

**U.S. Department of the Interior  
Report to Congress**

**Technical Assistance  
Northern Mariana Islands U.S. Workforce Act of 2018**

**October 2019**

**Department of the Interior**



## TABLE OF CONTENTS

Report of the Secretary of the Interior on Immigration in the CNMI.....	2
Office of Insular Affairs	
Authorities and Responsibilities to the Territories.....	2
Technical Assistance Program.....	3
Capital Improvement Project.....	3
Energizing Island Communities.....	4
Background and History of the CNMI Economy.....	5
Typhoon Yutu.....	7
Activities to Identify Opportunities for Economic Growth and Diversification.....	8
Office of Insular Affairs: Technical Assistance.....	8
Department of Commerce.....	11
International Trade Administration.....	11
Bureau of Economic Analysis.....	12
U.S. Census Bureau.....	12
Economic Development Administration.....	13
Office of Insular Affairs: Recruiting, Training, and Hiring U.S. Workers.....	14
Department of Labor.....	15
Background and Foreign Labor Certification.....	15
Implementation of Workforce Act.....	15
Commonwealth Worker Fund Annual Plan.....	16
Office of Insular Affairs: Technical Assistance.....	16
U.S. Department of Labor Formula and Discretionary Grants.....	17
Other Technical Assistance and Consultation.....	18
Section 902 Consultation of the Revocation of the PRC Tourist Parole Program.....	18
Recommendations by the Special Representatives.....	19
Conclusion.....	19

# **REPORT OF THE SECRETARY OF THE INTERIOR ON RESPONSIBILITIES TO THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS**

In July 2018, President Trump signed into law H.R. 5956, the *Northern Mariana Islands U.S. Workforce Act of 2018* (Act or the Workforce Act), Public Law 115-218. Subsection 3(c) of the Act requires the Secretary of the Interior (Secretary), no later than October 1, 2019, and biennially thereafter, to “submit a report to Congress that describes the fulfillment of the Department of the Interior’s responsibilities to the Commonwealth of the Northern Mariana Islands.” Pursuant to the Act, the Secretary is responsible for:

- identifying opportunities for economic growth and diversification;
- providing assistance in recruiting, training, and hiring United States workers; and
- providing such other technical assistance and consultation as outlined in section 702(e) of the Consolidated Natural Resources Act of 2008 (48 U.S.C. 1807).

The Departments of Commerce, the Interior, and Labor are the Federal agencies providing technical assistance to the Commonwealth of the Northern Mariana Islands (CNMI or the Commonwealth). The Act establishes the duties of these agencies, whose activities since the enactment of the law follow in this report. The Department of the Interior provides its assistance through the Office of Insular Affairs (OIA).

## **The Office of Insular Affairs’ (OIA) Authorities and Responsibilities to the Insular Areas**

Under the leadership of the Assistant Secretary for Insular and International Affairs, OIA carries out the Secretary of the Interior’s responsibilities for American Samoa, the CNMI, Guam, and the U.S. Virgin Islands. Additionally, OIA administers and oversees Federal assistance to the three freely associated states - the Federated States of Micronesia (FSM), the Republic of the Marshall Islands, and Palau. The OIA’s budget achieves the Department’s mission of *Fulfilling Our Trust and Insular Responsibilities* by balancing OIA’s efforts to strengthen economic and health capacities in the territories, and fulfilling the United States’ Compact obligations to the freely associated states with the need for budgetary restraint.

Through its grant programs, OIA works to assist and improve the quality of life in the territories and the freely associated states. These programs are established partnerships between OIA and the insular governments in which both sides collaborate to determine priorities in various areas of governance. The relevant grant programs for discussion of this policy in the CNMI are OIA’s Technical Assistance Program, Capital Improvement Projects, and Energizing Island Communities, for which descriptions follow.

## **Technical Assistance Program**

The OIA's Technical Assistance Program (TAP) was authorized in Section 601 of Public Law 96-597 on December 24, 1980. The law, as amended, reads:

The Secretary of the Interior is authorized to extend to the governments of American Samoa, Guam, the Northern Mariana Islands, the Virgin Islands, and the Trust Territory of the Pacific Islands, and their agencies and instrumentalities, with or without reimbursement, technical assistance on subjects within the responsibility of the respective territorial governments. Such assistance may be provided by the Secretary of the Interior through members of his staff, reimbursements to other departments or agencies of the Federal Government under sections 1535 and 1536 of Title 31, grants to or cooperative agreements with such governments, agreements with Federal agencies or agencies of State or local governments, or the employment of private individuals, partnerships, or corporations. Technical assistance may include research, planning assistance, studies, and demonstration projects.

The TAP's purpose is to fund priority projects for which there are little to no funds available from other Federal agencies. The TAP provides the flexibility needed to respond to urgent, immediate needs in the insular areas. This flexibility is not available in any other Federal budget due to the nature of the appropriations process. Some programs are necessary on an ongoing basis for the insular areas, including, but not limited to, ongoing financial management, operational management, and audit training for all insular areas. The ongoing programs were incorporated into TAP because there was no other source of funds in the Federal budget for these projects. The TAP allows each government to identify pressing issues and priorities and to develop action plans to mitigate these problems. Direct grants and reimbursable agreements with technical assistance providers, both within and outside the Federal Government, are keys to implementation. Funded projects are focused to meet immediate needs in the short-term and to assist the governments in developing long-term solutions. The OIA staff and outside experts provide information on a variety of topics to help improve government operations in areas such as financial management, procurement and contract management, and the administration of Federal grant programs. In fiscal year 2018 and 2019, OIA awarded the CNMI \$2,400,000 and \$2,500,000, respectively, in TAP funding.

## **Capital Improvement Project**

Capital Improvement Project (CIP) funds address a variety of infrastructure needs in the U.S. territories, including critical infrastructure, such as hospitals, schools, wastewater systems, and solid waste systems. Improvements to critical infrastructure not only benefit the current population and businesses but also lay the groundwork to attract new investment to the territories, thereby promoting economic development and self-sufficiency. Section 701 of the *Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America*, Public Law 94-241, states, in part, as follows:

The Government of the United States will assist the Government of the Northern Mariana Islands in its efforts to achieve a progressively higher standard of living for its people as part of the American economic community and to develop the economic resources needed to meet the financial responsibilities of local self-government.

Enacted in 1996, Public Law 104-134 allowed Covenant CIP funding, previously provided only to the CNMI, to be disbursed throughout the U.S.-affiliated insular areas. OIA has granted to the CNMI more than \$400,000,000 in CIP funding since the program started in 1978. The funding has been used for infrastructure improvements as required by Public Law 104-134. The U.S.-CNMI partnership in capital development has produced tangible results in terms of infrastructure improvements and the resulting economic development, which is especially significant when considering the CNMI's short history as part of the United States. In fiscal year 2018 and 2019 OIA awarded the CNMI \$8,100,000 and \$9,700,000, respectively, in CIP funding.

### **Energizing Island Communities**

Through this subactivity, Energizing Island Communities (EIC), OIA supports insular communities' efforts to increase the reliability and affordability of their energy supply and infrastructure. Insular communities face unique economic growth challenges due to their geographic isolation, finite resources, and dependence on imported oil for their energy needs. To assist the islands in meeting these challenges, OIA works to strengthen the foundations for economic development by addressing energy needs through building reliable and affordable energy strategies. Energy security is critical to the insular areas' future economic development and viability. In terms of residential cost per kilowatt hour, the territories on average pay nearly two or three times the national average for electricity. Enacted in 2005, Public Law 109-58 directed the Secretary of the Interior to draft long-term energy plans for the insular areas with the objective of reducing their reliance on energy imports, increasing energy conservation and energy efficiency, and using native energy sources. To combat the high cost of electricity, OIA entered into an Inter-Agency Agreement in 2010 with the U.S. Department of Energy's National Renewable Energy Lab (NREL) to help develop long-term strategic energy plans in American Samoa, the CNMI, and Guam. The ultimate goal was to help the insular areas develop advanced energy systems that increased energy independence and security. The Governors of American Samoa, the CNMI, and Guam each established energy task forces that included a variety of their territories' energy stakeholders:

- colleges and universities;
- utility companies;
- energy offices;
- environmental protection agencies; and
- private-sector organizations.

The NREL staff worked closely with each territory's energy task force to develop long-term strategic energy plans and short-term energy action plans. These energy plans were finalized and published in July 2013 for the CNMI and Guam. American Samoa's energy action plan was published in August 2013, and its strategic energy plan was published in December 2013. In the

end, these energy plans are the result of a collaborative effort among various energy stakeholders over several months. Intended to be fluid foundational documents, the strategic energy plans lay out a variety of strategies that should be revisited and updated, as appropriate.

In fiscal year 2018 and 2019, OIA awarded the CNMI \$1,800,000 and \$785,000, respectively, in EIC funding.

## **Background and History of the CNMI Economy**

**Background and History.** In 1978, many sections of the *Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America* became effective, granting the CNMI control of its minimum wage rate and its immigration policies, with the condition that the U.S. Congress could take over control, given the need to do so. With control over minimum wage and immigration, the CNMI was able to expand its economic base with two sources of economic activity: garment manufacturing and tourism.

**Garment Manufacturing.** At its peak in 1998, the CNMI garment industry exported annually in excess of \$1,100,000,000. Over time, however, textile exports began to drop, and the closure of the garment factories followed in 2005, when the World Trade Organization's quota restrictions were lifted, and unlimited garment imports from low-cost producers such as the People's Republic of China (PRC) were permitted. Closure of the last three garment factories in Saipan occurred in the first quarter of 2009, which marked the official end to the CNMI's largest industry and its greatest source of tax revenue.

**Tourism.** Tourist arrivals to the CNMI peaked in 1997 with a total of 727,000 visitors. A downward trend started with the Asian financial crisis in the late 1990's and continued into the early years of the last decade. Then, in 2006, a rapid decline in tourism began when Japan Air Lines, the CNMI's most significant air carrier, dropped its service to the CNMI, which had carried nearly a third of Japanese tourists to and from Saipan. The lack of stable air service and a significant reduction in destination marketing resulted in major declines in tourism.

**The Fiscal Impact.** The decrease in tourism and the loss of Saipan's garment industry caused a huge reduction in the CNMI Government's budget from a peak of \$247,000,000 in fiscal year 1997. Federal grants and programs have helped. However, the loss in garment and tourism tax dollars has caused significant cuts in government services in all areas, ranging from cuts to power production and facility maintenance to more austere measures for government employees, such as salary reductions and reductions to contributions to retirement funds.

**Minimum Wage.** In 2007, the U.S. Congress put the CNMI on the path to the Federal minimum wage by requiring the CNMI to be included in the Fair Labor Standards Act for the first time through passage of Public Law 110-28. (The same legislation also included American Samoa for the first time.) The CNMI's minimum wage rate, at the time \$3.05, was to increase fifty cents

annually until the CNMI's minimum wage achieved parity with the Federal rate, which at present is \$7.25 per hour. The annual increments in the minimum wage rate occurred on September 30 of every year, unless Congress delayed the increase as it did in 2011, 2013, and 2015. On September 30, 2018, the CNMI's minimum wage reached \$7.25 per hour, the same as fourteen other states in the U.S. mainland, including Texas, Virginia, Utah, Pennsylvania, and North Dakota.

**Immigration -- Federal.** On May 7, 2008, the President signed the Consolidated Natural Resources Act of 2008, Public Law 110-229, which included in Subtitle A of Title VII provisions for Federal administration of immigration in the CNMI. At the time, Congress was well aware that severe economic decline in the CNMI had already taken place. In transferring immigration administration from the CNMI to the Federal Government, Congress made clear that Federal officials were to tailor Federal immigration as follows:

to minimize, to the greatest extent practicable, potential adverse economic and fiscal effects of phasing-out the Commonwealth's nonresident contract worker program and to maximize the Commonwealth's potential for future economic and business growth

Congress also required phasing out the CNMI's foreign labor pool, known as *Commonwealth-only Transitional Workers* or *CW-1*, scheduled to end on December 31, 2014. The *Northern Mariana Islands U.S. Workforce Act* of 2018 (Workforce Act), Public Law 115-218, was subsequently enacted on July 24, 2018. The Workforce Act reauthorized the CW-1 visa for the CNMI through December 31, 2029.

**Economic Revival.** Based on the CNMI's 2019 Comprehensive Economic Development Strategy Report, the drastic decline in the CNMI's economy and the compounding liabilities, most notably from the government retirement program, prompted CNMI leaders to seek various options to address them. In March 2014, then Governor Eloy S. Inos signed Public Law 18-56, which authorized and established an exclusive casino license in Saipan. The award of the casino license immediately increased much needed cash for the government and attracted other private-sector investors to the CNMI in anticipation of an improved economy. Impact from the new development increased need for labor, goods, services, and arrivals. A report from the CNMI Department of Commerce showed that Business Gross Revenues increased by 107 percent between 2011 and 2016. There was also a ninety-percent increase in visitor arrivals over the same period. The table below displays the impact from these new developments, and is reflected in the continued increase of the CNMI's revenue from \$120,700,000 in fiscal year 2012 to \$258,100,000 in fiscal year 2019.



The CNMI’s economic rebound is dependent upon meeting the labor demand. The required resident labor force is not available within the CNMI or the region. To address the CNMI’s increasing labor needs, CNMI leaders lobbied Congress to extend the *CNMI-Only Transitional Worker* or *CW-1* visa program provided under Public Law 110-229. On July 24, 2018, President Trump signed into law the Northern Mariana Islands U.S. Workforce Act of 2018, Public Law 115-218, which extended the program for ten years, expiring on December 31, 2029. Public Law 115-218 also provides technical assistance similar to that under Public Law 110-229 in order to help improve the CNMI’s economy and to provide jobs for U.S.-eligible workers.

### **Typhoon Yutu**

Typhoon Yutu struck Tinian and Saipan on October 24, 2018, as a Category 5-equivalent super typhoon. As estimated by FEMA, total damage reached \$800,000,000.

**SAIPAN:** Saipan International Airport recorded wind gusts of 103 miles per hour. The same day, Yutu’s eyewall knocked out Saipan’s Doppler radar during the storm’s landfall. On Saipan, the typhoon killed two people. In addition, at least 133 people were severely injured. Saipan and Tinian were left without electricity. In southern Saipan, most buildings lost their roofs or were destroyed, including Mount Carmel School, which suffered extensive damage. Low-lying vegetation in southern parts of Saipan was shredded or ripped from the ground. Saipan International Airport sustained significant damage - terminals were flooded, and aids to navigation were rendered inoperable.

**TINIAN:** Most homes on Tinian were severely damaged or destroyed. Some concrete structures sustained significant damage, with a few completely destroyed, and residents reported that those buildings shook during the typhoon. Tinian’s only health center sustained major damage. Tinian International Airport suffered significant damage.

## **Activities to Identify Opportunities for Economic Growth and Diversification**

The insular economies are small, isolated, and dependent on one or two main sources of income. In most areas, Federal programs and grants represent a major source of government revenues. Federal funds were 22 percent of all government revenues available to the CNMI in 2017. The goal of achieving greater fiscal self-sufficiency and economic sustainability for the CNMI is dependent on the growth and diversification of its economy. Economic growth, however, is greatly dependent on modern and well-maintained infrastructure and the capacity of local institutions and the workforce to meet and often exceed marketplace requirements.

The OIA has worked with the CNMI government in using OIA's limited resources to support the development of its infrastructure and special initiatives. This investment in infrastructure to support economic growth has proven essential in the efforts of CNMI to recover after the devastation of Typhoon Yutu.

Economic growth and diversification is a complex and heavy lift for CNMI, and OIA has consulted with the Department of Commerce (DOC) on actions it has undertaken to support the CNMI. The DOC has a much broader and deeper range of programs to support economic growth and diversification in the CNMI, and the Comprehensive Economic Development Strategy (CEDS) program that is funded by the Economic Development Administration is perhaps the most relevant Federal program in the effort to identify opportunities for economic growth and diversification. What follows is a representation of how OIA and DOC programs, including the CEDS, are supporting CNMI's pursuit of economic growth and diversification.

### **Office of Insular Affairs – Technical Assistance**

#### **\$146,789 - Ma'afala Breadfruit Farming Program Initiative**

- The Department of Lands and Natural Resources received a technical assistance grant for the creation of a Ma'afala Breadfruit Farming Program Initiative as a potential source of revenue. It aims to create a program that will aggressively grow and monitor 6,000 seedlings across Saipan, Tinian, Rota, and the Northern Islands. Using Geographic Position Systems and plotting devices, each seedling will be digitally recorded and mapped. The Government set aside large parcels of land to grow the trees, study its environmental conditions, and collect pertinent data that could transform itself into a new industry for the Commonwealth.

#### **\$172,949 - Rota Aquaponics Initiative**

- Rota Mayor's Office received a technical assistance grant to continue Rota Aquaponics Initiative. Aquaponics brings jobs, a sustainable source of food, and provides the local economy an export product. The expansion includes the introduction of additional vegetable varieties and varying aquatic life to enhance the programs' sustainability.

#### **\$357,966 - CNMI Recycling Enhancement Program**

- The Department of Public Works received a technical assistance grant to expand and streamline the current capabilities of the government run recycling facility to include the redemption of aluminum cans and the recycling of rubber tires off island on all three

islands (Saipan, Tinian and Rota). This grant will employ four recycling technicians to work primarily on the aluminum redemption side.

**\$431,604 – Granular Activated Carbon Treatment (Economic Development Assistance Cost Share)**

- Installation of Granular Activated Carbon (GAC) treatment system at the Isley Booster Station 1 and four other individual wells (IF-25, OB-6, OC-19 and OB-23). The OB wells feed the Isley Tank and IF-25 feeds the Airport Rescue and Fighting Facility (ARFF). The GAC is a highly porous, highly absorbent material made from organic materials with high carbon content such as wood, lignite, and coal, and is used extensively in water treatment systems for its ability to absorb natural organic compound, taste and odor compounds, and synthetic organic chemicals. This is a cost share. The primary funding source will be from an Economic Development Administration grant.

**\$5,143,896 – Saipan FEMA Projects Cost Share**

- Cost share funding for FEMA projects under the Public Assistance and Hazard Mitigation grant programs; to implement projects to improve, reduce, and mitigate long-term risk to people, and property from natural hazards and their effects; improve the useful life of the facilities; and provide a more resilient environment. Cost share for project worksheets upon FEMA completion and obligation.

**\$500,000 – Typhoon Yutu Hazard Mitigation FEMA Projects Cost Share**

- Cost share funding for FEMA projects for the Advance Assistance for Hazard Mitigation grant program to perform assessments and design for resiliency projects under the Hazard Mitigation program.

**\$890,975 – Tinian FEMA Projects Cost Share**

- Cost share funding for FEMA projects under the Public Assistance and Hazard Mitigation grant programs to implement projects to improve, reduce, and mitigate long-term risk to people and property from natural hazards and their effects, and improve the useful life of the facilities. The funding will also provide a more resilient environment. Cost share for project worksheets upon FEMA completion and obligation.

**\$890,975 – Rota FEMA Projects Cost Share**

- Cost share funding for FEMA projects under the Public Assistance and Hazard Mitigation grant programs to implement projects to improve, reduce, and mitigate long-term risk to people and property from natural hazards and their effects, and improve the useful life of the facilities. The funding will also provide a more resilient environment. Cost share for project worksheets upon FEMA completion and obligation.

**\$706,000 – CIP Program Administration**

- Continued funding for the CNMI 702 CIP Program Administration under the Office of the Governor to implement projects from inception to completion, independent of the Department of Public Works.

**\$101,550 – Infrastructure Maintenance**

- Available funding for infrastructure maintenance projects in the Commonwealth. Only repairs, improvements, and rehabilitation activities or equipment purchases related to the maintenance of federally or locally funded projects will be eligible for funding.

**\$400,000 – Rota Department of Public Safety (DPS) Renovations**

- Renovation of the DPS facility in Songsong Village, Rota, including the administration building, the operation building, and the septic/leaching field system.

**\$5,000,000 – Commonwealth Utilities Corporation (CUC) – Stipulated Order No. 2 Works**

- Construction and commissioning of a fuel pipeline from Mobil Terminal to CUC power plants.

**\$846,913 – Tinian Landfill**

- To construct an environmentally compliant facility for the disposal of non-hazardous solid waste, including a transfer station and upon completion, the municipality will cease accepting waste and begin operations at the current site.

**\$846,913 – Rota Landfill**

- To construct an environmentally compliant facility for the disposal of non-hazardous solid waste.

**\$328,624 – CIP Program Administration**

- Continued funding of the CNMI 702 CIP Program Administration under the Office of the Governor to implement projects from inception to completion, independent of the Department of Public Works.

**\$101,550 – Infrastructure Maintenance**

- Funding for the infrastructure maintenance projects in the Commonwealth. Only repairs, improvements, and rehabilitation activities or equipment purchases related to the maintenance of federally or locally funded projects will be eligible for funding.

**\$55,934 – Reinstated Commonwealth Utilities Corporation and Water Task Force Funding**

- Reinstated remaining prior year funding for ongoing CUC (former Water Task Force) projects.

**\$50,288 – Puerto Rico (Saipan) Dump Post Closure Maintenance and Monitoring**

- Funding for the post-closure maintenance and monitoring of Eloy S. Inos Peace Park, previously the Puerto Rico Dump.

**\$450,000 – Kagman Waterline and Booster Station Rehabilitation Project**

- Supplemental funds for an EPA grant to isolate the Kagman water wells from directly feeding into the water distribution system. The grant will cover the construction of new water lines, isolation valves, and a new booster station, abandoning the Kumoi water tank, rehabilitating the Kumoi booster generator, connecting water service laterals,

installing new water service lines, eliminating a chlorine station, rehabilitating generator units and facilities, and asphalt pavement footprints.

**\$1,700,000 – Fiber Optic Telecommunications Cable**

- Installation of a fiber optic telecommunications cable for the islands of Tinian and Rota.

**\$283,735 – Department of Public Works - Division of Solid Waste Pyrolysis Pilot**

- The procurement of a small-scale continuous waste plastic oiling system to reduce and recycle waste plastic by converting it to refined oil.

**\$118,528 – Department of Lands and Natural Resources Standalone Photovoltaic Lights**

- Installation of stand-alone solar photovoltaic lamp-post unit for the Coconut Rhinoceros Beetle Detection, Eradication, and Bio-Control Program on Rota.

**\$847,737 – Commonwealth Utilities Corporation – Streetlight Efficiency Project**

- Retrofit replacement of obsolete Light Emitting Diode (LED) and High Pressure Sodium streetlight fixtures with energy-efficiency LED streetlight fixtures throughout the territory.

**Department of Commerce**

**International Trade Administration (ITA)**

The Department of Commerce assists American exporters through a global network of trade specialists posted worldwide, including in the CNMI. Experts in ITA's domestic U.S. Export Assistance Centers (USEAC) have tremendous experience in facilitating U.S. companies' exports, advocating on their behalf, and helping them find new customers. The Hawaii USEAC has successfully recruited members of the Hawaii Pacific District Export Council, who are appointed by the Secretary of Commerce. The District Export Council has had a continuous presence in the CNMI since 2010, which has enabled collaboration on several export events in the CNMI, typically featuring U.S. Commercial Service personnel, including Foreign Service Officers and locally engaged staff.

The ITA conducted three activities in support of the CNMI during the reporting period. In 2018, Diane Farrell, Deputy Assistant Secretary of Commerce for Asia, met with Mark Rabauliman, the CNMI Secretary of Commerce, during Ms. Farrell's visit to Guam and discussed the Indo-Pacific Vision, Select USA, and other ITA tools available to support the CNMI's economic and trade development. In 2019, the U.S. Commercial Service in Jakarta assisted the American Northern Marianas Regional Center to find a local Indonesia EB-5 promotion partner. In addition, officers of the U.S. Commercial Service -Tokyo met with Christopher A. Concepcion, the Marianas Visitors Authority Managing Director, while attending the Marianas Tourism Seminar held in Tokyo, to discuss possibilities for future collaboration to attract tourism to the CNMI.

Previously, in 2017, the Hawaii USEAC assisted the CNMI in developing a successful proposal that was awarded \$142,000 through the Small Business Administration State Trade and Export

Promotion Program. In 2013 and 2015, Select USA staff met with the then CNMI Secretary of Commerce Secretary Sixto Igisomar and briefed him on Select USA offerings. The CNMI continues to focus on EB-5 promotion, real estate, and capital-investment-related activities that are outside of the scope of Select USA. In fiscal year 2010 and 2012, the Hawaii USEAC staff conducted outreach and met with key clients, partners, local officials, and the media to promote exports in accordance with the National Export Initiative (NEI). This outreach included four export training seminars, including one specific to the NEI priority sector, the travel and tourism industry. Three of the four seminars took place in Saipan, and the fourth was held in Tinian. The Hawaii USEAC also presented one CNMI company with a *Certificate of Appreciation in Trade* for the company's outstanding work promoting exports.

### **Bureau of Economic Analysis (BEA)**

Since 2009, the BEA has worked with OIA to produce comprehensive, objective measures of economic activity in the CNMI. Estimates of gross domestic product (GDP) and its major components are available for 2002 to 2017. Measures of GDP by industry are also available for 2002 to 2016. Later in 2019, estimates of GDP for 2018 will be released, along with GDP by industry for 2017.

In 2020, BEA will conduct its second comprehensive update of GDP for the CNMI; the first occurred in 2016. Estimates of GDP will be revised to reflect methodological improvements and the availability of more complete data over time, in some cases back to 2002. Information from the Census Bureau's 2017 Economic Census of Island Areas, the most thorough industry data available for the CNMI, will be incorporated at this time.

The work by BEA and OIA supports CNMI's economic development by providing policymakers and businesses with data needed to make evidence-based economic and financial planning decisions. According to BEA, the CNMI GDP increased 25.1 percent in 2017, after increasing 28.2 percent in 2016. BEA reported on October 17, 2018:

The largest contributor to growth in the CNMI economy was exports of services. The increase in exports of services reflected continued growth in visitor spending, particularly on casino gambling. The number of visitors to the CNMI grew 24 percent in 2017, following an increase of 11 percent in 2016.

The CNMI's real GDP is now officially at \$1,320,000, the highest GDP for the CNMI since the BEA started GDP estimates for the US territories in 2002.

### **U.S. Census Bureau**

The U.S. Census Bureau is preparing for the 2020 Census in the CNMI. The Census Bureau will work with the CNMI Government to collect the demographic, social, economic, and housing characteristics. Address listing will begin in February 2020, and enumeration will begin in March 2020 and conclude by July 2020. The Census Bureau will process and tabulate the collected data and disseminate data products to the public in the subsequent years following the census.

## **Economic Development Administration (EDA)**

The CNMI Department of Commerce previously managed the EDA funding to support the CNMI Comprehensive Economic Development Strategy (CEDS). The CNMI Commerce Secretary, Mark Rabauliman, coordinated with the CNMI's Office of Planning and Development (OPD) to manage the remaining funds from the last CEDS funding award, whose amount was \$100,000. The CNMI was granted an extension to produce the CNMI CEDS Update, which was submitted on April 30, 2019. Currently OPD is coordinating with local agencies on their proposals to EDA under disaster assistance funding. Thus far, the Northern Marianas College (building), the Northern Marianas Trade Institute (building), the Commonwealth Ports Authority (jet bridges), and the Commonwealth Utilities Corporation (Granular Activated Carbon filtration system) proposals have been submitted to EDA.

The 2016-2021 CEDS is a document prepared for and through the CNMI Department of Commerce. The CEDS is paid for through technical-assistance grant funding made available through EDA. The purpose of the CEDS is to develop a comprehensive economic planning document, which considers the jurisdiction's human, physical, and natural assets towards an integrated economic plan looking forward five years. The CEDS document is contemplated through a collaborative effort between the public and private sectors, governed through a CEDS Commission, which is intended to consider all aspects of the CNMI's economic planning.

The CEDS document is established pursuant to Title 13 Code of Federal Regulations, Section 303.6, providing each jurisdiction with a specific criterion for the document's development and purpose. The composition of the CEDS' *planning organization* is highlighted as a key component towards the development of a successful CEDS study. The *planning organization* requires representation of specific members of the community, including:

- public officials;
- community leaders;
- representatives of workforce development boards;
- representatives of institutions of higher education;
- minority and labor groups; and
- private individuals.

In 2015, the then Governor of the CNMI, Eloy S. Inos, identified members of the community to serve on the *planning organization*, also known as the *2016-2021 CEDS Commission*. The role of the Commission is intended to guide the development of the CEDS document, including:

- the selection of a third-party contractor;
- agreement and adoption of a project-ranking system;
- ranking of identified projects utilizing the adopted ranking matrix; and
- approval of the final CEDS document.

## **OIA Recruiting, Training, and Hiring U.S. Workers**

Over the years, OIA has collaborated with the CNMI to achieve Federal policy to reduce its dependence on foreign workers by increasing U.S workers through recruitment and training. OIA, for example, has provided over \$1,000,000 for citizens from the Federated States of Micronesia to participate in its training and employment programs at The Center for Micronesian Empowerment (CME). The CME has graduated and found employment for 270 Pacific Islanders not from Guam. The OIA spending has yielded a per-person cost of \$3704. Despite these longstanding efforts by CME in partnership with Federal and local partners, the available labor for the military build-up alone is currently insufficient. The CNMI has explored sourcing its labor needs from regional jurisdictions to include the FSM, the Marshall Islands, and Palau. However, the available labor pool within these jurisdictions is inadequate to offset its foreign labor loss. The increase in economic activity in both the CNMI and Guam has precipitated a labor shortage, which is forecasted not to ease anytime soon.

The Department of Labor has a portfolio of programs and authorities better aligned than those of OIA to address the challenges of growing a U.S.-skilled workforce in the large numbers needed to meet the demands of the CNMI's growing economy. What follows is a representation of how OIA and the Department of Labor programs are supporting CNMI's pursuit of recruiting and training U.S. workers.

### **Office of Insular Affairs**

#### **\$363,465 - Zero Waste Initiative**

- The CNMI Department of Public Works was awarded a technical assistance grant for its Zero Waste Initiative – Island Composting Program to divert green waste, yard waste, and food scraps into organic matter that will be recycled as a fertilizer and soil amendment, among which are key ingredients in organic farming. Composting, a form of zero waste, will eliminate all discharges to land, water, or air that are a threat to human, animal, and plant health. This program will also employ and train composting technicians to receive compostable material.

#### **\$49,699 - Transit Authority Workforce Training**

- The Office of Transit Authority was awarded a technical assistance grant for professional development and training of transit operators, transportation information specialists, and additional staff. The instruction and guidance provided from these working sessions will ensure that safety, efficiency, and accountability are instilled into the daily operations of CNMI's first public transit system.

#### **\$297,077 - Substance Abuse and Drug Rehabilitation Workforce**

- The Office of Substance Abuse and Drug Rehabilitation was awarded a technical assistance grant to recruit and hire new licensed and certified psychiatrists, who will provide specialized leadership and clinical expertise at the center.

### **\$1,000,000 – Temporary Classroom Repairs**

- Temporary repairs to classrooms at six schools to make them available for the displaced student population in double sessions due to damage from Super Typhoon Yutu, and to eliminate the need for double sessions in order to bring some normalcy back to students.

### **\$630,975 – Northern Marianas College Repair and Renovations of Classrooms**

- Repair and renovations of classrooms at Northern Marianas College, including the renovations of Building V to accommodate classrooms and office space after Super Typhoon Yutu.

### **\$1,000,000 – Insular Assessment of Buildings and Classrooms**

- Improvements to existing public school system facilities on Saipan, Tinian, and Rota.

## **Department of Labor**

### **Background**

The *Northern Mariana Islands U.S. Workforce Act of 2018* (Workforce Act), Public Law 115-218, was enacted on July 24, 2018. The Workforce Act reauthorized the CW-1 visa for the CNMI through December 31, 2029. The CW-1 visa allows employers in the CNMI to apply for permission to employ foreign non-immigrant workers who are ineligible to work under other visa categories.

### **Foreign Labor Certification**

Under the Workforce Act, CNMI employers – for the first time - beginning in fiscal year 2020, are required to obtain a Temporary Labor Certification (TLC) from the U.S. Department of Labor’s Employment and Training Administration’s (ETA) Office of Foreign Labor Certification (OFLC), prior to petitioning the Department of Homeland Security (DHS) for a CW-1 visa for the start dates of work, requesting a test of the labor market to try to identify available U.S. workers and to pay the prevailing wage for the offered job. This requirement is meant to ensure that U.S. workers in CNMI will not be adversely affected by the employment of CW-1 workers. The Workforce Act required ETA to publish an Interim Final Rule to establish the framework for issuing a TLC within one hundred eighty days of the enactment of the Workforce Act, which was published on April 1, 2019, and went into effect on April 4, 2019. (Note that the Department of Labor finalized a draft Interim Final Rule in December 2018, but, due to the partial government shutdown, the draft Interim Final Rule could not be cleared within the one-hundred-eighty-day statutory requirement).

### **Implementation of Workforce Act**

In fiscal year 2018, the most recent year for which data are publically available, 8,995 CW-1 visas were issued, (see GAO-19-376T) the Workforce Act requires an annual cap on the number of CW-1 visas that may be issued. The cap was 13,000 in fiscal year 2019 and will be 12,500 in fiscal year 2020. The cap will decrease each year thereafter. CW-1 workers who have their application submitted to U.S. Citizenship and Immigration Services (USCIS) with the now

mandatory approved foreign labor certification from ETA by September 30, 2019, are eligible for an automatic extension of their status of up to two hundred forty days while a decision from the USCIS on their application is pending. The ETA's OFLC estimates that approximately 8,800 CW-1 worker positions will be potentially certified early enough for employers to submit petitions to USCIS by September 30, 2019. CW-1 workers who have not submitted a valid application to USCIS by that date will need to leave the CNMI.

### **Commonwealth Worker Fund Annual Plan**

The Workforce Act requires USCIS to collect a \$200 annual supplemental fee for each CW-1 worker. The fees will be deposited into the CNMI's Treasury, as under the prior law. The funds collected from the fees can be used by the CNMI for vocational education, apprenticeships, or other training programs for U.S. workers. The Workforce Act requires the Governor of the CNMI to annually submit to the Secretary of Labor:

- a plan for the expenditure of the funds that were deposited into the CNMI's Treasury;
- a projection of the funds' effectiveness at placing U.S. workers into jobs held by non-U.S. workers; and
- a report on the changes in employment of the U.S. workers attributable to expenditures of such amounts during the previous year.

The Governor submitted the first plan in early June 2019, and the Department of Labor is reviewing it and plans to make a determination by the statutorily required deadline of October 1, 2019. The plan must be approved before DHS can provide the funds to the CNMI. The ETA must also submit a report by October 1 to Congress that describes the CNMI's effectiveness at meeting the goals set forth in the plan.

The Commonwealth Worker Fund Annual Plan calls for allocations to the Northern Marianas Trades Institute (NMTI) and the Northern Marianas College (NMC) to fund apprenticeships and other training programs. The CNMI Department of Labor has opportunities to leverage such resources in support of these efforts in developing Registered Apprenticeship programs and other in-demand and emerging careers. In the spirit of workforce development initiatives, the CNMI Department of Labor also has the opportunity to collaborate with the NMC and the NMTI. This collaboration will enhance career and technical education and training programs to support the advancement of U.S. workers within the CNMI labor force.

### **Office of Insular Affairs Technical Assistance**

The Workforce Act requires, not later than October 1, 2019, and biennially thereafter, that the Secretary of the Interior submit a report to Congress that describes the fulfillment of OIA's responsibilities under the Workforce Act, including:

- identifying opportunities for economic growth and diversification;
- providing assistance in recruiting, training, and hiring U.S. workers; and
- providing such other technical assistance and consultation as outlined in section 702(e) of the Consolidated Natural Resources Act of 2008 (48 U.S.C. 1807)

In response, OIA reached out to the ETA to request information regarding its technical assistance provided to the CNMI since the Workforce Act was enacted.

The Workforce Innovation and Opportunity Act (WIOA), Public Law 113-128 (July 22, 2014), authorizes many of the workforce development programs administered by the U.S. Department of Labor. A percentage of funds appropriated by Congress for the WIOA Youth, Adult, and Dislocated Worker activities may be set aside for the outlying areas, including the CNMI. The Department of Labor’s ETA has provided and continues to provide ongoing technical assistance to the CNMI Department of Labor to support full WIOA implementation, which includes regular conference calls as well as individualized technical assistance as requested or needed by assigned Region VI staff.

In fiscal year 2018, the ETA’s San Francisco Regional Office convened a forum to provide technical assistance on a variety of grant management, financial, and program performance topics for the Pacific territories and other jurisdictions. The recently established CNMI State Workforce Development Board participated in this forum. During fiscal year 2019, the CNMI’s Department of Labor Workforce Investment Agency received a disaster grant in response to Typhoons Mangkhut and Yutu. The San Francisco Regional Office provided extensive technical assistance on operational activities in the areas of disaster relief employment of U.S. citizens for clean-up recovery efforts and humanitarian assistance for disaster victims.

Additionally, the Regional Office supports the CNMI Department of Labor with technical guidance for job search support and training programs to increase U.S. citizen hires among CNMI’s businesses. Through the funding of recently awarded grants from the Apprenticeship State Expansion and Senior Community Service Employment Program, the Regional Office will provide continued guidance to address the CNMI’s labor workforce challenges. Furthermore, the Regional Office will soon conduct a Pacific Workforce Convening, a technical assistance and training event, in which the CNMI Department of Labor will participate. This event will promote economic, workforce, and education goals in alignment with the Pacific territories’ workforce agenda.

**U.S. DEPARTMENT OF LABOR FORMULA  
AND DISCRETIONARY GRANTS TO THE CNMI**

<b>Grant Description</b>	<b>Grant Type</b>	<b>Grantee Name</b>	<b>Amount</b>	<b>Period of Performance</b>
Advances the integration of Registered Apprenticeship Programs into workforce development, education, and economic development strategies and programs.	Apprenticeship State Expansion	CNMI Dept of Labor Workforce Investment Agency Division	\$445,908	07/01/19-06/30/22
A community service and work-based job training program for unemployed seniors in CNMI.	Senior Community Service Employment Program (SCSEP)	Commonwealth of the Northern Mariana Islands	\$299,130	07/01/19-06/30/20

A temporary jobs program for U.S. citizens to assist with disaster projects focused on clean-up, recovery, and humanitarian efforts in areas impacted by Typhoons Mangkhut and Yutu.	National Dislocated Worker Grant: Typhoons Mangkhut and Yutu	CNMI DOL- Workforce Investment Agency Division	\$920,782	10/01/18-03/31/20
WIOA is designed to help job seekers access employment, education, training, and support services to succeed in the labor market and to match employers with skilled workers.	Workforce Innovation and Opportunity Act (WIOA)	CNMI DOL- Workforce Investment Agency Division	\$1,478,677	07/01/18-06/30/21

**Other Technical Assistance and Consultation**

**Section 902 Consultation on the Revocation of the People’s Republic of China (PRC) Tourist Parole Program**

By an October 19, 2018, letter the Governor of the CNMI, Ralph DLG Torres, requested President Donald Trump to initiate the Section 902 Consultation process regarding the discretionary DHS parole policies. On February 26, 2019, President Trump designated Douglas W. Domenech, Assistant Secretary of the Interior for Insular and International Affairs, as the Federal Government’s Special Representative for this Section 902 Consultation. Governor Torres was designated the CNMI’s Special Representative for the CNMI.

**About the Section 902 Consultation Process between the Federal Government and the CNMI**

*The Covenant to Establish the Commonwealth of the Northern Mariana Islands in Political Union with the United States of America* (Covenant) governs relations between the Federal Government and the CNMI. Section 902 of the Covenant provides that the Federal Government and the CNMI Government “will designate special representatives to meet and to consider in good faith such issues affecting the relationship between the Northern Mariana Islands and the United States as may be designated by either Government and to make a report and recommendations with respect thereto.” These intermittent discussions between the Federal Government and the CNMI Government have become known as Section 902 Consultations.

**Summary of Issues**

The CNMI’s letter to President Trump requesting this Section 902 Consultation identified the principal issue as the impact of a possible revocation of the existing parole policy for PRC nationals would have on the CNMI’s access to the PRC tourist market and how it would imperil the CNMI’s economic survival. At the first consultation meeting on February 26, 2019, the Special Representatives identified this issue as the focus of this Section 902 Consultation.

## **Recommendations by the Special Representatives**

After several meetings under the Section 902 Consultation process, the following recommendations have been made by the Special Representatives:

1. Modify the parole program with enhanced security provisions;
2. Create a CNMI Economic Vitality and Security Travel Authorization Program (EVS-TAP) as a Sub-Program of the Guam-CNMI Visa Waiver Program;
3. Deputize selected state and local law enforcement officers as provided for under section 287 (g) of the Immigration and Nationality Act and find additional ways to collaborate on immigration enforcement; and
4. Elevate focus on the U.S. Territories in the Pacific by engaging the President's Advisory Commission on Asian Americans and Pacific Islanders.

A copy of the final 902 Consultation Report is available on the Office of Insular Affairs' website at [doi.gov/sites/doi.gov/files/uploads/final\\_902\\_report.pdf](https://doi.gov/sites/doi.gov/files/uploads/final_902_report.pdf)

## **CONCLUSION**

Work continues on implementing the Workforce Act. We are cognizant of the need to grow and diversify the CNMI economy and to train more U.S. eligible workers within the CNMI to perform the duties currently requiring the continued use of alien workers. The Administration remains committed to working with the CNMI in its efforts to further develop its economy and to strengthen its workforce.



# United States Department of the Interior

OFFICE OF THE SECRETARY  
Washington, DC 20240

**OCT - 1 2019**

The Honorable Raúl Grijalva  
Chairman, Committee on Natural Resources  
U.S. House of Representatives  
Washington, DC 20515

Dear Mr. Chairman:

Pursuant to subsection 3(c) of Public Law 115-218, enclosed is the Department of the Interior's (Department) report describing its fulfillment of responsibilities to the Commonwealth of the Northern Mariana Islands. The report details what the Department has done to (1) identify opportunities for economic growth; (2) provide assistance in recruiting, training, and hiring U.S. workers; and (3) provide other technical assistance, in consultation with the Departments of Commerce and Labor, on diversifying the local economy.

The report was also sent to Representative Rob Bishop, Ranking Member, Committee on Natural Resources; Senator Lisa Murkowski, Chairman, Committee on Energy and Natural Resources; and Senator Joe Manchin, Ranking Member, Committee on Energy and Natural Resources.

Should you or your staff have any questions, please contact Mr. Basil Ottley, Policy Director, Office of Insular Affairs, or me at (202) 208-4709.

Sincerely,

Douglas W. Domenech  
Assistant Secretary  
Insular and International Affairs

Enclosure



# United States Department of the Interior

OFFICE OF THE SECRETARY  
Washington, DC 20240

OCT 1 2019

The Honorable Rob Bishop  
Ranking Member, Committee on Natural Resources  
U.S. House of Representatives  
Washington, DC 20515

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Insular and International Affairs

Enclosure



# United States Department of the Interior

OFFICE OF THE SECRETARY  
Washington, DC 20240

**OCT - 1 2019**

The Honorable Joe Manchin  
Ranking Member, Committee on Energy  
and Natural Resources  
United States Senate  
Washington, DC 20510

Dear Senator Manchin:

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# United States Department of the Interior

OFFICE OF THE SECRETARY  
Washington, DC 20240

OCT - 1 2019

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Chairman, Committee on Energy  
and Natural Resources  
United States Senate  
Washington, DC 20510

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