

Congress of the United States

Washington, DC 20515

July 12, 2011

Honorable John Fleming
Chairman,
Subcommittee on Fisheries, Wildlife, Oceans and Insular Affairs
1324 Longworth
US House of Representatives
Washington, DC 20515

Dear Chairman Fleming,

The economic downturn that is currently affecting the mainland United States has had its reverberations in the offshore territories. As small and fragile economies in good times, the recession has compounded longer standing challenges and our capacity to respond is limited. As the Subcommittee with the responsibility to oversee territorial issues, we are requesting an oversight hearing on fiscal issues in the territories and how they are being addressed.

In the U.S. Virgin Islands, general revenues for Fiscal Year 2012 are projected to be down by 20% from the 2008 pre-recession level. Personal income taxes are down 16% and corporate income taxes are down 71% for a net income tax decline of 31%. Gross receipts taxes are down 5%. Elected leadership grappled with a projected shortfall this year and another is expected next year. With the inclusion of the unfunded pension contribution, annual shortfalls could reach approximately \$70 million a year.

Economic conditions in the Northern Mariana Islands are dire. The Bureau of Economic Analysis just announced that real gross domestic product there decreased by approximately 20 percent in 2009 after decreasing by more than 12 percent in 2008. BEA also amended GDP data for the Northern Mariana Islands that was released in May 2010. The revised data reflects a 6.3 percent average annual decline in GDP from 2002 to 2007, as opposed to the 4.2 percent average annual decline previously reported. Current local government revenues indicate that this precipitous decline continues: the Northern Mariana Islands budget for fiscal year 2012 will likely be \$102 million, which represents a 23 percent decline from its original fiscal year 2011 budget of \$132 million. The Northern Mariana Islands historically relied on two main industries for private sector employment and government revenues: the apparel industry and tourism. The last apparel factory closed its doors in 2009 and inbound tourism, which has declined by nearly 50 percent since 1996, has suffered additional downward pressure from the effects of the March 2011 earthquake and tsunami that struck its main source of arriving visitors: Japan.

High poverty rates and rising consumer prices continue to cripple the American Samoa economy. A recent GAO report released in April 2011 shows that from 2006 to 2009, American Samoa had lower income and higher poverty rates than the mainland U.S. Meanwhile, local prices rose by about 15 percent. These numbers underscore the realities of the situation in American Samoa, which is still recovering from the earthquake and tsunami of 2009 that destroyed critical infrastructure, residential homes, and many properties in the territory.

A recent report from the Guam Department of Labor indicates that the per capita income for 2010 is \$12,864, a decrease of \$225 or 1.7 percent from 2008. Further, the recent "2+2" meetings between the United States government and Government of Japan affirmed that the military build-up will not be completed in 2014 and thus construction will be spread out over a greater time and may not have the anticipated economic benefit that was initially expected. Additionally, the March 11, 2011 earthquake and tsunami in Japan has had a significant negative impact on Guam's tourism industry which is an important part of the economy.

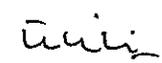
We believe that a review of measures taken to address the deficits in the offshore territories should be reviewed as we determine what type of measures can be taken to strengthen their economies during this time and put them on a sustainable path.

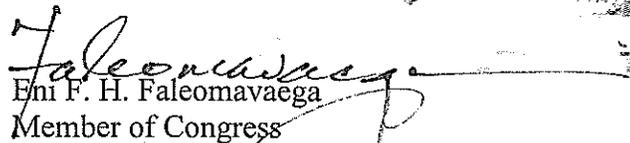
We would like to thank you for your kind consideration of this request.

Sincerely,



Donna M. Christensen
Member of Congress


Gregorio K. Sablan
Member of Congress



Eni F. H. Faleomavaega
Member of Congress



Madeleine Z. Bordallo
Member of Congress

Cc: The Honorable Doc Hastings, Chairman – Committee on Natural Resources
The Honorable Edward Markey, Ranking Member – Committee on Natural Resources