

STATEMENT OF
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BEFORE THE U.S. SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES

CONCERNING
THE UNITED STATES MILITARY BUILDUP ON GUAM:
IMPACT ON THE CIVILIAN COMMUNITY, PLANNING, AND RESPONSE.

MAY 1, 2008

INTRODUCTION

Hafa Adai Mr. Chairman and members of the Committee:

On behalf of the People of Guam, thank you for this opportunity to provide testimony regarding the U. S. Military Buildup of Guam.

Today, our focus is on the planned military build up of Guam that will affect our Nation, our region and most especially, our island. What is known thus far is that 8,000 Marines and their 9,000 dependents will be relocated from Okinawa to Guam. Navy, Army, Air Force and Coast Guard mission growth unrelated to the Marine relocation will bring another 12,130 active duty personnel and their dependents, which is approximately a 40,000 military population increase. An estimated 20,000 immigrant workers will be needed to construct \$15 Billion in improvements required by our Armed Forces. This investment will generate a projected 20,000 increase in Guam's civilian population from military contract employees and families and individuals moving to Guam to improve their quality of life. Altogether, a 30% increase is expected in the 170,000 population already resident in Guam. This is the equivalent of adding almost 550,000 people within a six year period to the great state of New Mexico, the home state of the honorable Chairman and the Ranking Member of this auspicious Committee. While these are staggering numbers for any community, the Bi-Lateral Agreement between the Government of Japan and the United States contains an aggressive implementation schedule that requires the Marines to begin leaving Okinawa within four years, by 2012, and to complete the relocation two years later, by 2014. It is this aggressive schedule that, not only demands the full commitment of the Government of Guam, the Department of Defense and the majority of Federal Departments and Agencies, but creates an anxiety and uneasiness amongst the community and those actively involved simply due to the sheer magnitude of the expected growth in population, but more importantly, the significant impact on Guam's infrastructure and social programs. It is unrealistic for any community in the U. S. to plan for, fund and manage unfunded federal mandates imposed by the Bilateral Agreement within the timeline without assistance from the U. S. government. Guam's planned military buildup will impact the lives of everyone who lives on Guam, both civilian and military communities. But just as the people of Guam and the region have answered the call of duty to join the U. S. Armed Forces in every conflict in this century and in numbers that surpass communities of similar size, so will the people of Guam carry out our responsibility as proud Americans to support our country in this strategic mission to help improve the security of the nation. We all share in this historic opportunity to improve the quality of life of all loyal American citizens in Guam while positioning Guam to play a more significant role in the defense of our country as a well-equipped military forward operating location in the highly volatile Southeast Asia and Western Pacific regions.

Military buildup on Guam must become a National Priority accompanied by a federal commitment to fund its direct and indirect requirements both inside and outside military bases.

While the military buildup is expected to have a significant impact on Guam's economy, the security of our nation remains a federal responsibility. Guam does not have the sufficient resources necessary to implement this agreement, fund improvements required by military

buildup outside military bases or absorb the up-front costs of preparing our island and bracing it for impacts we all know will come. Guam barely has enough to sustain the current level of operations and, therefore, will not have the resources to readily respond to the demands of the build-up. The Bilateral Agreement is a result of negotiations between two of the richest and most powerful nations in the world today. As a bilateral agreement between sovereign governments, its implementation must be a sovereign national priority. The Japanese Diet has already enacted policy and made appropriations to implement the Bilateral Agreement, while it appears the U.S. Government's approach is fragmented, especially with regard to funding.

For U.S. military construction on Guam, Japanese and U. S. Government contributions are grants that need no direct repayment. Guam on the other hand, is expected to obtain debt financing to fund off-base improvements or to enter into public/private partnerships (which require Guam to invest its resources in these partnerships) to support the buildup. The potential for over-expenditure similar to the experiences of other U. S. communities, such as Junction City, Kansas, is real, particularly since we have no control over the timing and cost of relocation. Our 1993 experience with the unfulfilled promise of relocation of U. S. Naval Forces from the Republic of the Philippines provides a relatively recent basis for exercising caution in committing significant resources. Guam has been placed in the unenviable position of having to seek out federal and other forms of financial support for a program that clearly is a national priority. As Lieutenant Governor of Guam Michael W. Cruz eloquently states, "military buildup of Guam is analogous to a canoe that will capsize if improvements on-base are not accompanied by improvements off-base. Only through a holistic approach can balance be achieved and maintained in our journey forward."

Even though the military buildup is four years away, Guam is already experiencing its initial effects. Real estate prices have doubled. The cost of homes has tripled. There has been a 10 fold increase in the number of land use permit applications for new housing and commercial development. Our homeless population is growing, our hospital is already over-crowded, and immigration is on the rise. In less than 2 years, the number of containers arriving at the Port Authority of Guam (Guam's only seaport) to support the construction boom is expected to increase by 600% per week.

In 2006, I created a Civilian Military Task Force (CMTF) comprised of Guam's private sector, government leaders and military representatives. The CMTF is supported by 11 subcommittees covering the major areas of concern to our local community, with subcommittees consisting of members of Guam's general public, nonprofit organizations, the Guam Legislature, and all the agencies of the Government of Guam. The CMTF and its 11 subcommittees have submitted scoping comments for use in the preparation of the Environmental Impact Statement for Marine relocation; needs assessments that quantify off-base improvements in support of military mission growth; and have engaged in teleconferences and presentations to various federal agencies represented at meetings of the Interagency Group on Insular Areas (IGIA) task force created by Presidential Executive Order on May 8, 2003 and the Federal Regional Council (FRC), consisting of all federal agencies that provide oversight and assistance to Guam. We are reallocating funding dedicated to priority projects unrelated to the military buildup, to develop a master plan for the only civilian harbor in Guam that is expected to bear the brunt of in-coming military cargo and a critical chokepoint to support the buildup. A transportation plan for

highways used by the military to transport goods from the harbor to military installations island-wide will soon be completed. Every aspect of life and living on Guam including health, education, welfare, public safety, natural resources, housing, labor, infrastructure, environmental protection, taxation, doing business requirements, and socio-cultural challenges are being assessed at tremendous local cost, to improve the quality of life of all Guam residents, including the military.

And while we confront the growing challenges at home, the majority of the Federal Departments and Agencies only became aware of the Department of Defense's initiatives this past August. They have been scrambling to understand the Defense Department's initiative and how it translates into unforeseen or non-programmed requirements. As a result, we have collectively missed the Fiscal Year 2008 and 2009 federal budget cycles and may have difficulty securing funding under the Fiscal Year 2010 budget.

During a November 2007 Interagency Task Force meeting in Washington D.C., Government of Guam representatives were informed by the Office of Management and Budget that Fiscal Year 2008 funding, required by the Federal Agencies and the Government of Guam to support the DOD move from Okinawa to Guam was "virtually impossible." We were further notified that getting into the 2009 Budget would be "almost impossible."

From an Executive Branch perspective, Fiscal Year 2010 is the earliest opportunity to request funding. As it currently stands, our FY2010 budget request of approximately \$6.1 Billion dollars consists of the following:

- \$195 Million for Port Expansion
- Present studies estimate \$4.4 Billion for Roads
- \$666 Million for Power infrastructure
- \$192 Million for Water infrastructure
- \$593 Million for Education
- \$47.3 Million for Public Health
- Preliminary study is an estimated \$7 Million for A/E for Hospital

The Committee's support of this request is humbly solicited to fund high priority projects in FY2008 and FY2009 as well as our community's needs in order to fully support this buildup moving forward, beginning with a full budget request in FY10. I will make all Government of Guam resources and entities available to help the Committee better understand Guam's challenges and rationale for our budget request.

I am encouraged by the greater interaction between the Government of Guam and federal agencies over the past six months. This interaction is critical to understanding what is needed to respond to this tremendous growth and the certain impacts to the Guam community now and for our future generations. Each federal agency has evaluated its programs in an effort to identify those that can be marshaled to assist in satisfying local needs associated with military buildup. However, existing federal program authorizations do not satisfy all needs as funding and coverage are limited. Various health care programs have funding caps imposed on the amount of assistance that can be provided to Guam while other programs are simply not extended to Guam.

While the Government of Guam continues to work with federal agencies to improve the accountability of federally funded programs, I assure you that federal funding received for military buildup will go directly to identified priority infrastructure projects and that there will be full accountability and transparency.

The Bilateral Agreement does not constitute a Base Realignment and Closure (BRAC) action normally characterized by a commitment of federal resources for implementation. We recognize that stateside communities surrounding realigned bases such as Holloman and Cannon Air Force Bases in New Mexico, Ellsworth Air Force Base in South Dakota, Bremerton Naval Station in Washington, Butte Army Reserve Center in Montana among others with representation on this Committee, have had to fight hard to obtain full appropriations to cover base and community needs. While this fight is not an easy one especially in this time of competing budgetary needs, the pursuit of funding by Congressional Delegations is consistent with policies established under BRAC law. The Guam buildup is not a BRAC action so obtaining required resources is even more difficult.

To assist the Committee in understanding and hopefully supporting our needs, I directed the CMTF to develop our budgetary requirements based upon preliminary assessments of the challenges to be faced. With the financial assistance from the Office of Economic Adjustment, Guam has developed an initial master plan which identifies Guam's challenges. We have utilized in-house expertise via the CMTF and its subcommittees to complete the remaining tasks to finalize the Master Plan.

A true partnership between the United States and its territory of Guam must be established and maintained to ensure program success.

Discussions between the United States and Japan with respect to the details of the Bilateral Agreement have been underway since 2006. Unfortunately, the Agreement was concluded without any input from Guam's leadership. Frequent mention by military officials is made of the inability to accommodate Guam's needs since negotiations on the subject matter have already been concluded between the U. S. and Japan. Financial shares identified in the Bilateral Agreement and subsequent negotiations appear to limit the use of funds to military-related construction only to support the Marine relocation.

Use of Japanese contributions for infrastructure only on-base as opposed to using some funds off-base to allow efficiencies are an example. It will require less U.S. tax dollars to fund the incremental cost to improve and operate single integrated utility systems rather than building and maintaining separate ones. The funding needed to build and maintain a separate DOD power system to serve only 20% of total island demand would be better spent on upgrading the entire transmission and distribution system, benefiting both civilian and military ratepayers. This is consistent with existing federal law. Over \$2 Billion in Japanese contributions are to be used by Special Purpose Entities that may not have to follow U. S. or Guam requirements regarding taxation, small business, or other "doing business" requirements. Guam must be provided a "seat at the table" even if only during U.S. delegation preparatory meetings in advance of negotiations with the Japanese.

Of particular concern is the lack of information being provided on the buildup program as reinforced by reports from the U.S. Government Accountability Office. All information released thus far is either “notional” or “pre-decisional.” While we understand the sensitivities of operating under the National Environmental Policy Act, the people of Guam must be full partners to appreciate the breadth and depth of buildup plans so that realistic alternatives and plans can be developed. Most information obtained is provided through the Joint Guam Program Office (JGPO) and while we enjoy a close working relationship between JGPO and the Government of Guam, local consensus is that information released by JGPO reflects decisions already made.

As mentioned earlier, a smaller but somewhat similar effort to buildup Guam was undertaken by the U. S. Navy in 1993 when its bases in the Philippines were closed. At that time, the Navy proposed to relocate approximately 3000 personnel and dependents and invest \$300 Million over four years to support relocation. Today, DOD is proposing to relocate six times more personnel and invest fifty times more money over a similar period of time and they are spending less on mitigation planning and economic analysis than the proposed move from Subic to Guam.. In short, 15 years ago the Navy took greater care of Guam’s needs for a proposed build-up that was 50 times smaller than what we are facing today. Although 90% of the comments received during the Navy’s EIS scoping meetings dealt with socio-economic concerns, the analysis of socio-economic issues is sorely limited. The current effort appears to be a simple collection of available data and where data does not readily exist, no effort will be expended to collect such information. The scope of work, which we have requested but have never received, is reported to be deficient in the development of multipliers to show the military’s contribution to the Guam economy and the effects of the buildup on Guam’s cost of living, real estate values, and overall quality of life. Job creation, retention and impacts on existing industries must be evaluated. Mitigation measures must be developed based upon objective analysis of data. The data collected and analyzed should allow us to develop long term plans to ensure that the few short years of double-digit growth associated with the Guam buildup can be managed to sustain the Guam economy. In Hawaii, the Honorable Senator Akaka’s home state, a Supplemental EIS for Hawaii to absorb 5,000 to 10,000 more military personnel based upon “Grow the Army” requirements to study base capacity to support long term decisions is being undertaken. We ask that the military buildup EIS thoroughly analyze the capacity of the local community to support mission growth.

Various statutory and administrative enablers will ensure program success.

For the military buildup of Guam to be truly successful, the following initiatives must be put in place:

- The Military must be a customer of Guam’s infrastructure systems.
- The military has indicated that level of construction that Guam can handle is about \$1B since largest level of construction experienced in the past is \$800M. However, if military informs public about types of business services needed, private sector will respond.
- Military authorized to use alien labor and cap on alien labor will soon be lifted however, need increased funding to train local labor force in order to achieve long term benefits and efficiencies from a life cycle perspective.

- Support legislation to appropriate funds for the Guam Buildup. We cannot grant our way through to meet the demands needed today.
- Involvement of CNMI and other regional jurisdictions for workforce development and increased tourism opportunities
- Military has tendency of stationing active duty personnel on a 3 month (or less than 180 days) rotating basis which prevents Guam from collecting income taxes as provided under Section 30 of the Organic Act. Section 30 must apply annually to billet not length of time of TDY personnel
- Military housing payments must be provided in a fashion that does not create gap in ability to provide affordable civilian housing or increase Guam's homeless population.
- Japanese financial contributions that will be used by US must be required to follow federal law (small business, social security taxes, etc.)
- Special purpose entities established by Japanese must provide benefits to Guam
- Maximum opportunity to obtain contracts must be provided to local and small businesses.
- Military must be required to enforce local doing business requirements to the maximum extent practicable.
- The USDA Federal Loan Guarantee and Critical Access Hospital programs to provide additional technical assistance to Government Guam for funding submission requests for critical infrastructure projects.
- Mid-decade Census conducted to adequately address population growth as a result of the military buildup.
- Given the likely high impact in population on the northern island, designating Dededo and Yigo villages as rural development.
- Lift Medicaid and Medicare reimbursement caps, as well as increase formulary cap grants to Guam.
- Military ensure that adequate safety officers on ground beginning from the construction phase.
- Fully reimburse Guam for compact impact aide

Conclusion

While Guam's proximity to Asia reduces the tyranny of time and distance for military operations, our distance from policy makers in the U. S. creates an "out of sight - out of mind" perception in the minds of the American citizens residing in Guam. Initiatives taken by Congresswoman Madeleine Z. Bordallo to bring Congressional Delegations to Guam have helped reduce this distance and change local perception. Congresswoman Bordallo has brought attention to our needs and we invite members of this Committee to come to Guam to view first hand our challenges and our hope for a better future.

No doubt, we all have many hurdles to overcome. Given the magnitude of this endeavor and the short time within which to accomplish it, success requires that all of us work collaboratively and that we view each other as partners working toward a common good for the security of this great nation.

As Governor for the people of Guam, I acknowledge there are many challenges that are Guam's responsibility - challenges that are results of our current program levels and the natural growth of our island community. We are already taking steps to address those issues. However, I do expect DOD and the federal government to underwrite the costs to Guam's local community that are directly and indirectly associated with DOD driven requirements for the move of the 3rd Marine Expeditionary Force to Guam and the requirements of the other military services including the National Guard and Reserves.

It is in the best interests of the Nation and the people of Guam that the military buildup produces sustainable outcomes, both physically and socially, for our island. An integrated, holistic approach that considers the people of Guam, our rights, our health and our well being as well as the military value of our island is crucial.

DOD's unprecedented expansion is being undertaken in our patriotic American community. Today, the people of Guam are overwhelmingly in support of a greater military presence on our island. They believe that bringing the military back is good for our nation's defense and our people's prosperity. But that goodwill must not be exploited at the expense of the people of Guam. While the opportunities resulting from the military build up are promising, the challenges we face in preparing for it are equally burdening.

Many of the Administration and federal agency officials we have worked with since 2006 may leave office over the next few months. This fact poses a whole new set of challenges that could be overcome by the Congress in setting overall policy that transcends administrations.

Guam is the only player in the build-up that knows what is necessary to adequately accommodate a U.S. national decision. Guam does not have the resources to meet the military's needs. Our small island only has enough to sustain our normal population growth rate of 6% over 10 years. Now we are being told to prepare for a 30% increase in 4 years and it's up to us to find the funding. This unprecedented growth is beyond our ability no matter how willing we might be to accept the responsibility being asked of us. If we are to succeed in this partnership, Guam must become a true partner with our requirements carrying the same weight and consideration as the military requirements.

On behalf of the people of Guam, I humbly ask for your support in funding the necessary infrastructure requirements. We commit our resources to you to accomplish this task.

Thank You.