

STATEMENT
OF
NIKOLAO I. PULA
ACTING ASSISTANT SECRETARY OF THE INTERIOR FOR INSULAR AREAS

BEFORE THE
HOUSE SUBCOMMITTEE ON INDIAN, INSULAR AND ALASKA NATIVE AFFAIRS

ON
IMPROVING AND EXPANDING INFRASTRUCTURE IN TRIBAL AND INSULAR
COMMUNITIES

March 9, 2017

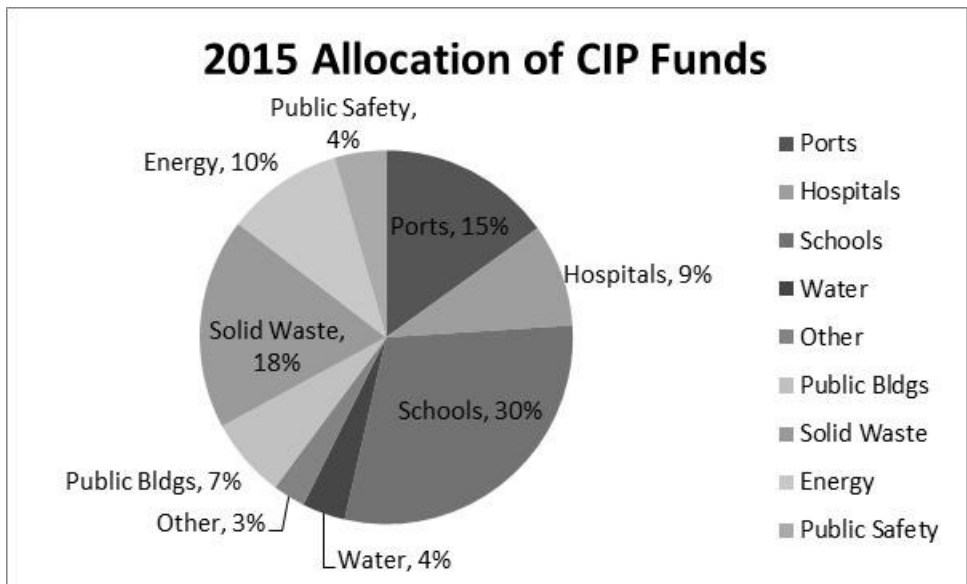
Mr. Chairman and members of the Subcommittee on Indian, Insular, and Alaska Native Affairs, thank you for the opportunity to speak regarding the Office of Insular Affairs' (OIA) capital infrastructure project (CIP) program for the U.S. territories of Guam, American Samoa, the United States Virgin Islands and the Commonwealth of the Northern Mariana Islands (CNMI).

The CIP Program of the Office of Insular Affairs

The 1996 passage of Public Law 104-312 established the CIP program with \$27.72 million in annual current mandatory funding. CIP funds address a variety of infrastructure needs in the U.S. territories, including critical infrastructure such as hospitals, schools, wastewater and solid waste systems. These critical infrastructure improvements not only benefit the local population, but they attract new investment and economic development to the territories.

Allocation of OIA CIP Funds

OIA CIP funds are allocated among ports, hospitals, schools, water, public buildings, solid waste, energy, and public safety. This allocation is depicted in my written statement as pie chart to show the relative emphasis given to each category of project.



Positive Results

OIA’s CIP program often yields positive results for our island communities. For example –

In Guam, the \$3 million public health environmental laboratory was completed in 2016. It was designed to identify vector-borne diseases that may make their way across the Pacific.

In American Samoa, the \$8 million, 134 foot ship, the *MV Manu’atele*, now plies the waters between Manu’a and the main island of Tutuila, providing both cargo and passengers transport.

In the Virgin Islands, the 388-year-old Fort Christian was renovated just in time for the centennial celebration commemorating the transfer of the United States Virgin Islands from Denmark to the United States. It will be a significant tourist attraction.

In the CNMI, \$29 million in CIP funds facilitated the transformation of the Puerto Rico dump into a beautiful public park next to the lagoon for residents and tourists to enjoy. It will be dedicated this month. In 2016, \$4.9 million in CIP funding was used to replace the HVAC equipment at the Saipan hospital. CMS certification followed.

While numerous CIP projects are locally conceived and promoted, OIA has assisted on numerous occasions with substantial sums of CIP funding that have brought territorial compliance with Federal directives and court orders. The funding serves a wide variety of purposes and enjoys the support of the local communities and Governors.

Competitive Allocation System

Beginning with 2005, OIA implemented a competitive allocation system for the \$27.72 million in mandatory CIP grants. It is based on a premise that the annual \$27.72 million will be limited to defraying capital costs for the U.S. territories.

The governments of the U.S. territories compete each year for a portion of the guaranteed funding, which they use for CIP in addition to other assistance or local funding that might be available.

Base level funding was established in 2005, utilizing historic CIP trends with an overlay of the competitive allocation system requirements. The allocation system was adjusted for fiscal year 2012 and again for 2017. The performance of each territory was analyzed, as required in the Covenant section 702 funding agreement of 2004 between OIA and the CNMI.

For fiscal year 2017, OIA's CIP funding will be distributed follows:

American Samoa	\$9,780,000
CNMI	9,249,000
Guam	5,911,000
U.S. Virgin Islands	<u>2,780,000</u>
TOTAL	\$27,720,000

The determination of the annual allocation is made on the basis of a set of competitive criteria that measure the demonstrated ability of the governments to exercise prudent financial management practices and to meet Federal grant requirements.

OIA's CIP program has two goals: assist territorial governments with infrastructure funding, and encourage improved financial management by the territorial governments.

The Territories' Stated Capital Improvement Project Needs

The governors of Guam, American Samoa, the United States Virgin Islands, and the Commonwealth of the Northern Mariana Islands assert that the capital improvement needs in the U.S. territories amounts to over \$1 billion. Much of the public infrastructure in the U.S. territories is well-used and difficult for the small communities to replace or upgrade. Overall, the territories' school facilities average forty years of age, and show the marks of generations of school children and the effects of the tropical climate. The Governors' top priorities for new and replacement infrastructure include hospitals in American Samoa and the Virgin Islands, high schools in Guam and enlargement of the landfill in Saipan, Northern Mariana Islands. Aging infrastructure can create risks to human health, a diminishment of educational opportunities for youth, and a less than desirable environment for cultivating tourism and investment in territorial economies.

Conclusion

Thank you for this opportunity to present testimony on OIA's capital infrastructure project program, and we look forward to continuing to work with the Committee on this issue.