



LOLO M. MOLIGA
GOVERNOR

**OFFICE OF THE GOVERNOR
AMERICAN SAMOA GOVERNMENT**
Telephone: (684) 633-4116 Fax: (684) 633-2269

LEMANU P. MAUGA
LIEUTENANT GOVERNOR

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Honorable Esther P. Kia'aina
Assistant Secretary for Insular Affairs
Department of the Interior
Washington D.C.

Dear Assistant Secretary Esther Kia'aina:

Pursuant to your letter of December 9, 2014 providing the opportunity to Insular Areas to submit issues to be addressed and discussed during the Intergovernmental Group on Insular Areas meeting. I am pleased to present to you the following submission from the Territory of American Samoa to the Department of Interior. I am also attaching the list of priority issues which was presented to you during your visit to the territory to supplement this presentation.

I trust you will appreciate the effort that my administration is making to improve the quality of life of all residents of the territory. Your support and that of the executive agencies in Washington, D.C. are critical and most appreciated.

Sincerely,

Lolo M. Moliga
Governor of American Samoa

Cc: Honorable Gaoteote Pala'ie Tofau, President of the Senate
Honorable Savali Talavou Ale, Speaker of the House of Representatives
Honorable Aumua Amata Radewagen, Member of Congress
Honorable Lemanu P. Mauga, Lieutenant Governor

Governor Lolo Moliga's Statement

to

Honorable Esther Kia'aina, Assistant Secretary for Insular Affairs Interior
Department of the Interior

In preparation for the IGIA Meeting

People First

The development of AS is premised on our administration's belief that government's critical role is to provide an environment in which the well-being of the territory and its people can develop successfully. Government not only provides a nourishing environment but it facilitates that development by:

1. Improving the quality of life through public safety, public education, immigration services, public health, efficient infrastructure, quality assurance and regulation, and many other services. Because American Samoa is a territory and not a sovereign country, it is not responsible for foreign affairs or defense.
2. Establishing a level playing field with equitable and efficient approval processes so that businesses and prospective investors compete fairly and provide needed services and products.
3. Emplacing competent and honest government decision makers and professionals in the workforce. Maintaining professional capacity of the government workforce through training, empowerment, retention—or reduction and replacement when required.

Such development is for the benefit of all the people, not just for one or two segments of society represented by those who are the most powerful or the loudest. Likewise the key sectors of island society must be developed to a level comparable to that of the United States. **These key sectors are the economy, education, health, and infrastructure--and all are interdependent, cross-cutting and they encompass other smaller sectors.**

Geopolitics

From a higher perspective than local politics, one cannot avoid the geopolitics inherent in the physical location of American Samoa in the Pacific Ocean. It is

probably not lost on US policy makers that this remote southernmost territory although not proximate to Asia is actually next door to a country that is heavily influenced by the second largest economy in the world. Samoa promotes itself as *not* being American Samoa.

The territory is in the middle of fishing grounds that are attractive to countries large and small, some of which pay scant attention to the highly regulated and structured fishing practices of the United States. The well-intentioned efforts of the US to carve out fishing conservation areas of the Pacific Ocean can be inimical to the economic interests of American Samoa which is surrounded by foreign countries that unlike this small territory of the US, can speak authoritatively on their own individual sovereign interests. On the regional forefront American Samoa's interests are politely ignored or subsumed in the larger world-view of the United States.

My administration supports the participation of American Samoa in the regional organizations and councils such as SPC, SPREP, Forum, fisheries, health, public works, tourism and agriculture. The trade associations for water, wastewater and power utilities are already well established. I am aware and respect the fact that US foreign policy is under the aegis of the State Department. I ask that DOI remind the State Department that the interests of the territories are indeed the interests of the US writ small. Nonetheless, their depositions on US policies have an inordinately profound effect on the territory.

Economy

As for developing the economy of American Samoa, the aforementioned statement on geopolitics must be taken seriously by the policy makers of executive branch agencies represented on the IGIA.

The most important physical asset and the springboard for economic development is the Port of Pago Pago. Pago Pago harbor was what attracted US interest in the first place beginning with the visit by the Wilkes Expedition in 1840. In the late 1800s it became the site of a US coaling station just before Tutuila became a US territory in 1900 --and Manu'a in 1904-- later to be called American Samoa.

Fishing is the mainstay of the economy and US policies that promote a healthy and sustainable fishing industry are most welcome by my administration. Without affordable labor, water, electricity, government stability as well as the Made in USA label---the fishing canneries would not be doing business in American Samoa.

The *competitive* advantages of the canneries and the *comparative* advantage of American Samoa Vis-a- vis the region must be parlayed into a prosperous economy. American Samoa is unlikely to attract 300,000 annual visitors from Asia as does the CNMI. Comparative advantage for instance can be exemplified in the ability to re-export fuel, say, to Kiribati or Rarotonga using the Port of Pago Pago as a hub. The fuel prices in Pago Pago tend to run lower than that of the other islands. We ask for the support of DOI and our partners to bring our compelling story to all decisions makers in Washington, D.C.

We wish to extend the 30A Tax Credits and resurrect the IRC Section 936 type of federal incentive that was rescinded not because of American Samoa but because of abuse elsewhere. Minimum Wage is a contentious issue but it shouldn't be for American Samoa. The economy of American Samoa is the least-developed of all US states and territories. Simply put it cannot afford the federal increase slated for September 2015.

Policies and funding must enable physical improvements to Port facilities including more berthing spaces for fishing boats; public private partnership of the shipyard; marinas that serve visiting yachts and small fishing craft; re-exporting of fuel and American goods to other more remote islands; developing a walkway along the south harbor for the benefit of visitors and locals as well.

The high cost of energy acts as a brake on the economy although recently the world price of petroleum has fallen to the levels of 2009. Renewable Energy (RE) is still very much in the forefront –it is sustainable, it is becoming cheaper and it benefits the environment through the reduction of carbon dioxide emissions. DOI is currently funding the geothermal energy investigation which is at the exploratory drilling stage as well as a hybrid RE system in the Manu'a islands. Again we appreciate the support of DOI and DOE in renewable energy development.

Climate change is socioeconomic as well as environmental in scope. The Climate Change strategic plan is being developed by the local Department of Commerce as well as the Department of Marine and Wildlife Resources. Concurrently, we are already taking proactive measures to protect drinking water aquifers from salt water intrusion due to over-pumping. A solid waste conversion plant is also in the works that will extend the limited life of sanitary landfills and supply bio-oil that replaces petroleum.

Financing critical infrastructure, re-funding high interest rate loans and establishing a Charter Bank are entering the bond rating stage through the American Samoa Economic Development Authority. Government is currently spending precious revenues repaying high interest rate loans. For the first time our Public Works Department can take advantage of GARVEE Bonds to rebuild roads and drainage *in toto* rather than piecemeal each year. We would like to emulate the success of North Dakota in its Charter Bank system and are prepared to provide the appropriate legal and organizational framework to make this effort a success. These financial tools allow long term strategic planning of more sustainable projects as opposed to short term “band aid” projects.

Cabotage is an old issue that has not been resolved. This year it is the need to serve the outer islands of Manu’a with a foreign carrier because no local airline can serve those islands reliably. The monopoly service between American Samoa and the United States results in high costs to air travelers and complaints of indifferent service to customers. We see a solution and that is to attract visitors to American Samoa because it is a beautiful place to visit, is business friendly and efficient, and because of its unique culture that has survived for a thousand years. Our federal partners can promote the National Parks on Tutuila and Manu’a.

American Samoa appreciates the support from the Department of Interior and other partners in the Federal government in developing our economy.

Education

The public school system struggles to achieve the level of education commensurate with the modern world. As a result, over 80% of students starting the American Samoa Community College matriculate into the remedial programs for mathematics and English. The pass rates for the ASVAB (military) and Police Academy recruits are equally dismal. Admittedly, this serious challenge is best addressed with local solutions. Nonetheless, it should be noted that unlike other school districts in the United States, the larger share of funding in American Samoa is grant rather than locally funded.

I am convinced that instead of experimenting or riding on the bandwagon of the latest educational “reform”, public education must focus on teachers. They must be paid better and given the tools to teach effectively. On the other hand they must be held more accountable. Again, this is a challenge that is best addressed by local solutions.

STEM (Science, Technology, Engineering and Mathematics) education plays a critical role in preparing youngsters for a future in the modern world. The curriculum as taught in public schools is woefully inadequate –few courses in science and mathematics are offered and teachers with knowledge in those content areas are hard to find. To that end we are promoting the hiring of teachers from overseas from countries such as India. Local engineers and doctors often give credit to their Indian teachers for inspiring them to study medicine or engineering.

I am grateful for the renewed interest and funding by DOI of the Apprenticeship Programs for technicians. Few government agencies and local businesses including the largest employers are able to establish a sustainable apprenticeship program.

Dual Language education is in the preparatory stages and is important because Samoan is the indigenous language of Samoans; learning languages is easier for children than it is for adults; the opportunity to expand ones knowledge of cultures and languages is inherently valuable. It is not a revival of the old Bilingual Education in the United States. The challenge is to find teachers competent in both Samoan and English language instruction.

In order to make the most improvement in the shortest possible time, my administration is exploring the feasibility of the option of making the Department of Education semi-autonomous. As revenue collection become more efficient, more resources will be applied to the improvement of the quality of education for our young people. The organizational model we would emulate is that of the Public School System of the CNMI which already operates semi-independently of the central government.

Health

It is well known that the health statistics for American Samoa are alarming: high incidence of obesity and non-communicable diseases such as diabetes, heart diseases and hypertension. Expanding the dialysis unit at LBJ hospital to accommodate patients with failing kidneys must go hand in hand with a comprehensive preventive health program for all residents of the territory. Any support from DOI and partners to promote preventive medicine is welcome. We are aware that a high quality database and statistical reporting are absolutely necessary to obtain any support from the partners of American Samoa. Samoans and other Pacific islanders are often lumped together with Asian Americans in all the databases. We wish to work together with DOI, health research institutes and

universities to disaggregate the databases and ensure that American Samoans as well as other Pacific islanders are “accounted for” and that health care specific to the needs of our people is accessible.

In regards to financing healthcare in American Samoa, creative ways to apply Medicaid and the Affordable Care Act (ACA) in American Samoa is reiterated as follows from a previous report. Remove the Medicaid funding cap or in the alternative, double the cap funding level from the current fiscal year level of \$10.9 million to \$22 million in FY 2016. Secondly, decrease the territory’s FMAP local matching percentage from 45% to 40%. Extend the ACA 2019 deadline for the expenditures of Medicaid funds allocated under ACA.

There are other programs that although not new are receiving an extra push during our administration. These include improving or rebuilding healthcare facilities, staffing with competent health care professionals who meet CMS certification and telemedicine. The computer applications are much improved and readily available for telemedicine.

Infrastructure

My administration is promoting the development of infrastructure and the GARVEE bonds soon will become available to Public Works to improve roads and drainage. Fortunately, this comes at a time when the United States is also rebuilding its public civil works across the country.

There is limited implementation of land use planning requirements in the territory so that building roads, accessing homes and setting up utility services are a challenge. The most challenging area to serve with roads and drainage is the flat congested Tualauta County where the major water well-field is located. Simply draining as much surface runoff into the littoral is unacceptable both environmentally and socioeconomically. Sedimentation and litter flowing into the harbor and reefs must be controlled in order to protect wetlands, fish, coral and other marine life.

The port improvements, Manu’a transportation, airport tank farm relocation and other projects were presented to DOI recently and I am thankful for the funding already committed for the Capital Improvement Projects. Please note that we are also actively seeking financing through debt issuance.

The earthquake of 2009 accelerated the failure of the 40 – 90 year old water distribution system—and the entire Asbestos-Cement pipelines must be replaced.

DOI, USEPA and ASPA are funding the replacement and improvements in the water and wastewater systems. Wastewater is notable because it is under an Administrative Order meaning that American Samoa must demonstrate to USEPA that the present Primary treatment process is adequate to meet the level of environmental protection mandated by law. If not, then Secondary treatment must be constructed and operated at an estimated cost of \$100 million. Obviously, the local customer base can ill afford this financial burden.

As my directors work along various paths to make it possible for local contractors to post performance bonds that meet the Treasury Circular 570 condition, I ask that the USEPA, HUD and other agencies consider alternative equally secure forms of surety. Recently, a local contractor's cash surety was posted in lieu of the Circular 570 but it was denied. As result the cost of the federally funded project went to a foreign owned company whose bid was hundreds of thousands of dollars higher.

**AMERICAN SAMOA GOVERNMENT
DESIGNATION OF PROJECT/ISSUE RANKING
PREDICATED ON ARTICULATED PRIORITIES**

Economic Development Issue Ranking:

- **Cost Prohibitive Utilities:**
 - Electricity cost fluctuating between 40 cents to 45 cents per kilowatt is a major disincentive and deterrent to businesses and economic development expansion.
 - Cost of water is just as expensive although the water quality is not up to standards. Residents and businesses are forced to subsidize the cost of water caused by water system loss of 60% to 70%.
 - High cost of utilities limits the disposal income of residents and profitability of businesses causing suppression of consumption and stymieing economic development growth.
 - Need DOI support for current alternative energy generation initiatives such as: Solar, Geo-Thermal Energy, and Liquefied Natural Gas.
- Manu'a Vessel
 - MV Sili cannot meet the surface transportation needs of the Manu'a and Swains Islands. Need OIA/DOI's support on financing the construction of the second vessel to supplement the services being provided by the M.V. Sili. The development of the Manu'a and

Swains Islands has been obstructed by the lack of reliable and affordable surface transportation services.

- **Banking – Charter Bank:**

- Bank of Hawaii has significantly scaled down its banking services, especially its loan services to local businesses and residents of American Samoa and it is preparing to exit the market once a replacement bank is secured.
- ANZ Amerika Samoa Bank's loan services is also very restrictive as well as its banking ties with the United States thus creating financial operating obstacles for local business. Fees charged for its services are also cost prohibitive both for businesses and residents of American Samoa.
- The American Samoa Community Bank's FDIC Application remains in limbo thus causing lack of confidence that ASCB will be operational any time soon.
- The most immediate and responsive option available to the Territory is the **establishment of a Charter Bank using the North Dakota model**. It does not require FDIC approval. The long-term vision is to convert the Charter Bank to a Commercial Bank after two to three years of operation. **Need DOI support.**

- **Fisheries: (Impact on the future of the two canneries)**

- **Kiribati Treaty reduced fishing days** for U.S. Purse Seiners **from 5,360 days in 2013 to 300 days** here on

out. **Need assistance from OIA/DOI to compel State Department to revisit the contents of the Treaty. Moreover, authorize the Governor to negotiate fishing treaties with our island neighbors for our locally based fishing fleet.**

- The **Minimum Wage Moratorium lapses on September of 2015.** Given the significantly changed dynamics of the Fisheries Industry caused by the “cut-throat” policies being pursued by the Chinese, the resumption of the application of the federal minimum wage will severely erode the competitive advantage of the two canneries which could very well cause their demise. **Need OIA/DOI support.**
- The two canneries’ competitive advantage has been methodically reduced by federal actions such as the elimination of federal incentives such as the **IRC Section 936, soon to lapse 30A Tax Credit incentives,** made worse by the application of the federal minimum wage. **Need support and assistance from OIA/DOI to advocate for American Samoa’s request to extend the 30A Tax Credits, restore the traditional process to determine American Samoa’s Minimum Wage and resurrect the IRC Section 936 type of federal incentive to stimulate economic development.**

▪ **Essential Air Services:**

Polynesian Airlines is currently providing air services to the Manu’a Islands. Two local airlines are in the process of being established. **Need assistance from**

OIA/DOI on our requests to DOT for qualification under the Essential Air Service scheme for underserved areas.

▪ **Cabotage Waiver:**

Hawaiian Airlines has not been sensitive or responsive to our pleas for help relating to increasing the number of seats between American Samoa and Hawaii and reducing the fare base for this route. The options available to American Samoa to remedy this long term incapacitating tourism development challenge are: **(1) exempt American Samoa from the Cabotage prohibitions or (2) start a new airline with government backing. Assistance is needed for OIA/DOI to support our request for a Cabotage Waiver.**

○ **Airport and Port Development:**

- **Relocation of the Jet-Fuel Tank Farm** from the current hazard prone and unsafe location will unlock FAA funding of over \$50 million dollars. **Need OIA/DOI support on funding for this vital project.**
- **Construction of the Service Wharf** to support surface shipment activities and to enhance the efficiency of the Port. **DOI is supporting this project.**
- **Construction of the alternative container wharf** to accommodate the increased import/export needs of the canneries along with improving the feasibility of transshipment from American Samoa to the independent islands of the Pacific. **Need funding for**

this important project.

○ **Federal Requirement for Construction Bonds:**

- Local companies are excluded from participating in the bidding process for federally funded construction projects because of lack of financial wherewithal to secure required construction bonds. OIA/DOI to advocate to other federal agencies to adopt the payment retention method in lieu of the bond.

Health Care Issues

○ **Decrease the American Samoa FMAP local matching percentage from 45% to 40% or better (like 30%).**

- American Samoa's Medicaid Program has a statutory waiver known as the 1902(j) waiver, a provision in Title XIX of the Social Security Act that established the Medicaid program. CNMI is the only other U.S. jurisdiction that has this waiver. **The waiver allows American Samoa to exempt any federal regulation imposed on its Medicaid program, except for three things.**
- **ONE**, the statutory cap on the annual funding allocation for American Samoa's Medicaid funds;
- **TWO**: the Federal Medicaid Assistance Program (FMAP) federal/local matching percentage; and
- **THREE**: the mandated health services defined in the Act.
- All the territories are subject to the same matching requirement of 55% federal/45% local. For FY14-15,

American Samoa received a 2.2% temporary increase in the matching percentage bringing. Like all territories, the local match is always a challenge to meet, but improving our local match (Mississippi has a local match of 20% because it's a poor state). **Need OIA/DOI Support.**

- **Remove the Medicaid cap OR in the alternative, increase it by 50% from the current level (\$10.9 million for FY15) to give American Samoa more funding to help improve the health care outcomes of our people.**

The statutory cap on American Samoa's Medicaid funds is hurting the territory and hindering the territory from developing a high quality health care system. Already, the one Medicaid provider on island (LBJ hospital) has been exhausting this cap for the last 4 years. In light of the SSBCI, further funding is essential to continue our efforts to improve the quality of care and improve the health care outcomes for our people.

Removing the cap will be extremely difficult, so in the alternative, ASG would request for an increase in the cap of maybe 50%, but any increase would be better than the standard \$200,000 increase annually provided to ASG. Need OIA/DOI Support.

- **Extension of the ACA 2019 deadline for the expenditures of Medicaid funds allocated under ACA.**

Under ACA, American Samoa has up until 2019 to spend its allocation of \$181 million LBJ has been tapping into these funds. After this date, ASG loses all the funds—the cliffhanger scenario. It would be extremely helpful and in ASG's best interest, to try and get an extension on these

funds so they are not lost or before they can be used up through the Medicaid program. Given the efforts of the SSBCI, and the unknown of how many new health care providers will be set up in a short amount of time, ASG needs to preserve these funds in case they cannot be expended by 2019. The difficult situation is coming up with the match on these funds. **Need OIA/DOI Support.**

Other Ranked Issues:

- **Global Warming and Climate Change increases the islands susceptibility to disasters and erosion of land. ASG will follow the lead of OIA/DOI to increase focus on mitigating strategies to combat Climate Change.**
- **American Samoa's current financial system no longer meets ASG's financial management and accountability needs thus requiring the implementation of a new financial system. Needs financial support from OIA/DOI.**
- **Financial support is needed from OIA/DOI to fund the realignment of ASG's personnel system to eliminate inequities caused by improper decisions rendered in the past causing morale and productivity challenges.**
- **OIA/DOI assistance is desperately needed to expedite the repatriation of \$1.2 million hacked to Vietnam.**
- **Capital Improvement Project implementation delays due to the myriad of compliance review requirements by different Federal Agencies such as the USACE, NEPA, and others.**