and operation of a Department of Veterans Affairs healthcare facility in American Samoa to fully address the healthcare needs of our veterans who must now travel to Hawaii to meet these needs.

Territorial Infrastructure Needs. Our infrastructure needs are numerous which entail the repair of the existing assets and construction of new facilities.

We are grateful and thankful for the financial support from the United States Department of Transportation, the Federal Aviation Administration, and the Federal Highway Administration for funds to improve our airports, ports, roads, and seawalls. Nonetheless, additional funds are needed to address our total infrastructural needs in the areas of harbors, docks, runways, seawalls, roads, and equipment.

We invested \$13 million in the construction of a new vessel to improve transportation to the Manu'a Islands. The existing harbors are too shallow to allow the new vessel to enter the two harbors on the Island of Ta'u. Dredging is urgently needed for these two harbors. A minimum of \$5 million is required to address this shortcoming.

American Samoa's dependence on the fishing industry has created a great need for additional docking space for fishing and other vessels. A new dock is being designed to address this need to entice more fishing vessels to homeport in American Samoa thereby supporting and expanding our tertiary industries. This project needs a minimum of \$5 million to complete.

The Ronald Reagan Marine Railway is in dire need of repair to capture the economic opportunity inherent in the repair of purse seiners and long line fishing vessels which off-load their fish catches at the StarKist. Funding is needed to repair the 2,000 Ton main hauling chain.

To promote our tourism industry, our airport terminal along with the construction of a Jet-Bridge is being planned. American Samoa is the only territory without this type of facilities and our neighbor, 80 miles from us had its beautiful terminal and jet-bridge financed and constructed by China. We are seeking assistance to help us improve our airport facilities to accommodate passengers as well as TSA and other operations.

In view of these significant land, sea and air infrastructure needs which will contribute to the improvement and diversification of our economy, we are hopeful that as part of your FY 2020 appropriations cycle and should Congress consider a major national infrastructure and transportation bill, that you will address our infrastructure needs to the greatest extent possible.

Need for Coast Guard Vessel for Border Protection. Homeland security is very important given that American Samoa is the only US Territory in the South Pacific with its neighbor welcoming the influx of the Chinese. The US Coast Guard currently has no vessel assigned to American Samoa to patrol our ocean borders. As a result, this responsibility falls to our government to perform this function. We are hopeful that Congress will provide funds for the purchase and operation of a Coast Guard vessel to patrol our borders to stop drug trafficking, money laundering, smuggling of alcohol and tobacco. It is estimated that the cost of such vessel is \$5 million.

Progress on Energy Self-Sufficiency. I am proud to report to you and the Committee that the Territory of American Samoa has taken the lead in the utilization of alternative energy to reduce the importation of fossil fuel. All the three islands on Manu'a are now 100% powered by solar energy. Our American Samoa Power Authority has recently signed a purchase power agreement with a Canadian company for 20 Megawatts of Solar Power and in the process of sign a purchase power agreement for 42 Megawatts of Wind

Power with another off-island company. When all these systems are fully functional, the cost of electricity to our people will be reduced by 50%.

Cabotage Policy. Unfortunately, and regrettably’ the application of the federal “cabotage” policy to American Samoa has effectively neutralized our attempts to develop tourism as one of our economic pillars.

American Samoa is located 2,300 miles south west from Hawaii, 5,000 miles from the West Coast and 10,000 miles from the Nation’s Capital. There are only 2 flights a week from the mainland U.S. via Hawaii with an added flight during the summer and Christmas season. The average one-way fare is from \$500 - \$800 and could reach \$1,200 for a last-minute purchase. With all due respect, Madame Chairwoman, and as you are well aware, American Samoa’s air transportation challenges are far worse than those existing in the great State of Alaska, which is exempted from the Cabotage policy.

We earnestly and humbly ask that Congress grant American Samoa a waiver from the cabotage policy.

Madame Chairwoman, Ranking Member Manchin and Members of the Committee, I thank you for affording me this opportunity to discuss with you the current state of affairs on American Samoa. I am grateful for your time, attention and thoughtful consideration of our challenges and needs.

God Bless the United States of America and God Bless American Samoa.

SOIFUA (farewell) AND FA’AFETAI (thank you)

**LOLO MATALASI MOLIGA
GOVERNOR OF THE TERRITORY OF AMERICAN SAMOA**