

**H.R. 339, THE NORTHERN MARIANA ISLANDS
ECONOMIC EXPANSION ACT**

HEARING
BEFORE THE
COMMITTEE ON
ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE
ONE HUNDRED FIFTEENTH CONGRESS
FIRST SESSION

APRIL 27, 2017



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H.R. 339, THE NORTHERN MARIANA ISLANDS ECONOMIC EXPANSION ACT

THURSDAY, APRIL 27, 2017

U.S. SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, DC.

The Committee met, pursuant to notice, at 10:06 a.m. in Room SD-366, Dirksen Senate Office Building, Hon. Lisa Murkowski, Chairman of the Committee, presiding.

OPENING STATEMENT OF HON. LISA MURKOWSKI, U.S. SENATOR FROM ALASKA

The CHAIRMAN. Good morning. The Committee will come to order.

It is a privilege to be able to welcome the Governor and our dignitaries here this morning. We appreciate, a great deal, you being with us.

We are meeting this morning so that we can consider H.R. 339, which is the Northern Mariana Islands Economic Expansion Act. This bill has effectively three primary components: for Fiscal Year 2017 only, it would increase the cap on Commonwealth-Only Transition Workers (CW-1), we refer to them as CW permits, from its current level of 12,998 to 15,000; it would increase the fee for a CW permit from \$150 to \$200; and, it would also permanently prohibit the issuance of a CW permit for a construction worker, except in the case of extending a CW permit for a construction worker that was first issued prior to October 1, 2015.

The last item, limiting who is eligible for a CW permit, is probably the key reason why we are considering this legislation before us today. Over the past couple of years, the cap for the CW program has been reached before the end of the fiscal year. In 2017, the cap was hit just weeks into that fiscal year. This has had a negative impact on many foreign workers, some of whom have been working in the Commonwealth of the Northern Mariana Islands (CNMI) for the past 10–15 years, if not more, as their employers were not yet eligible to apply for their CW permit renewals. Now it is not too difficult to connect the dots between the increased amount of construction activity and the increased applications by construction companies for CW permits to understand why the cap has been hit in the past two years.

On the one hand, it is encouraging to see this level of economic growth and investment interest in the CNMI. After the global economic downturn in 2008, it is great to see this economy rebound. I think we have had enough discussion in this Committee to recog-

nize that there have been some very, very tough years, years where the economy has struggled greatly.

But on the other hand, it is hard not to wonder if the CNMI would be in this situation had the business community taken the transition program seriously when the Congress enacted the Consolidated Natural Resources Act (CNRA) back in 2008. We have not seen the progress, I think, that we had hoped in moving away from foreign labor during the transition program which led Congress to enact the hard 2019 sunset date for the transition.

So as we consider the number of resort and the casino projects that are lined up for development now in CNMI, it is not clear how sustainable this particular investment is, or what the capacity is to ensure the legality of activity. There are lots of moving parts here. The recent arrests of construction company representatives for employing and harboring Chinese workers who entered the CNMI on parolee/tourist visas is probably the most explicit and certainly current example of these concerns.

There are a lot questions and a need for a better understanding as we look at this legislation that would provide temporary relief to roughly 2,000 foreign workers in the CNMI, and then, more importantly, as we look at the CNMI's future going forward.

I would like to thank all of our witnesses for being here today. I know many of you have traveled a long distance and quite possibly on short notice. I look forward to your testimony and the questions that we will be able to raise and discuss this morning.

With that I turn to Senator Cantwell.

**STATEMENT OF HON. MARIA CANTWELL,
U.S. SENATOR FROM WASHINGTON**

Senator CANTWELL. Thank you, Madam Chair. Thank you to the witnesses and thank you to the Chair for holding this hearing.

H.R. 339, the Northern Mariana Islands Economic Expansion Act, is something that we all need to discuss. And I know many of you have traveled here to give us your insights on that legislation.

As many of my colleagues know, this Committee was once called the Committee on Interior and Insular Affairs, actually before that it was called the Committee on Public Lands. That was its first name, and then it changed to the Committee on Interior and Insular Affairs. It was not until 1977 that we actually became the Energy and Natural Resources Committee. That's just a way to say that these issues are very important to the United States and long have been, and we need to make sure that we continue to give it our full attention.

Today the scope of the hearing is our Committee's jurisdiction of territories including Puerto Rico, the U.S. Virgin Islands, American Samoa, Guam and the Northern Mariana Islands, and U.S. assistance to the Freely Associated States of Palau, Micronesia and the Marshall Islands.

Each of these island governments has a separate and unique relationship with the United States that requires oversight and, from time to time, change in federal law. Today the Committee is considering H.R. 339 which would amend immigration practices in the

Commonwealth of the Northern Mariana Islands and specifically address the Transitional Worker Permit Program.

In the 1990s the horrific working conditions of the Northern Mariana Islands were exposed. Stories were uncovered of systematic abuse of employees working long hours with substandard pay, women forced to undergo abortions in order to stay employed and adults and children tricked and trafficked into slavery.

In 1998, this very Committee under Senator Frank Murkowski described the Northern Mariana Islands as having living and working conditions that “simply should not exist in the United States of America.”

However, when the Clinton Administration and some members of Congress pushed for reform, they were met with resistance by one of Washington’s worst lobbyists, most corrupt lobbyists, Jack Abramoff. Abramoff worked with then-Representative Tom DeLay to prevent the passage of legislation to institute critical protections for workers on the Islands.

In 2000, the Senate passed a bill to extend U.S. labor practices and minimum wage law to the Northern Mariana Islands by unanimous consent; however, Abramoff and DeLay helped make sure that died in the House. Congressman DeLay was recorded promising Willie Tan, a tycoon from the Saipan Government Industry, that legislation to improve the working conditions would never receive a hearing.

In 1992, the Tan Holding Company, owned by Willie Tan, was fined \$9 million for its treatment of workers in the Mariana Islands. It was the largest fine ever imposed by the Department of Labor. This money served as restitution for 1,200 employees across the five Tan-owned plants who were abused, forced to work over 80 hours a week below minimum wage with no overtime, and during their few hours of not working the workers were kept imprisoned in living quarters.

While working conditions have improved in the Mariana Islands since these horrible acts of the 1990s and early 2000s, there is still a lot of work to be done. In 2016, in response to growing reports of workplace injuries, deaths of multiple workers at the new Imperial Pacific International Casino site, the Occupational Safety and Health Administration (OSHA) dispatched inspectors to visit the sites. However, when OSHA inspectors arrived at the construction site where the workers had died, they were denied entrance. In response, the Federal Court issued warrants to allow the inspectors entrance. Despite the Federal Order, the subcontractor still resisted before finally dropping their objection.

Similar to the reports we saw in the 1990s, today we are hearing again from workers who say they are forced to work 80 hours per week, are owed back wages, have been exposed to harsh, physical working conditions and are being kept in deplorable conditions. And over the past months, construction workers have protested repeatedly to demand reform. The protesters claim that they have been paid recruitment fees of up to \$10,000 to travel from China to work in the CNMI and sponsored companies now refuse to pay the promised wage rates.

In addition to poor working conditions for illegal workers, the Mariana Islands are experiencing severe problems with visa abuse.

Immigration laws in the Marianas permit Chinese nationals to arrive without first applying for a tourist visa. Once on the island, the workers receive tourist visas which do not allow them to work and then they are employed illegally by companies that brought them there.

A recent FBI raid on the offices of construction contractors uncovered a spreadsheet with personnel details of over 150 undocumented Chinese workers. So far, these five people in the management of the contracting business have been indicted on charges of harboring illegal aliens for commercial advantage and private financial gain.

As a territory of the United States, it is our duty as the Federal Government to ensure that these fundamental rights are protected in the Northern Mariana Islands. Too many people have been hurt, have even lost their lives when Congress had refused to step in and impose the basic labor and immigration standards. Foreign and domestic workers alike are being exploited by employers who care only for their financial gain. And all of this is happening, as Senator Frank Murkowski said years ago, “under a U.S. flag.” So it is our duty as members of Congress to step in and do what is necessary to make sure that our American values are there while providing the Mariana Islands with the tools for economic success. There is still much work to be done.

However, it is not all doom and gloom. The Marianas have made some significant strides toward prosperity in their economy. GDP has been increasing since 2012. And while I would like to see more steps to transition from reliance on major foreign labor force, I recognize that reality today; over half of the workforce is foreign.

The legislation before us in the Committee today would close a serious loophole that has enabled the poor treatment of construction workers. It would also provide for a modest increase in foreign workers to enter the CNMI in 2017 so as to prevent the shock to the recent recovered economy. Most importantly though, this hearing and any future congressional action on H.R. 339 is a message that we take seriously our commitment to the Mariana Islands. We will not return to the conditions of the 1990s and the 2000s.

Thank you all very much, and I look forward to hearing your testimony.

The CHAIRMAN. Thank you, Senator Cantwell.

At this time, we will proceed with our witnesses. As I mentioned we have a very distinguished panel.

We will start off this morning hearing from our Acting Assistant Secretary for the Office of Insular Affairs at the U.S. Department of the Interior, Mr. Nikolao Pula.

He will be followed by our Congressman, the Honorable Gregorio Kilili Camacho Sablan. Congressman Sablan, it is good to have you here with us today. You have been before this Committee before, so it is nice to have you back.

We also have our Governor, the Honorable Ralph Deleon Guerrero Torres, who is the Governor of the Northern Mariana Islands. We appreciate you coming the distance and being here today and for your leadership in the Mariana Islands.

Dr. David Gootnick is the Director of International Affairs and Trade at the GAO, the Government Accountability Office. We appreciate you being here.

Our final panelist this morning is Mr. Jim Arenovski. He is with Island Training Solutions. We are very pleased that you will be able to offer your perspective as well.

I would ask that you all try to limit your comments to five minutes. Your full statements will be included as part of the record.

I will just note, I am going to have to pop out for about five minutes to take a quick vote over in the HELP Committee, but I will be back, so we will continue the hearing without interruption.

Mr. Pula, if you could lead off, please.

STATEMENT OF NIKOLAO I. PULA, ACTING ASSISTANT SECRETARY FOR INSULAR AREAS, U.S. DEPARTMENT OF THE INTERIOR

Mr. PULA. Chairman Murkowski and members of the Committee, thank you for the opportunity to speak regarding H.R. 339, the Northern Mariana Islands Economic Expansion Act.

H.R. 339 would first raise the vocational education fee from \$150 to \$200. Second, it will exclude from CW visa eligibility construction workers who had not been authorized for CW status prior to October 1, 2015. And three, raise the Fiscal Year 2017 numerical limitation on the number of CW visas from 12,998 to 15,000.

The Northern Mariana Islands began to be governed under the Covenant and the CNMI Constitution in 1978. Tourism was always expected to be part of the foundation on which an economy would be built. By the early 1980s, a nascent garment industry appeared and thereafter, grew wildly.

At its height in 1998, garments were a \$1.1 billion business built on imported foreign labor. By 2009, all the garment factories were gone and the CNMI government fell on hard times. Annual budgets plummeted from \$247 million in 1997 to \$102 million in 2012.

With impending financial ruin for the CNMI government, people and retirees, CNMI political leaders charted a new economic course for their islands. A contract was signed that would make the CNMI's main island of Saipan an international gambling destination. The leaders of the CNMI saw the problem and took swift action to solve it.

The first casino/hotel in Saipan broke ground in July 2015. Casino revenue is already aiding the territory and providing security for its retirees.

The CW visa numerical limitations have become inadequate, especially when construction firms supplanted other employers who had been using CW employees in their businesses. For Fiscal Year 2016, the CW limit was reached after seven months. For Fiscal Year 2017, the limit was reached in two weeks leaving many employers with insufficient labor.

Over a 10-year period, when slated casinos and hotels are finally open, the Saipan Chamber of Commerce noted that they would need about 18,500 additional employees. The supply of United States eligible employees will not meet the need. Without relief on the labor front, projected investment in the CNMI likely will wither. A recent report by the GAO projects that without sufficient for-

eign labor the economy of the CNMI would contract by an estimated 26 to 62 percent.

The Office of Insular Affairs approved a \$200,000 grant in September 2016 to aid the CNMI government in collecting, compiling and analyzing crucial data on the CW visa transitional worker program.

There have been a number of proposals to deal with labor needs in the CNMI. With a longer timeline for the CNMI labor needs, H.R. 5888, in the last Congress, called for 18,000 CW visas annually through 2029, with possible extensions by the Secretary of Labor. The Covenant Section 902 Report of January 17, 2017, recommended an increase to 18,000 CW visas annually.

H.R. 339 proposes raising the annual limit on CW visas for Fiscal Year 2017 to 15,000. It takes the pressure off this lower number of 15,000 by making most construction positions ineligible for the CW visa program. Instead, construction demand would be expected to shift to H-2B visas. The duration of the relief, however, would likely be short-term.

The Administration believes that elements of both H.R. 5888 and H.R. 339 could be combined to provide a more viable long-term labor program. But because action on a long-term program is unlikely, prompt passage of H.R. 339 is a necessary stopgap measure.

Currently, the CNMI is facing the repatriation of a majority of its nurses in June, July and September. These 125 CW visa holders work on all three populated islands of Saipan, Tinian and Rota. We are concerned that, without legislative relief, many hospital functions will have to be terminated, creating a public health emergency. A similar concern has been raised for employees of the Commonwealth Utilities Corporation.

The Administration, therefore, in the absence of a long-term solution, supports the enactment of H.R. 339. This CW visa issue is crucial to the well-being of the Northern Mariana Islands' economy and its U.S. citizens' population.

Thank you.

[The prepared statement of Mr. Pula follows:]

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

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

REGARDING
H.R. 339
THE NORTHERN MARIANA ISLANDS ECONOMIC EXPANSION ACT

APRIL 27, 2017

Chairman Murkowski and members of the Committee on Energy and Natural Resources, thank you for the opportunity to speak regarding H.R. 339, the Northern Mariana Islands Economic Expansion Act. Absent a long-term legislative solution that meets the labor needs of the Commonwealth of the Northern Mariana Islands (CNMI), the Administration is in full support of the goals of H.R. 339.

Provisions of H.R. 339

H.R. 339 would (1) raise the vocational education fee levied for each CNMI-Only Transitional Worker (CW) visa from \$150 to \$200, (2) exclude from CW visa eligibility construction workers who had not been authorized for CW-1 status prior to October 1, 2015, the practical result of which would be to require their employers to petition for them under other categories, such as the H-2B visa category for temporary or seasonal workers, and (3) raise the fiscal year 2017 numerical limitation on the number of CW visas from 12,998 to 15,000.

Recent Economic History

The Northern Mariana Islands began to be governed under the *Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America* and the CNMI Constitution in 1978. Tourism was always expected to be part of the foundation on which an economy would be built. By the early 1980s, a nascent garment industry appeared, and, thereafter, grew wildly. At its height in 1998, garments were a \$1.1 billion business built on imported foreign labor. By 2009, all the garment factories were gone and the CNMI government fell on hard times. Annual CNMI budgets plummeted from a high of \$247 million in 1997 to \$102 million in 2012.

With impending financial ruin for CNMI government retirees, CNMI political leaders charted a new economic course for their islands; a contract was signed on August 8, 2014 that would make the CNMI's main island of Saipan an international gambling destination. The CNMI saw the problem and took swift action to solve it.

The first casino/hotel in Saipan broke ground in July 2015. Casino revenue is already aiding the territory and providing security for its retirees.

Everyone's plans on Saipan were then shattered by Typhoon Soudelor in August 2015. The devastation was beyond belief. Soudelor brought extreme competition for supplies and labor, and delays in casino and hotel construction. In addition, growth in the CNMI economy has led to high demand for CW visas. The numerical limitations previously set by the Department of Homeland Security as directed by relevant statute, were no longer adequate, especially when construction firms supplanted other employers who had been using CW employees in their businesses. For fiscal year 2016, USCIS received enough petitions to reach the CW-1 cap five months before the end of the fiscal year. For fiscal year 2017, USCIS received enough petitions to reach the CW-1 cap two weeks after the fiscal year began, leaving many employers with insufficient labor.

Billions of dollars are being invested in casino and hotel facilities, and foreign construction workers are sorely needed. Over a ten year period, when slated casinos and hotels are finally open, the Saipan Chamber of Commerce

estimates that they will need 18,500 additional employees to operate them effectively. The supply of United States-eligible employees will not meet the need. Without relief on the labor front, projected investment in the CNMI likely will wither. A recent report by the GAO projects that without sufficient foreign labor the economy of the CNMI would contract by an estimated 26 to 62 percent.

Proposals for Legislation

The immigration transition program that authorized the CW visa is currently scheduled to terminate entirely on December 31, 2019. The CW visa program has generated an interest in policy changes over the years. In order to gain clarity, the Office of Insular Affairs approved a \$200,000 grant in September 2016 to aid the CNMI government in collecting, compiling, and analyzing crucial data on the CW visa transitional worker program.

There have been a number of proposals to deal with labor needs in the CNMI. With a longer timeline for CNMI labor needs, H.R. 5888 (in the last Congress) called for 18,000 CW visas annually through 2029, with possible extensions if approved by the Secretary of Labor after verification of need. The Covenant Section 902 Report of January 17, 2017, authored by the President's Special Representative and the Governor of the CNMI, recommended an increase to 18,000 CW visas annually.

H.R. 339 (and H.R. 6401 last year) proposes raising the annual limit on CW visas for fiscal year 2017 to 15,000. H.R. 339 takes the pressure off this lower number of 15,000 by making most construction occupation positions ineligible for the CW visa program. Instead, construction demand would be expected to shift to H-2B visas.

Administration Position

H.R. 339 would give some relief to employers who are suffering because of the over-subscribed fiscal year 2017 CW visa program. It would increase the fiscal year CW visa limit by 2,002 from 12,998 to 15,000. The duration of the relief, however, would likely be short term.

The Administration believes that elements of both H.R. 5888 and H.R. 339 could be combined to provide a more viable long-term labor program. We look forward to working with the bill sponsor and this Committee to identify

the provisions that will address the CNMI's labor needs and benefit the overall CNMI economy.

But given the consequences of no action at all, prompt passage of H.R. 339 is a necessary stop-gap measure.

Currently, the CNMI is facing the repatriation of a majority of its nurses in June, July and September; these 125 CW visa holders work on all three populated islands of Saipan, Tinian and Rota. We are concerned that, without legislative relief, many hospital functions will have to be terminated, creating a public health emergency. A similar concern has been raised for employees of the Commonwealth Utilities Corporation.

The Administration, therefore, in the absence of a long-term solution, supports the enactment of H.R. 339.

I appreciate the opportunity to state our views on these labor and immigration issues that are so crucial to the well-being of the Northern Mariana Islands' economy and its U.S. citizen population.

The CHAIRMAN. Thank you, Mr. Pula.
We will next turn to Congressman Sablan, welcome.

**STATEMENT OF HON. GREGORIO KILILI CAMACHO SABLAN,
DELEGATE, NORTHERN MARIANA ISLANDS, U.S. HOUSE OF
REPRESENTATIVES**

Mr. SABLAN. Good morning and thank you, Chairwoman Murkowski and Ranking Member Cantwell and members of the Committee and my classmate, Senator Heinrich.

For today's hearing on my bill, H.R. 339, the House has twice passed the bill without dissent. Now we hope the Senate will do the same. It is our prayer that the Senate passes the bill as well.

The timing could be better. Federal agencies, OSHA, Labor's Wage and Hour Division, Department of Justice and Immigration have recently found violations of federal law at a construction site in the Marianas. This may seem like the conditions that led to federal control of immigration and gave our islands a black eye in the 1990s.

But there is a star difference. Today, federal agencies are cracking down quickly on abuses with the full support of the Commonwealth government. And we have legislation, H.R. 339, that actually addresses a source of the problem.

With that, let me introduce the witnesses invited today from the Marianas, my Governor, Ralph Torres. Under his watch the economy of the Marianas is reviving after many years of negative growth.

And Mr. Jim Arenovski, a Marianas businessman, who in a very business and public-spirited way is training local workers so that they have the skills to replace foreign workers in our economy.

I thank them both for coming all the way from the Marianas on very short notice. Their willingness to do so underscores the urgent need for the Senate to act.

I have also other supporting statements I request be added to the record.

The CHAIRMAN. Without objection it will be.

Mr. SABLAN. Okay, thank you.

[The information referred to follows:]

WRITTEN TESTIMONY
OF
VELMA PALACIOS
BOARD PRESIDENT
SAIPAN CHAMBER OF COMMERCE

BEFORE THE
SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES

April 27, 2017

1 - INTRODUCTION

Thank you for this opportunity to share our concerns with you on behalf of the business community of Saipan. The Saipan Chamber of Commerce is comprised of over 160 memberships from the largest corporations to single owner businesses. We find our role is not only to represent the business community but to support the community as a whole on our tiny island.

2 - BACKGROUND

Our island strives to meet U.S. standards for wages, benefits, living conditions, and amenities. We struggle due to our geographic location and the need to absorb significant shipping costs for nearly every product used in businesses and in homes as well as relocation costs for every employee not available on our island. Health care, power and water, and other basics are also impacted by these issues, financially and structurally.

3 – PROGRESS TO DATE

The 2010 Federal Census is outdated and we have experienced much change on our island since then.

Our Chamber of Commerce has offered continual support and education to our Chamber members and to the general public regarding visa options available for their non-U.S. employees. We provide regular training seminars for all employees and their management teams. These training opportunities have been particularly beneficial for smaller companies who may operate without an H.R. department or may not have regular resources for training their workers. We have engaged experts to share their knowledge through our events, and have encouraged all businesses to hire locally.

4 – WHY WE NEED MORE & WAGES

As you may know, our economy is experiencing substantial growth. The casino industry has been operating a training facility and already employs thousands of operational workers. Employment at the casino is mandated at a minimum of 60% U.S. eligible workers. These workers have been taken from the available island workforce or have moved here from the mainland. The casino's ability to offer higher wages has enticed workers already on island to seek employment within that industry. Of course, this leaves other businesses in the position of searching for new employees to fill the gaps with new hires.

When the new casino facility opens, even more workers will be needed for this state-of-the-art facility. Then their temporary/current location will be transitioned back to its original business as a Duty Free Shop which will also require staff to complete the physical renovation and additional staff to resume operations.

With the advent of this new industry to our island, ancillary businesses are also expanding. Major new developments are being planned and some are already well into construction and will soon be ready to open their doors. Employees are needed for daily operations, airlines are adding new flights, additional tourists from these new flights are filling hotels to capacity, new hotel rooms are opening with additional rooms under construction, and existing properties are being purchased for rapid conversion to Bed & Bath lodging to accommodate the influx of visitors.

These influences have pushed wages up through market forces without legislation. By offering more money and/or benefits to entice existing workers to their organizations, new businesses have pushed existing companies to pay more in order to retain their long time employees.

Seventy percent of the staff of these new businesses must be U.S. eligible workers, and that requirement has been rapidly exhausting our available workforce. There are only a limited number of new workers coming into the workforce each year, mainly high school students. But that number is limited, and since we encourage students to pursue secondary education, their availability is limited.

Although the economy is booming, our success is fragile and is dependent upon obtaining a sufficient workforce to staff our businesses. Our geographic location is both a blessing and a hardship; we have amazing natural beauty, a solid and charming local population, and savvy investors to provide sustenance, but our isolation works against us. The distance from many of the creature comforts of the United States is difficult for some to accept, as is the cost of an airline ticket to see family and friends. We also have a lack of amenities: no shopping malls, no concerts, no professional theatre, no major sporting arenas or events, no amusement parks, and only one tiny museum. All of this often translates to a hard adjustment for people coming from the U.S. mainland, and leaving island for even a short trip has a price tag of \$300 to \$2000.

We are asking for foreign workers in order to protect and continue to grow our economy and believe that our economy will crash without them. Our current economic boom has allowed the

vast majority of available workers to find employment, and has opened many options for employment, providing options for upward mobility. As a result, workers are in great demand, and employers are finding it hard to fill open slots. Examples of this include:

A major hotel which has transitioned the majority of their workforce to U.S. workers once had 20 to 30 applicants with strong qualifications for only two openings. Now, when they advertise for new positions, only 3 to 4 applicants apply.

One major communication company has long offered higher wages to their employees. They have many skilled positions in technical fields, and have trained well. Regardless, they typically receive very few applications for open positions. This is quite typical for the businesses in our community.

4 - WORKFORCE STRUGGLES

Like many tourist destinations, our island is dominated by the service industry. Hotels and restaurants are plentiful in our business landscape. These businesses require many entry level employees on a long-term basis. Unlike Cape Cod, Massachusetts, where the season is a short three months, the CNMI has beautifully tropical weather year round. Our average temperature remains steady throughout the twelve months of the year and the sun shines most days. Tourists from nearby countries love to avail of our warm temperatures and amazing beaches when their climates are cold and unpleasant. Our waitresses and chambermaids are needed every day, year round.

To maintain the tourism trade, support businesses are also needed. Restaurants, banks, shopping and more are required to make visitors welcome and entertained. We also need hospitals and schools and dental clinics and more to support a growing population. This is not about one company, or one type of industry. It's about the whole island. It's about supporting the local people, protecting their environment, building with respect for the limited land, and providing a safe and clean island for our tourists to enjoy. We must keep the economy strong to accomplish this.

Hotels are at record breaking occupancy levels, airlines are adding new flights, businesses are expanding, and major developments are underway. This provides opportunities for entrepreneurship and higher wages. Taking this away would be devastating but it can only be supported by additional workers not available on island.

5 - CONCLUSION

In conclusion, additional workers are critical to the continuing functioning of the CNMI economy. The current cap on CW workers is based upon information that is over seven years out of date. There have been massive changes to our economy and population in the interim.

The allocation of large numbers of CW permits to construction workers has had a profound impact on other industries. This includes health care and other critical segments. The inability of these sectors to find and retain qualified workers, combined with the migration of government employees to new industries, is impacting the health and welfare of the entire community.

The number of workers willing to move to the CNMI from the U.S. mainland is limited by many factors. This limitation requires the ability of businesses to recruit staff from other, more proximate jurisdictions.



The Honorable Senator Lisa Murkowski, Chairwoman
and
The Honorable Senator Maria Cantwell, Ranking Member
US Senate Committee on Energy and Natural Resources
304 Dirksen Senate Building
Washington, DC 20510

April 25, 2017

Re: The Latte Training Academy, Inc.

Dear Chairwoman Murkowski and Senator Cantwell,

It is with honor and humility that the Latte Training Academy, Inc. hereby submits our program information to your office for consideration in the deliberation of House Resolution 339. As your office is keenly aware, the CNMI is contending with an unprecedented labor quandary which prompted the establishment of The Latte Training Academy, Inc. in 2013.

The Latte Training Academy, Inc. is a 501c3 non-profit organization which aims to provide workforce development for the CNMI and Guam. Since its first course offering in 2014, our organization has prepared over 400 CNMI US eligible workers with globally and industry recognized certifications. We have a certification rate of 94%. A significant portion of the participants that attain certifications through our programs enter the workforce, continue with higher education or both. We have expanded our program offerings from our initial Hotel & Hospitality certifications to include occupation specific certifications in Allied Health, Information Technology and Business. A complete list of current course offerings is outlined in the attached informational brochure.

We understand that your office has a tremendous amount of information to consider as part of your deliberations and sincerely hope that you find the enclosed information useful. We thank you for your kind consideration of our communication and wish you and your colleagues continued success.

Respectfully Submitted,

Arielle Buyum
Executive Director
The Latte Training Academy, Inc.

Marianas Business Plaza, 3rd Floor
PO Box 504490
Saipan, MP 96950
www.lattetrainingacademy.com

The Latte Training Academy, Inc.

LATTE
TRAINING ACADEMY

Building a Foundation

P.O. Box 504490
Saipan, MP 96950
www.lattetrainingacademy.com

A Federal 501c3 Non-Profit Organization



Latte Training Academy At-A-Glance

- Founded in 2013
- Federal 501(c)3 Non-Profit Organization
- Offers Credentialed Workforce Development
- Nationally & Industry Recognized Certification Courses in:
 - Hotel & Hospitality
 - Allied Health Professions
 - Bookkeeping
 - Information Technology
- Certified over 400 CNMI Residents
- Certification Achievement Rate of 94%
- Established Partnerships with Regional Public & Private Stakeholders

Statistics current as of March 2017



The Latte Training Academy, Inc.

The Latte Training Academy, Inc. (LTA) is a 501(c)3 non-profit organization located in the U.S. Commonwealth of the Northern Mariana Islands (CNMI). The organization was founded in 2013 in response to the need to develop the local workforce in the islands of Saipan, Tinian, Rota and Guam. The organization first began offering trainings which resulted in nationally recognized certifications in the summer of 2014. The first set of trainings provided were premised on the CNMI's economic mainstay of tourism. As such, the Latte Training Academy, Inc. partnered with the American Hotel & Lodging Educational Institute (AHLEI) to offer their comprehensive Skills, Tasks And Results Training (START). In 2015, the organization expanded its course offerings to include trainings which lead to nationally recognized certifications for Certified Phlebotomy Technicians, Certified Billing & Coding Specialists, and Certified Nursing Assistants. In 2017, the organization expanded again to offer nationally recognized certifications for bookkeeping and information technology.

Beginning in 2014, the LTA partnered with the CNMI's Public School System and the CNMI's Workforce Investment Agency to offer trainings to eligible participants referred by each agency. Despite a significant demand for the trainings that are being provided, a segment of the population exists that is ineligible for services through partner agencies and are unable to avail of LTA training programs due to financial constraints. In an effort to expand services to a wider segment of the population, LTA has entered or will be entering into partnerships with additional funding agencies, including the CNMI Department of Commerce, the Northern Marianas College and the Pacific Islands Small Business Development Center Network (PISBDCN).

Latte Training Academy, Inc. Leadership Community Leaders Building A Better Community

The Latte Training Academy, Inc. is governed by a Board of Directors comprised of community members residing in the CNMI and Guam. While the Board governs organizational strategy, operational strategy is managed by the organization's Executive Director, **Ms. Arielle Buyum**. As a founding member of the Latte Training Academy, Inc. in 2013, Ms. Buyum served as the organization's inaugural Board President for the first year and half. Her strong familiarity with its foundation and vision has lead the Latte Training Academy, Inc. to provide a wider array of services and establish a wider host of partnerships.

Building A Foundation

Hotel & Hospitality Certifications



The Gold Program

Guest Service Gold is a comprehensive program designed to accomplish the goal of creating guest service-oriented line level employees who know how to engage with their guests to provide memorable guest service. Core components of the program include training, employee certification and property certification and can be implemented by any service oriented business, such as restaurants, transportation companies, attractions, retail outlets, not just lodging properties. It can also be used in academic settings to provide students with a solid foundation in guest service skills.

Skills, Tasks And Results Training

The Skills, Tasks And Results Training (START), is a much more comprehensive training which cover topics including Guest Service, Professionalism, Safety & Security, Rooms, Front Desk, Reservations, PBX Operator, Guestroom attendants, Maintenance, Food & Beverage and host of other occupational areas. The proposed training is a total of one hundred and eighty hours (180 hours) and culminates with an examination towards an AHLEI certification which is recognized globally throughout the hotel and hospitality industry.



Latte Training Academy's Hotel & Hospitality Certification Programs

The Latte Training Academy has partnered with respected professionals versed in workforce and professional trainings specific to the Commonwealth of the Northern Mariana Islands (CNMI). In partnership with Island Training Solutions, the organization has secured the license to deliver Hotel & Hospitality trainings and certifications under the American Hotel & Lodging Educational Institute (AHLEI). All AHLEI trainings are developed by global leaders in the Hotel & Hospitality industry.

The hotel and hospitality programs provide specific skills knowledge leading to an industry recognized and portable professional certification from the American Hotel & Lodging Educational Institute. Our training programs provide an in-depth understanding of all aspects of hotel and hospitality operations. The programs teach the foundation of hotel and hospitality operations while promoting the long-term career pathways available to students. The programs promote professionalism, confidence and positive work ethic. In addition, the Latte Training works alongside the Saipan Chamber of Commerce (SCC) and the Hotel Association of the Northern Mariana Islands (HANMI) to provide students work-experience and internship opportunities which are anticipated to aid in job placement upon successful completion of the program.



Building A Foundation

Allied Health Programs



AMCA
American Medical Certification Association

Certified Medical Billing & Coding Specialist

Course Length: 80 Hours

Certified Nursing Assistant

Course Length: 160 Hours

Certified Phlebotomy Technician

Course Length: 80 Hours



NHA
National Healthcare Association





Latte Training Academy's Allied Health Certification Programs

The Latte Training Academy has partnered with respected professionals in the area of allied health through Guam Marianas Training Center. These courses require that students be at least eighteen (18) years of age. Students who fall below the compulsory age must have earned a high school diploma or a general equivalency diploma.

The Certified Phlebotomy Technician (CPT) certification is an introductory level course that will familiarize participants with the duties associated with the practice of venipuncture, capillary puncture and special collection procedures. Student will have experience with quality control, infection control, and safety procedures as well as laboratory computer systems. Students who successfully complete the course will sit for the National Phlebotomy Registry Examination. This course is a total of eighty (80) hours to include classroom instruction and laboratory practicums.


This Certified Nursing Assistant (CNA) certification course prepares students to perform the fundamental skills of the nursing assistant. The Nursing Assistant Certification course offer students 160 hours of instruction and hands-on experience in basic nursing skills, personal care skills, and safety and emergency care issues. More than half of the program hours spent in clinical setting, where students apply their course knowledge in a practical setting.

The Certified Billing & Coding Specialist (CBCS) course thoroughly prepares students to code medical records correctly and optimize reimbursement for a full range of medical services. Students are introduced to various techniques for finding and applying the correct codes in today's standard coding systems. Topics covered include: procedural terminology, international classification of diseases, clinical modification, healthcare procedure coding system, resource-based relative value scale, insurance form preparation, Medicare, Medicaid, Blue Cross/Blue Shield, Worker's Compensation, No Fault, HMO's diagnosis related groups, peer review organizations and ambulatory patient groups.

Building A Foundation

Information Technology

As an CompTIA Authorized Academy, the Latte Training Academy is authorized to provide certification training and testing towards the Information Technology (IT) industry's standard in certification. The curriculum and testing methods offered through the Latte Training Academy provide participants a variety learning platforms including instructor lead courses, CBT course and Hybrid instruction intended to meet the needs of various learning styles.




Latte Training Academy's Information Technology (IT) Certification Programs

The Latte Training Academy has teamed up with respected professionals in the Information Technology (IT) industry through its partnership with Cannoli Works of Saipan, LLC. A subsidiary of Colorado based Cannoli Works, LLC, the organization is headed by IT professionals with nearly twenty years of IT experience working alongside various International and Domestic organizations to include government sector clients, financial service clients, and E-commerce giants within the industry. The firm's establishment of a CNMI based arm, includes partnering with local ownership in an effort to ensure localized expertise in an effort to deliver the highest quality of instruction that the Latte Training Academy, Inc. demands from its partner organizations.


This CompTIA Information Technology Fundamentals Certification course provides an in-depth entry level-course instruction on the various components of Information Technology (IT). This includes examination of software landscapes to include understanding various Operating Systems; identification of common programs, applications and their purposes; identification of various alternative technologies (virtualization, cloud computing, Web applications, Voice over IP, & Telepresence). Students will be familiarized with computing hardware, including comparing common computer connector types, identifying the purpose of internal computer components, and identifying basic wired and wireless peripherals and their purpose. Additionally, students will explore IT security, networking and IT literacy as part of this course. The course is a computer-based instructor lead series which will culminate in the examination towards CompTIA IT Fundamentals Certification.

The A+ certification is a basic certification that demonstrates proficiency with computer hardware and operating systems (OS). The certification helps demonstrate proficiency with the use of computers and related device. Core elements of A+ certification criteria include knowledge of computer anatomy, Operating Systems (OS), and computer data usage elements (including basic structure of binary data and file input/output (I/O)). This course is recommended for participants who have successfully achieved the CompTIA IT Fundamentals Certification or students who have a strong understanding of Information Technology. Certification requires a two-part certification series, which are inclusive within the course cost.

CompTIA Information Technology Fundamentals Certification



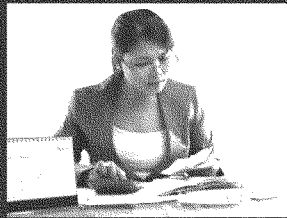
Information Technology A+ Certification



Building A Foundation

Business Courses

Accredited by the National Bookkeepers Association (NBA) and Accounting Training Unlimited (ATU), these certifications are recognized throughout the United States and its territories. These certifications assure employers of participant knowledge and skills in the area of business.



Latte Training Academy's Business Certification Programs

The Latte Training Academy, Inc. has partnered with the respected business professionals at Island Training Solutions, LLC.

The Bookkeeping certification is accredited through the National Bookkeepers Association, the nation's leading accrediting body for the Bookkeeping professional. In this course, participants will receive instruction in the analysis of business transactions, utilization of T-accounts, understanding general journals, general ledgers, worksheet adjustments, closing entries, post-closing trial balances, accounting for sales, receivables, payables, cash payments, cash receipts, payroll computations, accruals, deferrals and financial statements. Participant pre-assessment will be required prior to full registration into the course.

The QuickBooks certification is accredited through the National Bookkeepers Association, and is recognized throughout the United States and its Territories. QuickBooks certification assures employers of the participants QuickBooks knowledge to include managing expenses, sales and income, customer transactions and reports, customization of QuickBooks, tracking inventory, billable time and costs, payroll setup, payroll processing, adjustments and year-end procedures, and setting up a company file.

The Certified Office Manager is accredited by Accounting Training Unlimited (ATU) and the National Bookkeepers Association, and is recognized throughout the United States and its Territories. ATU's Uniform Certified Office Manager prepares participants in the areas of the office environment, office competencies, managing information to enhance productivity, communicating in written form, communicating orally, banking and payroll, financial reports and procedures, time and workstation management, meetings and travel, records management, processing management, planning and advancing your career.

The Excel certification course is accredited by the National Bookkeepers Association, and is recognized throughout the United States and its Territories. ATU's Uniform Excel 2010 Certification validates participant knowledge in the areas of entering and editing data, modifying a worksheet, using functions, formatting, printing, charts, managing large workbooks and graphics and screenshots.

- ♦ CNMI Public School System
- ♦ CNMI Workforce Investment & Opportunity Agency
- ♦ CNMI Department of Commerce
- ♦ CNMI Department of Labor
- ♦ Island Training Solutions, LLC
- ♦ Guam Marianas Training Center
- ♦ Cannoli Works of Saipan, LLC
- ♦ Saipan Chamber of Commerce
- ♦ Hotel Association of the Northern Marianas Islands
- ♦ CNMI Small Business Development Center
- ♦ The American Hotel & Lodging Educational Institute
- ♦ The National Healthcareer Association
- ♦ CompTIA
- ♦ National Bookkeepers Association
- ♦ Accounting Training Unlimited
- ♦ The University of Colorado, Colorado Springs



Building A Foundation

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Mr. SABLON. But H.R. 339, as the Chair has noted, does three simple things. It provides an additional 2,002 foreign work permits for the Marianas for the remaining five months of this fiscal year, it bars future use of these permits for new construction workers, and it increases the permit fee so there is more money to train U.S. workers to fill jobs now held by foreign workers.

And why is this necessary? After a decade of negative GDP, the Marianas economy has begun to grow. The growth comes from increased tourism, and with increased tourism comes demand for resort development. To build resorts has required a sudden influx of construction workers, mostly from China, because Chinese investment is funding the building.

This sudden influx of Chinese workers used up about 5,000 of the special, Marianas-only foreign worker permits provided under federal law, CW permits, of which there are only a limited number each fiscal year. And USCIS cut off further applications for this year on October 14th. As a result, existing CW permit-holders expiring between now and September 30 cannot apply for renewal nor would CW permits be available, if they could apply.

Who are these CW worker holders being crowded out? They are medical professionals working at our only hospital and at public and private clinics. They are workers with technical skills and firm-specific experience built up over time that many of our local businesses rely upon. They are not easily or quickly replaced.

So my bill provides 2,002 additional one-year permits, available only for the rest of this fiscal year. This will help the hospital and local businesses that are going to be short of workers just when business opportunity is growing, not the situation we want businesses to be in.

In addition to this targeted, short-term relief, H.R. 339 also addresses the cause of the problem, the influx of Chinese construction workers and the lack of skilled U.S. workers to fill the gap.

H.R. 339 bars any future use of the limited CW permit for temporary construction workers. Federal law already provides for an unlimited number of H2-B visas to bring workers to the Marianas for this kind of temporary work. H.R. 339 forces employers to do so. H.R. 339 also forces all employers to pay more to train U.S. workers to take over the jobs now held by foreign workers, our ultimate goal.

To date over \$9 million in fees has been collected, and we have added 2,000 U.S. workers to the labor force. But we need to train more and we need to train faster. So H.R. 339 increases the fee from \$150 to \$200 so we have the resources to do that training.

I have used up all my time. Let me summarize as succinctly as I can.

My view it's a temporary fix to a temporary problem. My bill includes permanent provisions that will help ensure we do not have this same problem again, and it is urgent that the Senate act because losing foreign workers on whom businesses are dependent will immediately hurt the economy.

Thank you again, Chairwoman Murkowski, for giving us this opportunity to make our case.

[The prepared statement of Mr. Sablan follows:]

Del. Gregorio Kilili Camacho Sablan
U.S. House of Representatives
Statement on H.R. 339
Northern Mariana Islands Economic Expansion Act
Senate Energy and Natural Resources Committee
April 27, 2017

Thank you, Madame Chair, for today's hearing on my bill, H.R. 339. The House has twice passed the bill without dissent. Now, we hope the Senate will do the same.

The timing could be better. Federal agencies—OSHA, Labor's Wage and Hour Division, DOJ, and Immigration—have recently found apparent violations of federal law at a Chinese construction site in the Marianas.

This reminds us of the conditions that led to federal control of immigration—and gave our islands a black eye in the 1990s.

The difference today is that federal agencies are cracking down quickly on abuses. They have the full support of the Commonwealth government. And we have legislation, H.R. 339, that actually addresses a source of the problem.

With that, let me introduce the witnesses invited today from the Marianas.

Governor Ralph Torres. Under his watch the economy of the Marianas is reviving after many years of negative growth.

And Mr. Jim Arenovski, a Marianas businessman, who in a very entrepreneurial and public-spirited way responded to the need to better train local workers so they have the skills to replace foreign workers in our economy.

I thank them both for coming all the way from the Marianas on very short notice. Their willingness to do so underscores the urgent need for the Senate to act.

H.R. 339 does three simple things:

- Provides an additional 2,002 foreign worker permits for the Marianas for this fiscal year only;
- Bars future use of these permits for new construction workers; and
- Increases the permit fee so there is more money for training US workers to fill jobs now held by foreign workers.

Why is this necessary?

After a decade of negative GDP the Marianas economy has begun to grow.

The growth comes from increased tourism.

With increased tourism comes demand for resort development.

To build resorts has required a sudden influx of construction workers—largely from China, because Chinese investment is funding the building.

This sudden influx of Chinese workers used up about 5,000 of the special, Marianas-only foreign worker permits provided under federal law—CW permits—of which there are only a limited number each fiscal year.

And USCIS cut off further applications for this year on October 14.

That meant existing CW permit-holder expiring between now and September 30 cannot apply for renewal. Nor would CW permits be available, if they could apply.

Who are these CW holders being crowded out?

They are medical professionals working at our only hospital and at public and private clinics. They are workers with technical skills and firm-specific experience built up over time that many of our local businesses rely upon. They are not easily or quickly replaced.

So, my bill provides 2,002 additional one-year permits—available only for the rest of this fiscal year. This will help the hospital and those local businesses that are going to be short of workers just when business opportunity is growing. Not the situation we want business to be in.

In addition to this very short-term relief, H.R. 339 also addresses the causes of the problem:

1. The influx of Chinese construction workers, and
2. The lack of skilled U.S. workers to fill the gap.

H.R. 339 bars future use of the limited CW permit for temporary construction workers. Federal law already provides for an unlimited number of H-2B visas to bring workers to the Marianas for temporary work. H.R. 339 forces employers to do so.

H.R. 339 also forces all employers to pay more to train U.S. workers to take over jobs now held by foreign workers—our ultimate goal. To date over \$9 million has been collected and we have added 2,000 U.S. workers to the labor force. But we need to train more and we need to train faster. H.R. 339 increases the fee from \$150 to \$200, so we have the resources to do that training.

I have used up my time. But I have summarized my bill as succinctly as I can:

- It is a temporary fix to a temporary problem;
- It is urgent that the Senate act. Because losing foreign workers on whom businesses are dependent will immediately hurt the economy; and
- My bill includes permanent provisions that will help ensure we do not have this same problem again.

Thank you again, Chairwoman Murkowski, for giving us this opportunity to make our case.

The CHAIRMAN. Thank you, Congressman.

Governor Torres, you will proceed next.

Again, I apologize, I am going to step out for just a couple minutes. Senator Daines will make sure that we are working smoothly, along with our Ranking Member, and I will be right back.

Governor, if you would like to proceed?

**STATEMENT OF HON. RALPH DLG. TORRES, GOVERNOR,
COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS**

Mr. TORRES. Thank you.

I just want to say good morning to Chair Murkowski and Ranking Member Cantwell and Honorable Members of this Committee.

H.R. 339 is a necessary and important piece of legislation that will improve our capacity to transition into the U.S. immigration system and provide the CNMI the short-term relief it needs to retain critical employees for the economy and provide for the well-being of our population, especially in our health care system.

When the CNMI entered into the immigration transition period, authorized by Public Law 110-229, the state of the economy was in dire straits. The economy at that time had reached record lows. In fact, it is interesting to note that it was only a few years ago, during the midst of the economic collapse in 2008, that the CNMI came before this very Committee, to speak toward the inability of the Commonwealth to sustain increases of minimum wage.

The economy of the CNMI today, while not completely rebounded from its years of depression, is showcasing a different reality. Today's economy has the ability to hire and retain U.S. eligible workers and to support rapidly increasing wages, both those which have risen by federal law and those that have increased organically through the growing labor demands.

What makes me especially proud is that the growth of our economy is, more than any time in the recent memory, built and sustained by U.S. eligible workers. Employment of domestic workers has increased by nearly 19 percent since its 15-year low in 2012.

The CNMI today has more domestic workers in the labor force than any other time since 2004. And in line with the goals of Public Law 110-229, today the CNMI can boast the highest ratio of domestic to foreign workers since the beginning of our modern economy in 1990.

There are still those in our economy without a job. And if I could place each individual to a vacant position, I would, but the reality of the situation on the grounds are not that simple. Education, skill sets, certifications, health and drug abuse still present increased barriers in much the same way it does throughout the U.S. national labor force.

To employ those remaining without work, one proven solution continues to be economic growth. Yet our ability for our economy to grow is limited by simple math. The truth is the CNMI does not have enough workers in all of the various fields and specialties to sustain the economic growth. We need to avoid falling back into the severe economic depression we witnessed only a few years ago.

What filled this unmet demand for workers in the wide array of occupations in the CNMI has allowed the economy to grow and in-

crease jobs for U.S. eligible workers has been the Commonwealth-only transitional worker which is the CW program.

This brings two main areas why H.R. 339 is necessary. Namely that there exist structural issues within the transition period that have limited the efficacy of the transition period, the CW permit holders remain a critical component of the CNMI's economy and community.

Two years ago, I requested the U.S. Customs and Immigration Services review the issuance of CW permits to individuals in the construction trades. In my view, CW permits were only for job categories not available under the existing visa classifications and that construction workers could be sourced through H2-B visas.

As we look back at the CW permits issued in the last two years, it is evident that a large majority of the new permits that have led to the shortage have been in the construction trades. Removing construction workers from the eligible job categories for the CW permits will alleviate the limited CW permits for occupations that are crucial for the overall economy.

In conclusion, I ask for your support of H.R. 339 and other measures that would allow the CNMI to grow and become a productive member of the federal—member of the American family. And the simple truth is that we need federal action to be allowed to succeed. I am not requesting a bailout. I will do all I can to protect our fragile economy so that the CNMI does not become a ward of the Federal Government. I am here today to ask for your willingness to help, to have open conversations about how we can find success in the little, beautiful part of America which is 8,000 miles away from my chair.

Thank you, Chairman Murkowski, Honorable Members of this Committee, again for allowing me to be part of this hearing and recognizing the issues before us.

Thank you—

[The prepared statement of Mr. Torres follows:]

**WRITTEN TESTIMONY
OF
RALPH DLG. TORRES
GOVERNOR
COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
BEFORE THE
U.S. SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES**

April 27, 2017

Good morning Chairman Murkowski, Ranking Member Cantwell, and Honorable Members of the Committee:

I thank the Committee for holding this hearing on HR. 339, the Northern Mariana Islands Economic Expansion Act, and for allowing me this opportunity to provide testimony in support of this legislation and in support of the economy of the Commonwealth of the Northern Mariana Islands ("CNMI").

HR. 339 is a necessary and important piece of legislation that will improve our capacity to transition into the US immigration system, and provide the CNMI the short-term relief it needs to retain critical employees for the economy and provide for the well-being of our population, especially in our health care system. In this testimony, I wish to provide this committee with additional information to support HR. 339 and to underline the unique circumstances the CNMI faces as we try to improve the quality of life for our residents to a measure equal to that of the rest of the American community.

When the CNMI entered into the immigration transition period, authorized by Public Law 110-229, the state of the economy was in dire straits. The economy at the time had reached record lows. By 2009, our Gross Domestic Product was in its fifth consecutive year of decline, and, within a depressed economy, there existed minimal job opportunities for all who lived on the islands.

In fact, it is interesting to note that it was only a few short years ago during the midst of the economic collapse in 2008 that the CNMI came before this very Committee, to speak toward the inability of the Commonwealth to sustain increases to the minimum wage.

The economy of the CNMI today, while not completely rebounded from its years of depression, is showcasing a different reality. Today's economy has the ability to hire and retain US-eligible workers, to support rapidly increasing wages, both those which have risen by federal law and those that have increased organically through growing labor demands, and to grow its economy in a competitive and globalized marketplace. In the face of a wide array of structural constraints on the growth of small island economies such as ours, the remarkable nature of the CNMI's resurgence cannot be understated.

What makes me especially proud is that the growth of our economy is, more than any time in recent memory, built and sustained by US-eligible workers. Employment of domestic workers has increased by nearly 19% since its 15-year low in 2012. The CNMI today has more domestic workers in the labor force than any other time since 2004, and, in line with the goals of Public Law 110-229, today the CNMI can boast the highest ratio of domestic to foreign workers since the beginning of our modern economy in 1990.

I will be the first to tell you that there is still much work to accomplish. There are still those in our economy without a job, and if I could place each of these individuals into a vacant position I would, but the realities of situation on the ground are not that simple. Education, skill sets, certifications, health and drug abuse still present increased barriers in much the same way it does throughout the US national labor force.

But I will continue to do all I can to ensure every able bodied US-worker in the CNMI finds lasting employment. In looking at the best examples from across our nation, I see one solution to increase US citizen employment that has proven itself time and time again to be successful - grow the economy.

Yet, the ability for our economy to grow is limited by simple math. The truth is the CNMI does not have the enough workers in all of the various fields and specialties to sustain the economic growth we need to avoid falling back into the severe economic depression we witnessed only a few short years ago. What filled this unmet demand for workers in the wide array of occupations in the CNMI and has allowed the economy to grow and to increase jobs for US-eligible workers has been the Commonwealth-only transitional worker ("CW") program.

Fiscal Year 2017 marked the second consecutive year in which the CNMI economy reached its numerical limitation of permits under the CW program. These instances have highlighted what I believe to be the two main areas why HR. 339 is so important, namely that there exist structural issues within the transition period that have limited the efficacy of the transition period and that CW permit holders remain a critical component of the CNMI economy and community.

Two years ago, I requested the US Customs and Immigration Services review the issuance of CW permits to individuals in the construction trades. In my view, CW permits were only for job categories not available under existing visa classifications, and that construction workers could be sourced through H2-B visas. As we look back at the CW permits issued in the last two years, it is evident that a large majority of the new permits that have led to the shortage have been in the construction trades. Removing construction workers from the eligible job categories for the CW permit will force employers to go to better suited visa classifications and alleviate the limited CW permits for occupations that are crucial for the overall economy and the needs of the people.

The other need I want to speak to is not only essential for the economic growth of the CNMI but also the directly vital to the livelihood of the people living in the Northern Marianas. This year, as a result of reaching the FY 2017 numerical limit on CW permits in October 2016, the CNMI's sole hospital is facing a manpower crisis that will affect its operations and endanger the lives of the people they serve. Starting from this month to the end of this fiscal year, the hospital is set to lose 39 nurses whose CW permits expire without any available slots for them to renew. In most other

jurisdictions 39 nurses may seem like an insignificant number, but in the CNMI the effects are certain to be dramatic.

According to the Commonwealth Health Care Corporation's ("CHCC") Chief Operating Officer ("CEO"), following the loss of departure of these nurses, the remaining nursing staff will have to be reassigned to cover the critical units. Forecasting for the potential loss of 5 nurses assigned to the Emergency Department, the CEO plans to reassign nurses from the Surgery Department to cover the load. This necessary reassignment will potentially discontinue all elective surgeries, creating a back log that may take years to erase, while off-island medical referrals increase and general health of the population declines. This situation will only compound as they are set to lose nurses from Pediatrics, the Intensive Care and Neonatal Intensive Care Unit, the Hemodialysis unit, and from the Labor and Delivery Unit. From the moment of birth to the time of death, and nearly every significant point in between our hospital will lose the critical staff that are needed in these moments of incredible vulnerability in a person's life.

While but one notable and important example, the concerns we share for the hospital highlight the difficulties the CNMI faces in filling available positions with qualified and unemployed US-eligible workers. Despite their sincere efforts, the hospital has been unable to hire US-eligible and qualified nurses that are not already employed by CHCC or private clinics. Additionally, while, the Northern Marianas College offers a nursing program, it does not offer degree programs in laboratory, pharmacy or radiology, which are of critical demand.

The loss of these nurses if there is not a momentary increase in this year's numerical allocation will directly affect the lives and safety of the people of the CNMI, and it certainly is one of the most critical concerns I wish to bring to the Committee's attention. However, to many varying extents, this situation is repeating itself across all sectors. Labor shortages are causing businesses to make difficult decisions on reducing hours of operation, planned closures, and many are uncertain of their ability to succeed in the CNMI.

I hear the concerns of the business community in the CNMI, and I feel the anxiety among the many families, both US citizen and foreign, over what the future may be for the islands. I too am concerned over the ability for our hospital to operate effectively, over retaining government resources to improve public services, and maintaining an economy that will help alleviate the widespread instances of poverty.

Because of these concerns, it is my obligation to do all I can to offer my wholehearted support to work with your Committee and the US Congress in finding out what is possible, how your concerns can be addressed and how we can agree to allow our small islands the opportunity to improve and stand on our own feet among our fellow members of this great American community.

In the past several years and in the many discussions I have shared with some of the Honorable Members of this Committee and others throughout Congress, I have heard your concerns, agreed with many of them, and am taking steps to find solutions as best I can. For instance, we are altering the manner in which we are utilizing the CW Worker Fees, in order to more efficiently train the next generation of US Workers, but also do so in a clear and transparent fashion. Our Scholarship Office is taking on renewed effort to realize a return on the investment the CNMI government

made on their educations. This last year, provided the record for collections on scholarship recipients who have not returned home, but we do not need their money, we need their skills. That is why I am proud of the progress we are making toward bringing our students back home. This last year, more than half of scholarship recipients were working in the CNMI after graduating college. This is a number I hope to build upon and as more opportunities are made available in the CNMI with higher wages, I am hopeful for real progress.

In conclusion, I ask for your support of HR. 339 and other measures that would allow the CNMI to grow and become a productive member of the American family. I am willing to work with the members of the Committee to discuss this important issue further. The simple truth is we need federal action to be allowed to succeed. I am not requesting a bailout, and I will do all I can to protect our fragile economy so that the CNMI does not become a ward of the federal government. All I am here today to ask is your willingness to have open conversations about how we can find success in the little, beautiful part of America 8,000 miles from this chair.

Thank you Chairman Murkowski, and Honorable Members of the Committee again for allowing this hearing to take place and recognizing that this is an issue of great interest and significance to the CNMI. I look forward to working with the members of this Committee in the days, weeks, and months ahead.

The CHAIRMAN. Thank you, Governor. You remind us that you are a long way away, but you are still an important part of our work here. So we thank you for that.

Dr. Gootnick.

STATEMENT OF DR. DAVID GOOTNICK, DIRECTOR, INTERNATIONAL AFFAIRS AND TRADE, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Dr. GOOTNICK. Thank you.

Chairman Murkowski, Ranking Member Cantwell and members of the Committee, thank you for asking GAO to participate in this hearing.

As you know the CNRA established federal control of CNMI immigration and required DHS to reduce the number of CW permits to zero by the end of the transition period. The legislation's intent, amongst other things, was to minimize any adverse economic consequences of ending the preexisting guest worker program.

As has been said, the CNMI economy has recently rebounded. GDP is up for the past four years, about, just under three percent on average. Visitor arrivals are up about 50 percent since 2011, a barometer of tourism. And under separate federal legislation, the minimum wage has more than doubled since 2007 and is set to the U.S. minimum wage in 2018.

In this setting the demand for CW work permits has grown steadily and importantly, as has been said, demand spiked in 2016 and 2017 such that DHS stopped accepting petitions. In this context this Committee, along with Mr. Sablan, asked GAO to analyze the economic impact of ending the CW program and review efforts to address labor force needs.

My testimony today is based on our preliminary results, and we will publish a final report next month. In my remarks I'll try to highlight the aspects of our work that most closely pertain to the three key provisions of H.R. 339.

First, on the provision to raise this year's cap on CW permits. Foreign workers make up more than half of the CNMI workforce in 2015 and a recent study found that these workers held 80 percent of all jobs in the tourist industry. Our preliminary result analysis finds that if all CW workers were removed from the labor force, the most likely result is an economy 37 to 50 percent below its current level. To reach this result we ran 10,000 simulations of an economic model of GDP under a range of assumptions on labor and output. Our methodology and additional findings will be in our forthcoming report.

Second, on the provision limiting future CW permits for construction workers. With construction of the new casino, CW permits for construction rose from a few hundred in 2014 to over 3,500 in 2016. In 2016 over a quarter of all permits were issued to three construction firms. At the same time, work permits for Chinese nationals increased significantly and now are more than one-third of all permits. According to DHS data, 1,105 permits were issued for construction occupations in 2015. If this is the number of CW permits that would be available for construction under H.R. 339, it suggests that available permits would not meet the current demand for

these workers and U.S. worker's H visas or other, for example, would need to be employed for future construction.

Third, on the provision to increase the vocational education fee. At present, there are over 12,000 foreign workers in the CNMI and the best available data indicate that there are roughly 2,400 unemployed, U.S. eligible workers living in the Commonwealth. The fee on each CW petition funds job training programs at the Northern Marianas College, the Trades Institute and the public school system. Over the last five years, DHS has transferred about \$9 million in these fees to the CNMI Treasury and about \$3 million of these fees remain available for programming in 2017. In partnership with these programs, some employers have had success in bringing trainees and graduates into the local workforce. However, with roughly 700 high school and 200 college grads each year, the number of new entrants into the workforce is limited. According to most employers we interviewed, efforts to recruit workers from Guam, Hawaii, the U.S. mainland or the Freely Associated States have met with limited success and are hampered by the high cost of recruitment and high turnover.

Last, it is estimated that hitting the CW cap in 2016 coincided with the loss of over 3,500 foreign workers in non-construction jobs, including some with decades of employment in the Commonwealth. In this context, the 902 report and others have recommended that Congress consider a path to permanent status for long-term, foreign workers, many of whom were lawfully present in the CNMI when the immigration bill was passed.

Madam Chair, this concludes my remarks. I'm happy to answer your questions.

[The prepared statement of Dr. Gootnick follows:]



United States Government Accountability Office

Testimony
Before the Committee on Energy and
Natural Resources, U.S. Senate

For Release on Delivery
Expected at 10:00 a.m. ET
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COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Preliminary Observations on the Implementation of Federal Immigration Laws

Statement of David Gootnick, Director,
International Affairs and Trade

GAO Highlights

Highlights of GAO-17-593T, a testimony before the Committee on Energy and Natural Resources, U.S. Senate

Why GAO Did This Study

In 2008, Public Law 110-229 established federal control of CNMI immigration. It required DHS to create a transitional work permit program for foreign workers in the CNMI and to decrease the number of permits issued annually; it presently requires that DHS reduce them to zero by December 31, 2019. To implement this aspect of the law, in 2011, DHS created a CW-1 permit program for foreign workers. In 2015, foreign workers totaled 12,784, making up more than half of the CNMI workforce.

GAO was asked to review the implementation of federal immigration laws in the CNMI. This testimony discusses GAO's preliminary observations from its ongoing work on (1) the potential economic impact of reducing the number of CNMI foreign workers to zero and (2) federal and CNMI efforts to address labor force challenges.

GAO reviewed U.S. laws and regulations; analyzed government data, including CNMI tax records since 2001; and conducted fieldwork in Saipan, Tinian, and Rota, CNMI. During fieldwork, GAO conducted semistructured interviews and discussion groups with businesses, CW-1 workers, U.S. workers, and current and former job training participants. GAO also interviewed officials from the CNMI government, DHS, and the U.S. Departments of Commerce, the Interior, and Labor.

What GAO Recommends

GAO is not making any recommendations at this time. GAO plans to issue a final report in May 2017.

View GAO-17-593T. For more information, contact David Gootnick at (202) 512-3149 or gootnickd@gao.gov.

April 27, 2017

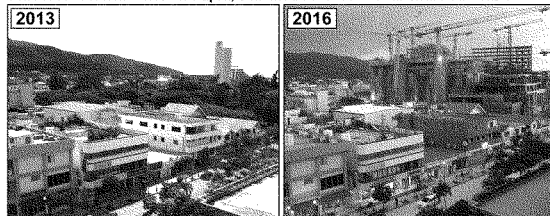
COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Preliminary Observations on the Implementation of Federal Immigration Laws

What GAO Found

If all foreign workers in the Commonwealth of the Northern Mariana Islands (CNMI) with CNMI-Only transitional worker (CW-1) permits, or 45 percent of total workers in 2015, were removed from the CNMI's labor market, GAO's preliminary economic analysis projects a 26 to 62 percent reduction in CNMI's 2015 gross domestic product (GDP)—the most recent GDP available. In addition, demand for foreign workers in the CNMI exceeded the available number of CW-1 permits in 2016—many approved for workers from China and workers in construction occupations. The construction of a new casino in Saipan is a key factor in this demand (see photos taken both before and during construction in 2016). Meanwhile, by 2019, plans for additional hotels, casinos, and other projects estimate needing thousands of new employees. When the CW-1 permit program ends in 2019, GAO's preliminary analysis of available data shows that the unemployed domestic workforce, estimated at 2,386 in 2016, will be well below the CNMI's expected demand for labor. To meet this demand, CNMI employers may need to recruit U.S.-eligible workers from the U.S. states, U.S. territories, and the freely associated states (the Federated States of Micronesia, Republic of the Marshall Islands, and Republic of Palau).

Construction of New Casino in Saipan, Commonwealth of the Northern Mariana Islands



Source: GAO. | GAO-17-593T

Federal and CNMI efforts to address labor force challenges include (1) job training programs and (2) employment assistance funded by the U.S. Department of Labor and implemented by the CNMI's Department of Labor. The Department of Homeland Security (DHS) collects the \$150 vocational education fee assessed for each foreign worker on a CW-1 petition and transfers the fees to the CNMI government. Results of GAO's ongoing work indicate that to support vocational education curricula and program development in fiscal years 2012 through 2016, DHS transferred to the CNMI Treasury about \$9.1 million in CW-1 fees. During this period, GAO's preliminary analysis shows that the CNMI government allocated about \$5.8 million of the \$9.1 million to three educational institutions: Northern Marianas College, Northern Marianas Trades Institute, and the CNMI's Public School System. In 2016, a U.S.-CNMI consultative process resulted in a report to Congress with six recommendations related to the CNMI economy, including one to raise the cap on CW-1 foreign worker permits and extend the permit program beyond 2019.

United States Government Accountability Office

Chairman Murkowski, Ranking Member Cantwell, and Members of the Committee:

Thank you for the opportunity today to discuss preliminary observations from our ongoing work looking at the implementation of federal immigration laws in the Commonwealth of the Northern Mariana Islands (CNMI).

The 1976 Covenant defining the political relationship between CNMI and the United States exempted the CNMI from certain federal immigration laws but reserved the right of the federal government to apply federal law in these exempted areas without the consent of the CNMI government. The Consolidated Natural Resources Act of 2008 amended the U.S.–CNMI Covenant to establish federal control of CNMI immigration beginning in 2009. The act established a transition period and special provisions for foreign visitors, investors, and workers. Specifically, it required the U.S. Department of Homeland Security (DHS) to establish a temporary work permit program for foreign workers and to reduce annually the number of permits issued, reducing them to zero by the end of the transition period—now set to occur on December 31, 2019. As part of the temporary work permit program, DHS collects a vocational education fee from prospective employers of those applying for special nonimmigrant visas and transfers these fees to the CNMI government for ongoing vocational programs provided by the CNMI educational entities.

This testimony discusses preliminary observations from our ongoing work on (1) the potential economic impact of reducing the number of foreign workers to zero and (2) federal and CNMI efforts to address labor force challenges. In a subsequent report, we will also discuss the changes in CNMI's labor market since federally mandated minimum wage increases began.¹ We plan to issue our final report in May 2017.

¹A 2007 law included a provision to apply the U.S. minimum wage to the CNMI, increasing CNMI's minimum wage in periodic increments until it reaches the federal minimum wage, which is currently \$7.25 per hour. See U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007, Pub. L. No. 110–28, § 8103(a) (May 25, 2007), codified as amended at 29 U.S.C. § 206 note, Applicability of minimum wage to American Samoa and the Commonwealth of the Northern Mariana Islands. Subsequent legislation included a provision for GAO to report on the impact of past increases in minimum wages in the CNMI. See 29 U.S.C. § 206 note. Report on the impact of past and future minimum wage increases.

To evaluate the potential economic impact of reducing the number of foreign workers in the CNMI to zero and replacing them with domestic workers, we created a simulated mathematical model of how the CNMI's gross domestic product (GDP) would change if the number of foreign workers were reduced to zero. We also analyzed DHS data on the annual number of approved CNMI-Only transitional worker (CW-1) permits by country of birth, occupation, and business from 2014 through 2016. To evaluate the possible replacement of CW-1 workers with domestic workers, we analyzed the number of people seeking employment in 2016, in the context of labor requirements for the CNMI's planned development projects as of December 20, 2016.

To assess federal and CNMI government efforts to address labor force challenges, we reviewed the CNMI's job training programs and a report generated through a consultative process specified in section 902 of the U.S.-CNMI Covenant (hereafter, the 902 Report).² For job training programs, we analyzed the use of CW-1 vocational education fees that DHS transferred to the CNMI government in fiscal years 2012 through 2016. We also interviewed officials and reviewed documents provided by the U.S. Department of the Interior (DOI) and the CNMI government to better understand the 902 consultative process (hereafter, 902 Consultations).

For both objectives, we conducted fieldwork in the CNMI and interviewed officials from DHS, DOI, and the Department of Labor (DOL). Our fieldwork interviews took place on the CNMI islands of Saipan, Tinian, and Rota, and included meetings with the CNMI Governor; the Mayors of Tinian and Rota; and the CNMI Secretaries of Commerce, Finance, and Labor and interviews and discussions with representatives of CNMI businesses. In Saipan, we also facilitated small-group discussions with CW-1 workers, U.S. workers currently employed by CNMI businesses, and officials, students, and graduates of CNMI job training programs. In addition to the data mentioned above, we reviewed demographic information about the employed population in the CNMI based on the CNMI tax records since 2001 and data from the 2014 CNMI Prevailing Wage & Workforce Assessment Study. We also reviewed prior GAO reports and analyzed various data sets from the U.S. Department of

²See Special Representatives of the United States and the Commonwealth of the Northern Mariana Islands, *Report to the President on 902 Consultations* (January 2017), accessed March 10, 2017, <https://www.doi.gov/sites/doi.gov/files/uploads/902-consultations-report-january-2017.pdf>.

Commerce (DOC), the CNMI's Departments of Finance and Commerce, and CNMI's tourism organizations. We determined that the data used in our analyses were sufficiently reliable for the purposes of our report.

We are conducting the work upon which this statement is based in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Part of the Mariana Islands Archipelago, the CNMI is a chain of 14 islands in the western Pacific Ocean—just north of Guam and about 3,200 miles west of Hawaii. The CNMI has a total population of 53,890, according to preliminary results of the CNMI's 2016 Household, Income, and Expenditures Survey. Almost 90 percent of the population (48,200) resided on the island of Saipan, with an additional 6 percent (3,056) on the island of Tinian and 5 percent (2,635) on the island of Rota.

U.S.–CNMI Relations

The United States took control of the Northern Mariana Islands from Japan during the latter part of World War II. After the war, the U.S. Congress approved a trusteeship agreement making the United States responsible to the United Nations for the administration of the islands.³ In 1976, the District of the Mariana Islands entered into the Covenant with the United States establishing the island territory's status as a self-governing commonwealth in political union with the United States.⁴ This Covenant grants the CNMI the right of self-governance over internal affairs and grants the United States complete responsibility and authority

³In 1947, the United Nations gave the United States authority to administer the Trust Territory of the Pacific Islands, which included the Northern Mariana Islands. The trusteeship over the Northern Mariana Islands was formally dissolved in 1986.

⁴Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America, Pub. L. No. 94-241 (Mar. 24, 1976), codified as amended at 48 U.S.C. § 1801 note. See also Howard P. Willens and Deanne C. Siemer, *An Honorable Accord: The Covenant between the Northern Mariana Islands and the United States* (Honolulu: University of Hawaii Press, 2002).

for matters relating to foreign affairs and defense affecting the CNMI.⁵ The Covenant initially made many federal laws applicable to the CNMI, including laws that provide federal services and financial assistance programs. However, the Covenant preserved the CNMI's exemption from certain federal laws that had previously been inapplicable to the Trust Territory of the Pacific Islands, including certain federal minimum wage provisions and immigration laws, with certain limited exceptions.⁶ Under the terms of the Covenant, the federal government has the right to apply federal law in these exempted areas without the consent of the CNMI government. Section 902 of the Covenant provides that the U.S. and CNMI governments will designate special representatives to meet and consider in good faith issues that affect their relationship and to make a report and recommendations.

Several U.S. government programs operate in the CNMI, including programs administered by DHS, DOI, and DOL.

- DHS has three primary components—U.S. Customs and Border Protection (CBP), U.S. Immigration and Customs Enforcement (ICE), and U.S. Citizenship and Immigration Services (USCIS)—that enforce federal immigration laws and maintain border control in the CNMI. CBP inspects travelers at the Saipan and Rota airports to determine whether to admit them into the CNMI. ICE enforces federal immigration laws in the CNMI, for example, by identifying, apprehending, detaining, and removing criminal foreign nationals and other foreign nationals that threaten the security of the CNMI and the United States. USCIS processes foreign nationals' applications for

⁵Under the Covenant, the U.S. government may enact legislation in accordance with its constitutional processes that will be applicable to the CNMI. To respect the CNMI's right of self-government under the Covenant, certain provisions of the Covenant may be modified only with the consent of both the federal government and the CNMI government.

⁶Prior to November 2009, Section 506 of the Covenant applied to the CNMI certain provisions of the Immigration and Nationality Act of 1952 relating to citizenship and family-based permanent immigration. Certain other nonimmigrant provisions of the act, related to victims of human trafficking and other crimes, also applied to the CNMI. See 8 U.S.C. § 1101(a)(15)(T)-(U). In addition, the Covenant provided U.S. citizenship to legally qualified CNMI residents.

immigration benefits, that is, the ability to live, and in some cases work, in the CNMI permanently or temporarily.⁷

- DOI's Office of Insular Affairs coordinates federal policies and provides technical and financial assistance to the CNMI.⁸ The Covenant requires DOI to consult regularly with the CNMI on all matters affecting the relationship between the U.S. government and the islands.⁹ In May 2016, President Obama designated the Assistant Secretary for Insular Affairs as the Special Representative for the United States for the 902 Consultations, a process initiated at the request of the Governor of the CNMI to discuss and make recommendations to Congress on immigration and labor matters affecting the growth potential of the CNMI economy, among other topics. The 902 Consultations resulted in a report to the President in January 2017, which we refer to as the 902 Report.
- DOL requires employers to fully test the labor market for U.S. workers to ensure that U.S. workers are not adversely affected by the hiring of nonimmigrant and immigrant workers, except where not required by law. DOL also provides grants to the CNMI government supporting youth, adult, and dislocated worker programs. From 1999 through 2015, DOL provided such grants under the Workforce Investment Act of 1998 (WIA) and the Workforce Innovation and Opportunity Act of 2014 (WIOA).¹⁰

The CNMI Labor Market

The CNMI's employed population consists of both foreign and domestic workers. Following consecutive annual decreases in the total number of employed workers from 2005 to 2013, CNMI employment started recovering after 2013, according to CNMI tax data. Figure 1 shows the number of employed workers and the number of foreign and domestic workers in the CNMI from 2001 to 2015 based on CNMI tax data. As the

⁷The U.S. Department of State (State) also issues visas at U.S. embassies or consulates to foreign nationals who wish to come to the CNMI on a temporary or permanent basis. However, since State does not have any representatives working in the CNMI, we excluded the agency from the scope of our review.

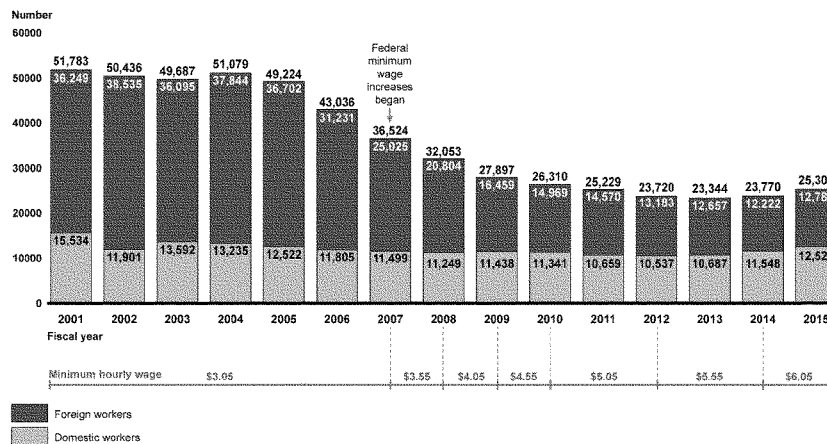
⁸Exec. Order No. 12572, Relations With the Northern Mariana Islands, 51 Fed. Reg. 40401 (Nov. 3, 1986).

⁹Section 902 of the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America, Pub. L. No. 94-241 (Mar. 24, 1976), codified as amended at 48 U.S.C. § 1801 note.

¹⁰WIOA, Pub. L. No. 113-128 (July 22, 2014), repealed WIA.

figure shows, from the lowest point in 2013, the number of employed workers increased by approximately 8 percent by 2015 (from 23,344 to 25,307). However, the number employed in 2015 (25,307) was still approximately 31 percent less than the number employed in 2007 (36,524).

Figure 1: Employed Workers in the Commonwealth of the Northern Mariana Islands (CNMI), Calendar Years 2001–2015



Notes: Domestic workers include U.S. citizens and citizens of the freely associated states—the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau. Reductions in the number of employed workers from 2007 through 2013 were likely a result of many factors, such as the disappearance of the garment industry and decline of the tourism industry. Reductions in the number of employed workers from 2007 through 2013 may not be caused by increases in the minimum wage.

Although the number and percentage of foreign workers have fallen since 2001, foreign workers are still the majority of the CNMI workforce. Of the 25,307 workers in the CNMI in 2015, slightly over half (12,784) were foreign workers, according to CNMI tax data. The number of foreign

workers fell from a peak of almost 38,000 in 2002 (roughly 75 percent of the employed workers) and was under 13,000 in 2015.¹¹ In contrast, since 2002, the number of domestic workers has fluctuated year to year, ranging from about 10,500 to about 13,500, but increased by 17 percent from 2013 to 2015.

In 2007, the minimum wage provisions of the Fair Labor Standards Act of 1938 were applied to the CNMI, requiring the minimum wage in the CNMI to rise incrementally to the federal level in a series of scheduled increases. Under current law, the next minimum wage increase will occur on September 30, 2017, and the CNMI will reach the current U.S. minimum wage on September 30, 2018 (see table 1).

Table 1: Past and Scheduled Minimum Wage Increases in the Commonwealth of the Northern Mariana Islands, 2007–2018

Nominal U.S. dollars

Date	Minimum hourly wage
Before July 25, 2007	3.05
July 25, 2007	3.55
May 25, 2008	4.05
May 25, 2009	4.55
September 30, 2010	5.05
September 30, 2012	5.55
September 30, 2014	6.05
September 30, 2016	6.55
September 30, 2017 (scheduled)	7.05
September 30, 2018 (scheduled)	7.25

Source: GAO analysis of Pub. L. No. 110-28, Pub. L. No. 111-244, and Pub. L. No. 113-94. | GAO-17-593T

¹¹Although the garment industry was able to flourish in the CNMI by exporting products to other parts of the United States largely unconstrained by import quotas and duties, several developments in international trade caused the industry to decline dramatically. In January 2005, in accordance with a World Trade Organization 10-year phase-out agreement, the United States eliminated quotas on textile and apparel imports from other textile-producing countries, exposing the CNMI apparel industry's shipments to the United States to greater competition. Subsequently, the value of CNMI textile exports to the United States dropped from a peak of \$1.1 billion in 1998 to \$677 million in 2005 and to close to zero in 2010.

Based on our preliminary analysis, we estimate that approximately 62 percent (15,818 of 25,657) of the CNMI's wage workers in 2014, assuming they maintained employment, would have been directly affected by the federally mandated 2016 wage increase, which raised CNMI's minimum wage from \$6.05 to \$6.55 per hour.¹² Since 72 percent of the total foreign workers made less than or equal to \$6.55 per hour in 2014, they were more likely to have been directly affected by the 2016 wage increase than domestic workers, with only 41 percent making less than or equal to \$6.55.¹³

**Changes in the Application
of Federal Immigration
Laws**

The Consolidated Natural Resources Act of 2008 amended the U.S.–CNMI Covenant to apply federal immigration law to the CNMI, following a transition period.¹⁴ Among other things, the act includes several provisions affecting foreign workers during the transition period.¹⁵

To provide for an orderly transition from the CNMI immigration system to the U.S. federal immigration system under the immigration laws of the United States, on September 7, 2011, DHS established, and currently administers, the CW permit program. Under the CW program, foreign workers are able to obtain, through their employers, nonimmigrant CW

¹²We also assumed the CNMI labor market did not change from 2014 through 2016. If workers with wages over the minimum wage also received pay increases as the minimum wage increased, then the percentage of workers affected would be greater.

¹³In May 2017, we plan to issue a final report on our review that will include an analysis of changes in CNMI's labor market since the federally mandated minimum wage increases began in 2007.

¹⁴Consolidated Natural Resources Act of 2008, Pub. L. No. 110-229, Title VII (May 8, 2008).

¹⁵The Consolidated Natural Resources Act of 2008 and its implementing regulations also contain other special provisions, such as establishing (1) a classification for certain foreign investors lawfully admitted under the CNMI's immigration system—called E-2 CNMI Investor Status (or E-2C)—and (2) providing that asylum is inapplicable to those in the CNMI during the course of the transition period.

status that allows them to work in the CNMI.¹⁶ Dependents of CW-1 nonimmigrants (spouses and minor children) are eligible for dependent of a CNMI-Only transitional worker (CW-2) status, which derives from and depends on the CW-1 worker's status.

In accordance with the Consolidated Natural Resources Act, DHS, through USCIS, has annually reduced the number of CW-1 permits, and is required to do so until the number reaches zero by the end of a transition period.¹⁷ Since 2011, DHS has annually determined the numerical limitation, terms, and conditions of the CW-1 permits (see table 2). The act was amended in December 2014 to extend the transition period until December 31, 2019,¹⁸ and eliminate the Secretary of Labor's authority to provide for future extensions of the CW program.¹⁹

¹⁶DHS deemed CW-1 status to be synonymous with "permit" referenced in the legislation. In this report, "permit" refers to CW-1 status. An employer must petition for a worker to obtain CW-1 status by submitting a Form I-129CW and all necessary fees to DHS. If the employer also requests a "grant of status" in the CNMI, then the foreign worker is allowed to obtain status without departing the CNMI and reentering through a U.S. embassy or consulate. After required security checks, if the Form I-129CW is approved, DHS will mail an approval notice to the employer who should provide a copy to the worker. The approval notice indicates whether the worker has been granted CW-1 status in the CNMI or whether the worker may proceed to a U.S. embassy or consulate abroad to seek visa processing of a CW-1 visa.

¹⁷If the Form I-129CW is approved, DHS normally grants CW-1 status for 1 year, according to the USCIS website. The employer may request an extension of status by filing a new Form I-129CW petition. A dependent's CW-2 status expires on the same day as the worker's CW-1 status and can be extended when the worker's CW-1 status is extended.

¹⁸See Consolidated and Further Continuing Appropriations Act, 2015, Pub. L. No. 113-235, § 10 (Dec. 16, 2014).

¹⁹Previously, the Secretary of Labor was authorized to extend the program for up to 5 years. For additional information, see GAO, *Commonwealth of the Northern Mariana Islands: Additional DHS Actions Needed on Foreign Worker Permit Program*, GAO-12-975 (Washington, D.C.: Sept. 27, 2012).

Table 2: U.S. Department of Homeland Security Numerical Limits on CW-1 Permits for the Commonwealth of the Northern Mariana Islands (CNMI), Fiscal Years 2011–2017

Fiscal year	CW-1 numerical limit
2011	22,417
2012	22,416
2013	15,000
2014	14,000
2015	13,999
2016	12,999
2017	12,998

Source: U.S. Department of Homeland Security, J GAO-17-593T

Note: On September 7, 2011, the U.S. Department of Homeland Security established the CNMI-Only transitional worker (CW) permit program, administered by the U.S. Citizenship and Immigration Services. Under the CW program, qualified nonimmigrant workers are able to obtain, through their employers, nonimmigrant CW-1 status that allows them to work in the CNMI.

In April 2010, DOI recommended that Congress consider new legislation permitting guest workers who have lawfully resided in the CNMI for a minimum of 5 years—which DOI estimated at 15,816 individuals—to apply for long-term resident status under the Immigration and Nationality Act.²⁰ The DOI report stated that options under the Immigration and Nationality Act that Congress could consider include the following: (1) U.S. citizenship; (2) permanent resident status leading to U.S. citizenship (per the normal provisions of the Immigration and Nationality Act relating to naturalization), with the 5-year minimum residence spent anywhere in the United States or its territories; or (3) permanent resident status leading to U.S. citizenship, with the 5-year minimum residence spent in the CNMI. Additionally, DOI noted that under U.S. immigration law, special status is provided to individuals who are citizens of the freely associated states (Federated States of Micronesia, Republic of the Marshall Islands, and Republic of Palau). Following this model, DOI suggested that new legislation could grant foreign workers a nonimmigrant status, like that negotiated for citizens of the freely

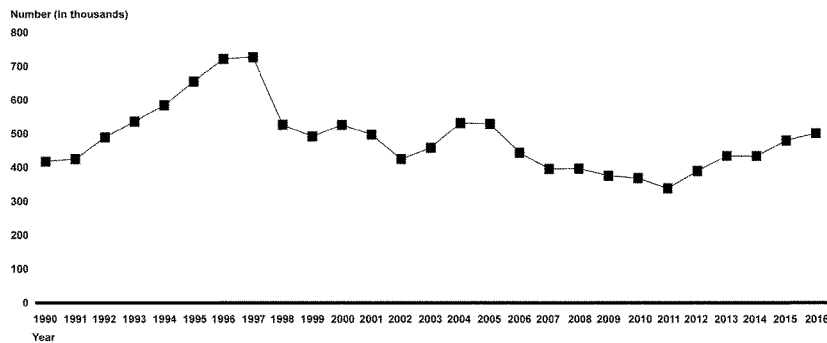
²⁰The Consolidated Natural Resources Act required the Secretary of the Interior, in consultation with the Secretary of Homeland Security and the Governor of the Commonwealth, to report to Congress on any recommendations that the Secretary deems appropriate related to whether Congress should consider permitting lawfully admitted guest workers lawfully residing in the Commonwealth on May 8, 2008 (the date of enactment of the act), to apply for long-term status under the immigration and nationality laws of the United States. See 48 U.S.C. § 1806(h)(5).

associated states, and could allow them to live and work either in the United States and its territories or in the CNMI only.²¹

Tourism Trends in the CNMI

Since 1990, the CNMI's tourism market has experienced considerable fluctuation, as shown by the total annual number of visitor arrivals (see fig. 2). Total visitor arrivals to the CNMI dropped from a peak of 726,690 in fiscal year 1997 to a low of 338,106 in 2011, a 53 percent decline. Since 2011, however, visitor arrivals have increased by 48 percent, reaching 501,489 in fiscal year 2016.

Figure 2: Commonwealth of the Northern Mariana Islands Annual Visitor Arrivals, Fiscal Years 1990–2016



Source: GAO analysis of Marianas Visitors Authority data. | GAO-17-593T

Data from the Marianas Visitors Authority show that the downward trend in Japanese arrivals from 2013 to 2016 was offset by the growth in arrivals from China and South Korea. While eligible Japanese and South

²¹Department of the Interior, Office of the Secretary, *Report on the Alien Worker Population in the Commonwealth of the Northern Mariana Islands* (Washington, D.C.: April 2010), accessed March 10, 2017, <https://www.doi.gov/sites/doi.gov/files/uploads/2010-Report-on-the-Alien-Worker-Population-in-CNMI.pdf>.

Korean visitors enter the CNMI under the U.S. visa waiver program,²² Chinese visitors are not eligible and are permitted to be temporarily present in the CNMI under DHS's discretionary parole authority, according to DHS officials. DHS exercises parole authority to allow, on a case-by-case basis, eligible nationals of China to enter the CNMI temporarily as tourists when there is significant public benefit, according to DHS data.²³ From fiscal year 2011 to 2016 the percentage of travelers that arrived at the Saipan airport and were granted discretionary parole increased from about 20 percent to about 50 percent of the total travelers, according to our analysis of CBP data.²⁴

²²Eligible citizens or nationals of the 38 countries included in the general U.S. Visa Waiver Program may stay for up to 90 days for business or pleasure in the United States without obtaining a nonimmigrant visa. These countries are Andorra, Australia, Austria, Belgium, Brunei, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Monaco, the Netherlands, New Zealand, Norway, Portugal, San Marino, Singapore, Slovakia, Slovenia, South Korea, Spain, Sweden, Switzerland, Taiwan, and the United Kingdom.

²³From fiscal year 2013 through 2016, the number of visitors from Japan dropped by 58 percent from 148,423 to 62,120 visitors. Meanwhile, the number of Chinese visitors rose by 83 percent (112,570 to 206,538), and the number of Korean visitors rose by 48 percent (135,458 to 200,875).

²⁴According to CBP data, 43,485 of 241,537 total travelers to the Saipan airport were granted parole in 2011, and 118,032 of 248,234 total travelers to the Saipan airport were granted parole in 2016.

Eliminating CW-1 Permits Would Negatively Affect the Economy; Current and Planned Demand for Labor Exceeds Supply of U.S. Workers

Preliminary Results of Our Economic Analysis and Recent Data Show That Ending the CW Program Could Have a Large Negative Effect on the Economy

If all CW-1 workers, or 45 percent of the total workers in 2015, were removed from the CNMI's labor market, our preliminary economic analysis projects a 26 to 62 percent reduction in the CNMI's 2015 GDP, depending on the assumptions made.²⁵ To estimate the possible effect of a reduction in the number of workers with CW-1 permits in the CNMI to zero—through the scheduled end of the CW program in 2019—we employed an economic method that enabled us to simulate the effect of a reduction under a number of different assumptions.²⁶

The CNMI's 2015 GDP—the most recent year for which GDP data were available—was \$922 million. To understand the economic impact of ending the CW program, we analyzed how removing all CW-1 workers would have changed the CNMI's actual 2015 GDP. Our economic model and the results of 10,000 simulations show that had there been no CW-1 workers in 2015, there is a

- 25 percent likelihood that the CNMI's 2015 GDP would have ranged from \$583 million to \$680 million, which is 26 to 37 percent lower than the actual value;

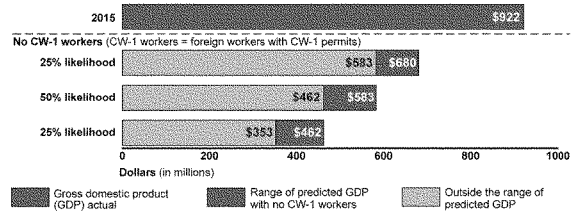
²⁵Our analysis assumed that 45 percent of the workforce was made up of CW-1 workers, based on a combination of CNMI tax data and the CNMI's 2014 Prevailing Wage Study data.

²⁶We used a similar model when estimating the effect of reductions in the number of foreign workers in the CNMI in 2008. See *Commonwealth of the Northern Mariana Islands: Managing Potential Economic Impact of Applying U.S. Immigration Law Requires Coordinated Federal Decisions and Additional Data*, GAO-08-791 (Washington, D.C.: Aug. 4, 2008).

- 50 percent likelihood that it would have ranged from \$462 million to \$583 million, which is 37 to 50 percent lower than the actual value; and
- 25 percent likelihood that it would have ranged from \$353 million to \$462 million, which is 50 to 62 percent lower than the actual value (see fig. 3).²⁷

Figure 3: Estimated Decline of 2015 Gross Domestic Product of the Commonwealth of the Northern Mariana Islands (CNMI) in Response to Zero CW-1 Permits

2015 U.S. dollars in millions



Source: GAO analysis of U.S. Department of Commerce data. | GAO-17-593T

Note: On September 7, 2011, the U.S. Department of Homeland Security established the CNMI-Only transitional worker (CW) permit program, administered by the U.S. Citizenship and Immigration Services. Under the CW program, qualified nonimmigrant workers are able to obtain, through their employers, nonimmigrant CW-1 status that allows them to work in the CNMI.

Across the full range of probable outcomes, the elimination of the CW program would result in a 26 to 62 percent decline in the CNMI's 2015 GDP, a relatively large negative effect on the economy.²⁸

²⁷The fall in population caused by the departure of CW-1 workers from the CNMI would result in a smaller percentage decline in per capita GDP as compared with the decline in GDP.

²⁸In a separate retrospective economic analysis, using past CNMI GDP and employment data, from 2002 to 2015, we estimated that a 10 percent decline in the number of workers during this period was associated with an 8.3 percent decline in the size of the economy, on average. Applying this factor to an analysis of the CNMI's current economic situation suggests that a reduction in the number of foreign workers with CW-1 permits to zero—which would be equivalent to reducing the number of total workers by 45 percent, all else unchanged—would lead to a 37 percent contraction in the size of the CNMI economy as measured by GDP. This finding is within the range presented in the simulation model above.

Our Preliminary Analysis Shows That Recent and Planned Demand for Labor Exceeds Existing CW-1 Permits and the Supply of Local Workers

Recent Labor Demand

The CNMI economy currently is experiencing growing demand for workers, particularly among occupations in construction and hospitality. Since fiscal year 2013, demand for CW-1 permits has doubled, and in fiscal year 2016, demand exceeded the numerical limit (or cap) on approved CW-1 permits set by DHS. Approved CW-1 permits grew from 6,325 in fiscal year 2013 to 13,299 in fiscal year 2016. In 2016, when the cap was set at 12,999, DHS received enough petitions by May 6, 2016, to approve 13,299 CW-1 permits, reaching the cap 5 months prior to the end of the fiscal year.²⁹ On October 14, 2016, 2 weeks into fiscal year 2017, DHS announced that it had received enough petitions to reach the CW-1 cap and would not accept requests for new fiscal year 2017 permits during the remaining 11 months.³⁰ In interviews, some employers reported being surprised to learn that the cap had been reached when they sought renewals for existing CW-1 workers.³¹ See table 3 for the numerical limit of CW-1 permits and number of permits approved by fiscal year.

²⁹The number of approved CW-1 permits exceeded the cap in 2016 because DHS made allowances for beneficiaries requesting consular processing whose visas would be refused or otherwise unused.

³⁰As of March 31, 2017, DHS had not finalized the number of approved CW-1 permits for fiscal year 2017. As of November 18, 2016, DHS had approved 8,486 permits toward the 2017 cap. According to DHS officials, the remaining CW-1 permits are still pending, some requiring further information from employers.

³¹Following the exhaustion of the fiscal year 2016 cap, DHS announced a short-term solution that it implemented without a regulatory change. According to the 902 Report, on August 29, 2016, DHS announced that certain CW-1 workers could apply for deferred action, a discretionary determination that would temporarily defer an action to remove an individual from the CNMI. As of December 13, 2016, 372 individuals had applied for deferred action, according to the 902 Report. A prior DHS regulatory change allows approved CW-1 nonimmigrants up to 240 days of continued employment authorization with the same employer past their visa expiration date as long as they have an extension application pending with DHS. See 8 C.F.R. § 274a.12(b)(20).

Table 3: DHS Numerical Limits on CW-1 Permits for the Commonwealth of the Northern Mariana Islands, with Numbers of CW-1 Permits Approved, Fiscal Years 2011–2017

Fiscal year	CW-1 numerical limit	CW-1 approved
2011	22,417	— ^a
2012	22,416	10,548
2013	15,000	6,325
2014	14,000	9,188
2015	13,999	9,715
2016	12,999	13,299 ^b
2017	12,998	— ^c

Legend: — = Not applicable; CNMI = Commonwealth of the Northern Mariana Islands; CW-1 = CNMI-Only transitional worker; DHS = U.S. Department of Homeland Security.

Source: U.S. Department of Homeland Security data. | GAO-17-593T

Note: On September 7, 2011, DHS established the CW permit program, administered by the U.S. Citizenship and Immigration Services. Under the CW program, qualified nonimmigrant workers are able to obtain, through their employers, nonimmigrant CW-1 status that allows them to work in the CNMI.

^aIn 2011, DHS did not approve any CW-1 permits.

^bIn 2016, DHS approved more CW-1 permits than allowed by the numerical limit to make up for the expected number of visa denials by the Department of State.

^cAs of March 31, 2017, DHS had not finalized the number of CW-1 permits approved for fiscal year 2017.

Based on DHS data on approved CW-1 permits, by country of birth, occupation, and business, from fiscal years 2014 through 2016, the number of permits approved for Chinese nationals increased, the number of permits approved for construction workers increased, and a large number of CW-1 permits were approved for three new businesses.

Chinese nationals. In 2016, DHS approved 4,844 CW-1 permits for Chinese workers, increasing from 1,230 in 2015 and 854 in 2014. This represents a change in the source countries of CW-1 workers, with the percentage of workers from the Philippines declining from 65 to 53 percent during this period, while the share from China rose from 9 to 36 percent (see table 4).

Table 4: Number and Percentage of Approved CW-1 Permits by Country of Birth, Fiscal Years 2014–2016

Country of birth	2014		2015		2016	
	Number	Percentage	Number	Percentage	Number	Percentage
Philippines	5,960	65	7,193	74	7,086	53
China	854	9	1,230	13	4,844	36
South Korea	352	4	487	5	433	3
Bangladesh	157	2	333	3	473	4
Other	1,865 ^a	20 ^a	472	5	463	3
Total	9,188	—	9,715	—	13,299	—

Legend: — = Not applicable; CNMI = Commonwealth of the Northern Mariana Islands; CW-1 = CNMI-Only transitional worker.

Source: GAO analysis of U.S. Department of Homeland Security data. | GAO-17-593T

Note: On September 7, 2011, the U.S. Department of Homeland Security established the CW permit program, administered by the U.S. Citizenship and Immigration Services. Under the CW program, qualified nonimmigrant workers are able to obtain, through their employers, nonimmigrant CW-1 status that allows them to work in the CNMI.

^aIn 2014, 1,513 CW-1 permits (or 16 percent) were approved for workers with petitions that did not specify country of birth.

Construction workers. In 2016, DHS approved 3,443 CW-1 permits for construction workers, increasing from 1,105 in 2015 and 194 in 2014 (see table 5).³²

Table 5: Number of Approved CW-1 Permits for Construction and Nonconstruction Occupations, Fiscal Years 2014–2016

Occupation	2014	2015	2016
Construction ^a	194	1,105	3,443
Nonconstruction	8,994	8,610	9,856
Total	9,188	9,715	13,299

Legend: CNMI = Commonwealth of the Northern Mariana Islands; CW-1 = CNMI-Only transitional worker.

Source: GAO analysis of U.S. Department of Homeland Security data. | GAO-17-593T

Note: On September 7, 2011, the U.S. Department of Homeland Security established the CW permit program, administered by the U.S. Citizenship and Immigration Services. Under the CW program, qualified nonimmigrant workers are able to obtain, through their employers, nonimmigrant CW-1 status that allows them to work in the CNMI.

^aConstruction occupations are those specifically defined by CNMI employers on their Form I-129CW petitions as construction trade. We did not include occupations such as building services, handlers, helpers, laborers, machine operators, technicians, or other occupations in architecture, engineering, and surveying, which may also be considered construction occupations.

New businesses. In 2016, DHS approved 3,426 CW-1 permits for three construction businesses, representing 26 percent of all approved permits.³³ Two of these businesses had not previously applied for CW-1 permits. The third business was new in 2015 and was granted only 62 CW-1 permits that year.

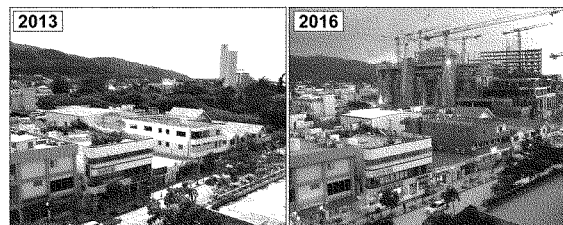
A key factor in the additional demand for labor in 2016 was the construction of a new casino in Saipan. In August 2014, the CNMI government entered into a casino license agreement with a business to build a phased development project within 8 years with a minimum of 2,004 guest rooms and areas for gaming, food, beverage, retail, and entertainment, among other things. The total investment cost of the project was estimated at \$3.14 billion (2014 dollars). The agreement required that construction of the initial gaming facility be completed no

³²Because of the number of foreign workers with approved CW-1 permits working in the construction industry, the CNMI government's Strategic Economic Development Council estimated that reaching the CW-1 cap in fiscal year 2016 resulted in the loss of at least 3,670 foreign workers in other industries, including some long-term guest workers with decades of employment.

³³We did not obtain data on the occupations for these businesses.

later than 36 months from the date of the license, or by August 2017.³⁴ See figure 4 for photos showing the initial gaming facility's development site in Saipan both before and during construction.

Figure 4: Construction of New Casino in Saipan, Commonwealth of the Northern Mariana Islands



Source: GAO. | GAO-17-593T

The firms contracted to build the new casino under construction in Saipan have primarily employed Chinese workers. According to the CNMI government, while CNMI law and regulations require businesses operating in the CNMI to attempt to employ at least 30 percent U.S. workers, the casino operator and construction firms received an exemption from this requirement from the CNMI Department of Labor.³⁵ The Consolidated Natural Resources Act of 2008 allows CNMI employers to petition for H-2 visas and bring temporary workers, such as construction workers, to the CNMI without counting against the numerical

³⁴The casino agreement includes the stated objective to have permanent U.S. residents be at least 65 percent of all employees.

³⁵Northern Mariana Islands Administrative Code § 80-30.2-120(c) – Private sector workforce participation objective of 30 percent of those who are a U.S. citizen, CNMI permanent resident, U.S. permanent resident, or an immediate relative of a U.S. citizen, CNMI permanent resident, or U.S. permanent resident.

restriction for such visas.³⁶ However, China is not listed as an eligible country for H-2 visas.³⁷

Planned Labor Demand

Amid the uncertainty of the future availability of foreign labor, the CNMI government has granted zoning permits to planned projects that will require thousands of additional workers. Twenty-two new development projects, including six new hotels or casinos in Saipan and two new hotels or casinos in Tinian, are planned for construction or renovation by 2019.³⁸ Beyond the construction demand created by these projects, the CNMI's Bureau of Environmental and Coastal Quality estimates that at least 8,124 employees will be needed to operate the new hotels and casinos.³⁹

According to data provided by the bureau, most of this planned labor demand is for development on the island of Tinian, where two businesses plan to build casino resorts, with an estimated labor demand of 6,359 workers for operations—more than twice the island's population in 2016.⁴⁰ According to the Department of Treasury, the existing casino and hotel on Tinian closed in 2015 after having been fined \$75 million by the U.S.

³⁶In 1952, the Immigration and Nationality Act authorized the H-2 temporary worker program, which established visas for foreign workers to perform temporary services or labor in the United States (see 15 Pub. L. No. 82-414, § 101(a)(15)(H)(ii) (June 27, 1952)). The Immigration Reform and Control Act of 1986 amended the Immigration and Nationality Act and divided the H-2 program into two programs: the H-2A program for agricultural workers and the H-2B program for nonagricultural workers (see Pub. L. No. 99-603, § 301(a) (Nov. 6, 1986)). Both visas are for jobs to fill a temporary or seasonal need, generally defined as lasting not longer than 12 months for H-2A workers and 10 months for H-2B workers (see 19 20 C.F.R. §§ 655.6(c), 655.103(d)).

³⁷On October 26, 2016, DHS announced the H-2B country list for 2017, which does not include China. Asian countries on the list include the Philippines, South Korea, and Thailand, among others. See 81 Fed. Reg. 74,468 (Oct. 26, 2016). Although an employer can still request an H-2B visa for a worker from a country not on that list if the employer shows that it is in the U.S. interest to grant the H-2B status (see 8 C.F.R. § 214.2(h)(6)(i)(E)(2)), from fiscal year 2012 to 2016, no CNMI employers petitioned for any Chinese workers to obtain H-2B visas, according to DHS data.

³⁸Only development projects that obtained CNMI zoning permits are included in this total. There may be other ongoing and planned development projects that do not require zoning permits because of their distance from the CNMI coastline.

³⁹This total includes the estimated number of employees needed for operations and excludes the estimated number of employees needed for construction, according to the CNMI Bureau of Environmental and Coastal Quality. By 2021, the direct labor needed for operations of these facilities is estimated at 11,613 workers, according to the 902 Report.

⁴⁰One of the businesses shows prospective investors how the resort will look once it is completed in a video on its website (see <http://www.altercitygroup.com/en/col.jsp?id=110>).

Available Domestic Labor

Department of the Treasury for violations of the Bank Secrecy Act of 1970.⁴¹ One of the two Tinian developments offers overseas immigration services, including assistance with obtaining employment or investment-based immigration to the United States.⁴² We observed a billboard advertisement in Tinian with Chinese writing indicating that by investing in a new development in Tinian, an investor's family members would all get American green cards. This resort development, whose plans estimate a labor force of 859, has undertaken site preparation, while the other larger resort project, whose plans estimate a labor force of 5,500, had not initiated construction as of December 2016.

Currently, the CNMI government does not have a planning agency or process to ensure that planned projects are aligned with the CNMI's available labor force, according to CNMI officials. In January 2017, a bill was introduced in the CNMI Senate to establish an Office of Planning and Development within the Office of the Governor.

Our preliminary analysis shows that the current number of unemployed domestic workers in the CNMI is insufficient to replace the existing CW-1 workers or to fill all the nonconstruction jobs that planned development projects are expected to create once their business operations commence.

- In 2016, 9,856 of the 13,299 CW-1 permits approved by DHS were allocated to workers engaged in nonconstruction-related occupations.⁴³ When the CW program ends in 2019, available data

⁴¹According to a news release by the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) on June 3, 2015, FinCEN fined the Tinian Dynasty Hotel and Casino \$75 million for failing to develop and implement an anti-money laundering program. The casino accommodated patrons wanting to conduct financial transactions with large amounts of cash without the casino reporting the transactions as required by U.S. law, according to FinCEN.

⁴²According to USCIS, foreign nationals may be eligible for employment-based (EB-1) immigration if they have an extraordinary ability, such as an outstanding professor or researcher, or are a multinational executive or manager, or for investment-based (EB-5) immigration if they make the necessary investment in a commercial enterprise in the United States and plan to create or preserve 10 permanent full-time jobs for qualified U.S. workers.

⁴³Nonconstruction-related occupations include all occupations other than construction trade occupations, such as building services; handlers; helpers; laborers; machine operators; technicians; or other occupations in architecture, engineering, and surveying that some may consider construction related.

show that the unemployed domestic workforce,⁴⁴ estimated at 2,386 in 2016,⁴⁵ will be well below the number of workers needed to replace currently employed CW-1 workers in nonconstruction-related occupations.

- In addition, our preliminary analysis indicates that the unemployed workforce would fall far short of the demand for additional workers in nonconstruction related occupations needed to support the ongoing operations of planned development projects—currently estimated at 8,124 workers by 2019.

Narrowing this gap would require CNMI employers to recruit domestic residents present in the CNMI but not currently in the labor force. Key sources of additional labor force entrants to replace current CW-1 workers or fill new positions are as follows:

- **High school or college graduates.** In 2016, CNMI high schools graduated 678 students and the Northern Marianas College graduated 204 students. In addition, a smaller number of students leave high school or the college without a diploma and join the labor force.
- **Domestic residents not in the CNMI labor force.** According to the CNMI's 2016 Health Survey, there are 9,272 U.S. citizens and permanent residents over the age of 16 who are not currently in the labor force. In addition to students, this group consists largely of homemakers, retired workers, seasonal workers in an off-season, the institutionalized, and those doing unpaid family work, according to the census. Overall, the survey found that labor force participation was lower for the population born in the CNMI (57 percent) compared with the overall population (69 percent).
- **Other U.S.-eligible workers.** Workers could be recruited from U.S. states, U.S. territories, and the freely associated states (Federated States of Micronesia, Republic of the Marshall Islands, and Republic

⁴⁴The domestic workforce includes U.S. citizens, permanent residents, and individuals from the freely associated states (Federated States of Micronesia, Republic of the Marshall Islands, and Republic of Palau).

⁴⁵While the overall rate of CNMI unemployment was 14 percent, it was 20 percent for the population born in the CNMI. The survey states that "unemployed" consists largely of CNMI residents in the labor force who are not working but are looking for work and who are U.S. citizens and permanent residents over the age of 16. The unemployment rate was obtained by dividing those not working but looking for work by the number in the labor force.

of Palau). For example, in 2003, 1,909 freely associated state workers were employed in the CNMI as compared with 677 of these workers in 2015, according to CNMI tax data. Moreover, many citizens from the freely associated states migrate to the United States each year, including to nearby Guam.⁴⁶ Guam and Hawaii, the closest U.S. areas to the CNMI, both have higher local minimum wages than the CNMI, currently at \$8.25 and \$9.25 per hour, respectively, according to DOL.

While Some Employers Report Successes, Others Report Facing Multiple Challenges in Efforts to Recruit and Retain U.S. Workers

Employers in the CNMI are required to attempt to recruit and hire U.S. workers. The CNMI government has a goal that all employers hire at least 30 percent U.S. workers, and employers are generally required to post all job openings to the CNMI Department of Labor's website.⁴⁷ However, the CNMI government can and has granted exemptions to this requirement. From May 8, 2015, to May 27, 2016, seven businesses were granted exemptions, according to data provided by the CNMI Department of Labor. In addition, all employers that apply for CW-1 permits must attest that no qualified U.S. worker is available for the job opening. However, during our ongoing work, some of the CNMI employers with whom we met reported that they face the following challenges in recruiting and retaining U.S. citizens, among others: unsatisfactory results of job postings, high costs of recruiting, and difficulty in retaining U.S. workers.

⁴⁶GAO, *Compacts of Free Association: Improvements Needed to Assess and Address Growing Migration*, GAO-12-64 (Washington, D.C.: Nov. 14, 2011).

⁴⁷U.S. workers include U.S. citizens, U.S. permanent residents, and CNMI permanent residents and the immediate relatives of citizens, U.S. permanent residents, and CNMI permanent residents.

Federal and CNMI Efforts to Address Labor Force Challenges Include Job Training Programs and a Consultative Process

The federal and CNMI governments support programs seeking to address the CNMI's labor force challenges. These programs include job training funded by employers' CW-1 vocational education fees that DHS transfers to the CNMI government and employment and training assistance funded by DOL.⁴⁸ Our preliminary analysis shows that in recent years, on average, DHS transferred about \$1.8 million per year in CW-1 vocational education fees and DOL provided about \$1.3 million per year to the CNMI for employment and training programs.

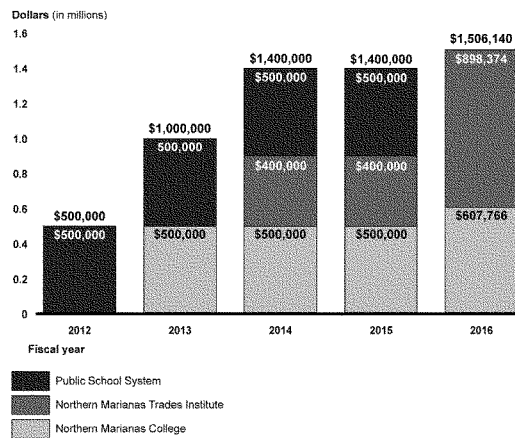
Fees Collected by CW Program Support Job Training

DHS collects the \$150 vocational education fee assessed for each foreign worker on a CW-1 petition and typically transfers the fees to the CNMI government each month. Results of our ongoing work indicate that to support vocational education curricula and program development in fiscal years 2012 through 2016, DHS transferred to the CNMI Treasury about \$9.1 million in CW-1 fees.⁴⁹ In fiscal years 2012 through 2016, the CNMI government allocated about \$5.8 million of the \$9.1 million in CW-1 vocational education fees to three educational institutions (see fig. 5). At present, the CW-1 fees support job training programs at Northern Marianas College and Northern Marianas Trades Institute and in recent years also funded job training provided by CNMI's Public School System. All three institutions reported using a majority of the CW-1 fees to pay the salaries and benefits of faculty and staff members involved in job training programs.

⁴⁸Two other workforce development efforts are CNMI scholarship programs funded by the CNMI government and local license fees for gaming machines and technical assistance funded by DOI. Our May 2017 report will provide additional details on these activities.

⁴⁹DHS collects these supplemental fees and transfers the funds to the CNMI government pursuant to the Consolidated Natural Resources Act of 2008, Pub. L. No. 110-229 § 702(a) (May 8, 2008), codified at 48 U.S.C. § 1806(a)(6).

Figure 5: Annual Allocations of CNMI-Only Transitional Worker (CW-1) Vocational Education Fees to Commonwealth of the Northern Mariana Islands (CNMI) Educational Entities, Fiscal Years 2012–2016



Source: GAO analysis of data provided by the Commonwealth of the Northern Mariana Islands Department of Finance. | GAO-17-593T

Note: The U.S. Department of Homeland Security collects a vocational education fee from prospective employers of those applying for special CW-1 permits and transfers these fees to the CNMI government for the CNMI educational entities' ongoing vocational programs.

- Northern Marianas College.** In fiscal years 2013 through 2016, the college, the CNMI's only U.S.-accredited institution of higher learning, received \$2.1 million in CW-1 funding and prepared annual reports describing how the funds were used to train the CNMI workforce for occupations in which foreign workers currently outnumber U.S. workers. According to the annual report for fiscal year 2016, the college used its CW-1 funding to provide vocational courses and services in business, nursing, community development, and information technology. The college reported using its CW-1 funding to support 457 students in the fall of 2015, 434 such students in the spring of 2016, and 228 students in the summer of 2016.
- Northern Marianas Trades Institute.** In fiscal years 2014 through 2016, the institute—a private, nonprofit facility for vocational education

established in 2008—received \$1.7 million in CW-1 funding. The institute specializes in training youths and adults in construction, hospitality, and culinary trades. The institute's senior officers told us that in fiscal year 2016, 300 students were enrolled in the institute's fall, spring, and summer sessions, and as of November 2016, 132 of these students had found employment after completing their training.

- **CNMI's Public School System.** In fiscal years 2012 through 2015, the Public School System—which consists of 20 public schools, including 5 high schools that graduated 662 students in the 2014–2015 school year—received \$2 million in CW-1 funds for its cooperative education program designed to prepare high school students for the CNMI's job market. By the end of the 2014–2015 school year, 452 students were enrolled in the cooperative education program, according to the federal programs officer for the Public School System.

As part of our ongoing work, we facilitated group discussions with current and former students of the CW-1-funded programs at each of the three institutions. Several participants told us that the training had helped them find jobs. Participants also identified specific benefits of the training they received, such as increased familiarity with occupations they intended to enter, learning communication skills tailored for specific work environments, and maintaining and improving skills in a chosen career path. However, the employers we interviewed in the CNMI told us that the benefits of the job training programs supported by the CW-1 vocational education fees were limited to Saipan and that programs run by Northern Marianas College and Northern Marianas Trades Institute were unavailable on Tinian and Rota.

**With DOL Funding, the
CNMI Government
Provides Job Search
Assistance, Career
Counseling, and Training**

Preliminary results of our ongoing work show that from July 2012 through June 2016, DOL provided about \$5.3 million in grants under the Workforce Investment Act of 1998 (WIA) and the Workforce Innovation and Opportunity Act of 2014 (WIOA) to the CNMI Department of Labor's Workforce Investment Agency for job search assistance, career counseling, and training.⁵⁰ That agency carried out WIA programs in the CNMI and now administers programs under WIOA. DOL's Employment and Training Administration conducts federal oversight of these programs. Providers of DOL-funded worker training include Northern Marianas College, Northern Marianas Trades Institute, CNMI government agencies, and private businesses. Examples of training provided by these entities include courses toward certification as a phlebotomy technician, a nursing assistant, and a medical billing and coding specialist.

The CNMI developed a state plan outlining a 4-year workforce development strategy under WIOA and submitted its first plan by April 1, 2016.⁵¹ The plan and the WIOA performance measures took effect in July 2016. According to its state plan, the CNMI Department of Labor has formed a task force to assess approaches for using workforce programs to prepare CNMI residents for jobs that will be available because of ongoing reductions in the number of foreign workers and the eventual expiration of the CW program.

⁵⁰WIOA, Pub. L. No. 113-128 (July 22, 2014), repealed WIA, Pub. L. No. 105-220 (Aug. 7, 1998). Among other changes, WIOA established new performance measures; the new measures took effect in July 2016. See GAO, *Workforce Innovation and Opportunity Act: Performance Reporting and Related Challenges*, GAO-15-764R (Washington, D.C.: Sept. 23, 2015) and *Workforce Innovation and Opportunity Act: Information on Planned Changes to State Performance Reporting and Related Challenges*, GAO-16-287 (Washington, D.C.: Mar. 7, 2016).

⁵¹Under WIOA, states are required to submit state plans outlining their overall strategy for workforce development and how that strategy will meet identified skill needs for job seekers and employers. All states submitted their first plans under WIOA to DOL and the Department of Education by April 1, 2016. According to DOL and Department of Education officials, they approved all of the state plans with conditions that each state needed to address to meet requirements. In July 2016, these plans and the WIOA performance measures took effect. WIOA requires that states submit state plans to DOL every 4 years and revisit these plans every 2 years, submitting their planned modifications to the relevant federal agencies for approval. For additional information, see GAO, *Workforce Innovation and Opportunity Act: Selected States' Planning Approaches for Serving Job Seekers and Employers*, GAO-17-31 (Washington, D.C.: Nov. 15, 2016).

Recently Completed 902 Consultative Process Resulted in Recommendations to Congress and DHS

In December 2016, after 8 months of official 902 Consultations, informal discussions, and site visits to locations in the CNMI, the Special Representatives of the United States and the CNMI transmitted a report to the President that included six recommendations agreed to by the Special Representatives on immigration and labor matters:⁵²

1. Extending the CW program beyond 2019 and other amendments, such as raising the CW-1 cap and restoring the executive branch's authority to extend the CW program.
2. Providing permanent status for long-term guest workers.
3. Soliciting input on suggested regulatory changes to the CW program.
4. Considering immigration policies to address regional labor shortages.
5. Extending eligibility to the CNMI for additional federal workforce development programs.
6. Establishing a cooperative working relationship between DHS and the CNMI.

Table 6 lists these six recommendations and summarizes proposed next steps toward implementing them that could be taken, according to the report.

Table 6: Recommendations and Proposed Next Steps of the Special Representatives as Outlined in the Joint 902 Report by the Commonwealth of the Northern Mariana Islands (CNMI) and the U.S. Government

Recommendation	Proposed next steps
(1) Extend the CW program beyond 2019, raise the CW-1 cap, provide DHS authority to extend the CW program further. ^a	Amend the statutory authority for the CW program to provide DHS with the authority to extend the CW program, to raise the CW-1 cap to 18,000, to extend E-2 CNMI Investor Status (or E-2C) investor visa category for the CNMI and Guam, to exempt the CNMI from national caps for H-visas, to analyze the continued ban on asylum claims, and to allow DHS and CNMI stakeholders to comment before a decision is made on this issue.
(2) Provide permanent status for long-term guest workers.	Amend relevant U.S. immigration laws as part of a comprehensive immigration reform bill or as part of a stand-alone bill dealing with CNMI-specific immigration issues to make long-term guest workers and their families with significant equities in the CNMI eligible for lawful permanent resident status with a path to citizenship.

⁵²Our May 2017 report will provide additional details on the 902 Report.

Recommendation	Proposed next steps
(3) Solicit suggested regulatory changes to the CW program.	Publish a Request for Information to solicit ideas on how various issues that can potentially be addressed by regulatory changes to the CW system, including prioritizing renewals of CW-1 permits over new CW-1 applications, establishing a numerical allocation for long-term CW-1 workers, and allocating set amounts of available permits by industry.
(4) Consider immigration policies to address regional labor shortages.	Consider extending and expanding existing immigration policies or developing new policies to address systemic regional workforce challenges currently being experienced in both Guam and the CNMI. Those to be considered for extension, expansion, or further development are three provisions in the Consolidated Natural Resources Act of 2008 (Pub. L. No. 110-229: (1) a provision that provides an exception to the numerical limitation in section 214(g) of the Immigration and Naturalization Act, or the H-visa category; (2) a provision that allows the Governors of Guam and the CNMI to request that DHS study the feasibility of establishing additional Guam-only or CNMI-only nonimmigrant visa categories that are not provided for under current immigration law, and (3) the Guam/CNMI Visa Waiver Program.
(5) Extend eligibility to the CNMI for an additional federal workforce development program, Trade Adjustment Assistance, and the Earned Income Tax Credit.	Extend Wagner-Peyser Act assistance to the CNMI ^b and make the CNMI eligible for Trade Adjustment Assistance and the Earned Income Tax Credit. ^c
(6) Establish a cooperative working relationship between DHS and the CNMI.	DHS and the CNMI work cooperatively to exchange information and continue existing efforts to educate employers about applying for alternative nonimmigrant visas in place of CW-1 visas when appropriate.

Legend: 902 Report = report generated through a consultative process specified in section 902 of the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America; CNMI = Commonwealth of the Northern Mariana Islands; CW-1 = CNMI-Only transitional worker classification; DHS = Department of Homeland Security.

Source: GAO analysis of 902 Report recommendations. | GAO-17-593T

^aOn September 7, 2011, DHS established the CW permit program, administered by the U.S. Citizenship and Immigration Services. Under the CW program, qualified nonimmigrant workers are able to obtain, through their employers, nonimmigrant CW-1 status that allows them to work in the CNMI.

^bThe Wagner-Peyser Act of 1933 established a nationwide system of public employment offices collectively known as the Employment Service.

^cAccording to the U.S. Department of the Interior, the CNMI tax code mirrors the U.S. tax code.

Chairman Murkowski, Ranking Member Cantwell, and Members of the Committee, this concludes my prepared statement. I would be pleased to respond to any questions you may have at this time.

GAO Contacts and Staff Acknowledgments

For further information regarding this statement, please contact David Gootnick, Director, International Affairs and Trade at (202) 512-3149 or gootnickd@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals making key contributions to this testimony included Emil Friberg (Assistant Director), Julia Ann Roberts (Analyst-in-Charge), Sada Aksartova, David Blanding, Benjamin Bolitzer, David Dayton, and Moon Parks. Technical support was provided by Neil Doherty, Mary Moutsos, and Alexander Welsh.

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The CHAIRMAN. Thank you, Dr. Gootnick.
Mr. Arenovski.

**STATEMENT OF JIM ARENOVSKI, SOLE PROPRIETOR,
ISLAND TRAINING SOLUTIONS**

Mr. ARENOVSKI. Chairwoman Murkowski, thank you for the opportunity to testify in support of H.R. 339, the Northern Mariana Islands Economic Expansion Act.

My name is Jim Arenovski. I'm a longtime resident and business owner on Saipan in the Marianas. Over the years, I have hired and trained many local workers for my own businesses. But more recently I have been involved in training and certifying local workers, so they can find jobs in businesses throughout our economy. It is from my experiences both as an employer and a trainer that I speak this morning.

I operate Island Training Solutions, the Regional Licensee for the American Hotel and Lodging Educational Institute. We offer a Hospitality curriculum that provides a globally-recognized certification. Through this program, 385 Marianas residents have been certified over the last three years and there are 73 currently enrolled.

The pass rate for this program is 95 percent, and it is not surprising that most of these graduates are hired quickly. My business as a service provider for a company, Latte Training Academy, a 501(c)(3) nonprofit, which also provides certification in Allied Health, IT, Bookkeeping and has a dozen specialty skills altogether in its portfolio.

In addition, the Public School System's High School Cooperative Education Program, the Northern Marianas College's Career Development Institute and the Adult Education Program at the college, along with the Northern Marianas Trades Institute all offer workforce skills training to fill positions in various industries.

Employers are hiring these local, U.S. workers. But it is not always easy for the worker or the employer.

I remember one woman who took our class, who thought she had no skills and no abilities. She felt she would never get hired. She had run her own household for the last 15 years but didn't understand that her skills, organization of the children, logistics, budgeting applied in the workplace too. But one day after being hired we met up and she gave me a big smile. And she said, "You were right. I can do this and I am good at it."

There are other men and women out there who now, who are struggling with similar attitudes about themselves and abilities or physical challenges. We have one girl currently in our program who is pregnant and she was eventually told that she had to go home and could not come to class. But she contacted her instructor and said she was not going to quit, and she asked how she could continue. She arranged for assignments and tests to be given at her home, and we will test her for certification after she delivers. She completely understood that she needed to work to support her child and that this class was her best chance of getting the job she wanted, a front desk clerk, and she was not going to let it slip away. I cannot wait to see her success.

I would like to share another quick story with you that might help depict a clearer picture on the limited pool of applicants. A

senior hotel manager recently encountered a person who was asking for money outside one of our local stores. The manager declined, but offered the person the opportunity to apply at the hotel. He gave his name and direct contact number but never expected to see this person again. The very next day, the individual came to fill out an application and was eventually hired. As you might imagine this person has family and educational challenges, but they ride their bike, rain or shine, to work each day and is still gainfully employed. This story is just another one that shows you how businesses are changing their thinking when it comes to hiring and developing local talent.

I could tell you more stories, but my time is limited. The point I want to make is that with a limited pool of unemployed people, each person we train and help get a job is going to be a story, okay. We have to encourage, we have to build the confidence and we have to help people who have—need the positions. And this all takes time and it takes effort. But I know we're making good progress.

And H.R. 339, by putting more training funds into the system, will help that progress and maybe speed it along. By not passing H.R. 339 the U.S. Congress will have missed an opportunity to help the NMI help itself.

Our Congressman, our Governor have opened opportunities for both businesses and U.S. local workers in the NMI. They both know the importance of getting labor in the NMI right for our economy and for our local workforce. Please give them the tools to continue this effort and please work to pass H.R. 339.

Thank you.

[The prepared statement of Mr. Arenovski follows:]

Statement
Mr. Jim Arenovski
Senate Energy and Natural Resources Committee
H.R. 339, Northern Mariana Islands Economic Expansion Act
April 27, 2017

Chairwoman Murkowski,

Thank you for the opportunity to testify in support of H.R. 339, the Northern Mariana Islands Economic Expansion Act.

My name is Jim Arenovski, a long time resident and business owner on the island of Saipan in the Marianas.

Over the years, I have hired and trained many local workers for my own businesses.

But more recently I have also been training and certifying local workers, so they can find jobs in businesses throughout our economy. It is from my experiences both as an employer and a trainer that I speak this morning.

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Employers are hiring these local, US workers. But it is not always so easy.

I remember one of the women who took our class, who thought she had no skills or abilities and felt she would never get hired. She had run her own household for the last 15 years and did not understand that her skills — organization, logistics and budgeting — applied in the workplace, too. But one day she came over to me with a huge smile on her face and said "you were right... I can do this and I am good at it."

There are many other men and women out there now who are struggling with similar attitudes about themselves or with physical challenges. We have a girl in one of our programs, who is pregnant and was eventually told to stay at home by her doctor. But she contacted her instructor and said she was not quitting. She asked how she could continue. We arranged for assignments and tests to be given at her home and we will test her for certification, after she delivers. She understood that she would need to work to support her child and that this class was her best chance of getting the job she wanted (a front desk clerk). She was not going to let it slip away. I cannot wait to see her success.

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This story is just one of many that show just how businesses are changing their thinking when it comes to the hiring and development of local talent.

I could tell you lots more stories, but my time is limited.

The point I want to make is that with a limited pool of unemployed people, each person we train and help to get a job is going to be a story. We have to encourage. We have to build confidence and help people up again when they fall. And it all takes time.

But I think we are making good progress. And H.R. 339, by putting more training funds into the system will help that progress. Maybe speed it along.

By not passing HR339 the US Congress will have missed an opportunity to help the Marianas help itself. Our congressman and Governor have opened opportunities for both businesses and local US workers. They both know the importance of getting the labor situation in the NMI... RIGHT! Please give them the tools to continue this effort and work to pass HR 339.

Thank you.

The CHAIRMAN. Thank you, Mr. Arenovski.

Thank you all for your comments, your testimony, here this morning.

Now we will have an opportunity for questions for each of you but again, thank you.

What is the unemployment rate in CNMI right now? Governor or Congressman?

Mr. TORRES. I think it's in the single digits. I think it's like, four percent. The last application that we got was about, do we have about 600 that's on the labor pool right now.

The CHAIRMAN. As I listened to the testimony this morning I could not help but think of the similarities that we face in Alaska. Remote, high cost. It is difficult. It is expensive to recruit and it is difficult to keep folks when you are going out to a remote location, say for instance, to work in the seafood processing industry. So I understand and can relate to a great deal of what is said here today.

I was also impressed by the statistic that you gave, Dr. Gootnick, about the number of young people coming out of the school system that would be your ready pool for employees. And your numbers are just so small you cannot grow your own. So again, that is an area where we can clearly relate.

Help me with understanding a little bit more what exactly has been put in place in terms of training U.S. eligible workers, the efforts that are going on there. What it is that we could be doing more to recruit and is it a higher minimum wage? I think you mentioned that by next year they will see a minimum wage that is the equivalent to what we have here on the mainland. What more can and should we be doing? Governor?

Mr. TORRES. If I may and thank you, Chairman Murkowski.

With me, I have Senate President Arnold Palacios, and our Speaker of the House, Rafael Demapan. The reason why I mention them is they flew all the way here to join me. We are working on increasing minimum wage up to federal, not wait until next year. We also have chambers, general commerce and with the gallery. We also understand the need of increasing minimum wage and the scarcity of our workforce.

I just want to note that in the food stamp program we have reduced 30 percent of recipients and putting them in our workforce.

We have a couple business that flew all the way here to the U.S. and spend millions of dollars only to employ 147 which half of them left after Saipan, the Soudelor disaster typhoon in 2015.

We've also worked with private companies that have gone through Freely Associated Micronesia to employ their citizens but yet, it's too far coming down to the United States air flight to Saipan. And so, the challenge is really difficult trying to get U.S. workers down to the CNMI.

So what we're doing with the CW before, is we're giving it to institution, our college and our CNMI Institute. What we're doing this year, for next year, is actually giving it, a scholarship to individuals and giving them the opportunity to decide what institute they want to go. So instead of giving CW dollars to the institution, we're giving it to our students and encouraging our students for scholarship purposes.

The CHAIRMAN. Good.

Let me ask you, Dr. Gootnick and Governor, as well. I have heard some reports that some of the CW permits that have been issued are not actually used, whether it is because the job was completed before the worker was available or because there has been a third-party entity that applies for the permit without actually having a job to offer and then they turn around and sell that permit to businesses that need the labor. Do we know how many permits have been issued and have not been used? Is that something that you looked at in your report?

Dr. GOOTNICK. It's an interesting question.

So the USCIS issues the permits. Of course, CBP receives visitors or workers as they come through into the CNMI. Those actually are two different data sets and they're not necessarily easily reconciled.

The CHAIRMAN. Is that something that they have tried to reconcile or to look at?

Dr. GOOTNICK. I think that would require some analysis of the data that's available and might require collecting some data that's only available manually through paper records.

The CHAIRMAN. Do we think that this is a significant enough number that we should look at this, Governor or Congressman?

Mr. TORRES. Let me say this. It's really important to note that a lot of applications, and I don't know the numbers, would apply. By the time they get an approval letter it's about five to six months later. So, by the time the company actually gets the approval letter and starts submitting for the travel, you actually miss the expiration date.

The CHAIRMAN. Yes.

Mr. TORRES. But it's counted toward the CW quota, so it really hurts that we don't have the actual numbers.

The CHAIRMAN. Yes.

Mr. TORRES. But we do have quite a few applicants that are approved but by the time we receive it, already, the time for it has expired.

The CHAIRMAN. Congressman, did you want to weigh in on that?

Mr. SABLON. Yes, if I may.

Actually, in March 16 of this year, the Governor and I wrote to Secretary Kelly about manpower companies or companies that apply for permits without actually filling the jobs. And then these companies sometimes effectively sell these permits to businesses that need workers.

Our letter asks the Department of Homeland Security to screen out applications from companies. The Secretary has not responded. But we are continually talking with USCIS about the possibility that CW permits granted this fiscal year are not being used and USCIS tells us that the permits go to legitimate businesses and if there's a basis to find these companies are not what they say they are, then that would lead to revocation of the permits. So, I think we have to provide the evidence. And we have shared with USCIS the names of six or seven companies that have actually applied and received permits but we have no idea of knowing if they have entered into the Northern Marianas.

If I may, somebody brought up the issue of workers not getting paid. Working with the Committee and Education of the Workforce, I have received information that one of the companies, the largest contractor for the development, recently paid \$2.4 million that was owed to the workers, to their workers, so those workers have been made whole in terms of their salaries.

And yeah, but it's like Dr. Gootnick had mentioned earlier, it's rather difficult because while CBP showed authorization for the permit many of these workers, the State Department issues the visas and then, I mean, USCIS issued the CW permits. State Department issues the visas and CBP then has to record the entry into the Northern Marianas. So it's a difficult task for USCIS.

The CHAIRMAN. Let me turn to my colleague, Senator Cantwell.

Senator CANTWELL. Thank you, Madam Chair.

On these issues, Governor Torres and Dr. Gootnick; in 2015, the Treasury Department fined a casino in the CNMI for money laundering. The Tinian Dynasty had to pay \$75 million, the largest fine ever imposed by Treasury Department on a casino. So I am just trying to make sure that we're continuing to shine the bright light on these issues.

One construction project with deplorable conditions has been the Best Sunshine Casino which is under investigation for money laundering according to the press. Reports have showed that the revenues for the temporary location operating out of a strip mall, as of September 2016, was nearly eight times that of the Macau casinos. So I have to believe that that's a pretty staggering number. There are also recent lawsuits by former employees alleging money laundering. Are either of you aware of this investigation?

Mr. TORRES. Personally, I'm not aware. I'm just reading the media. But our office and the gaming commission is open. We will open an investigation and request them to come in.

And I think, learning from the Tinian Dynasty, we are more able to fix those issues within the organization which is the commission. There's a lot more strict regulations that they have. They're following the Las Vegas regulations.

And so, I know that the director and the board is open to any information or assist any federal assistance that they want.

Senator CANTWELL. Well, it strikes me as if you were—I don't know, I mean, if you are reading in the press and yet, you are saying the commission could fix it. It seems to me, the FBI is investigating something that maybe isn't getting triggered at an earlier stage. I don't know what those changes are or would be, but—

Mr. TORRES. What I meant by fix is the regulations. They're fixing their regulations to be strict and making sure that those laundries do not—

Senator CANTWELL. And do you have any idea what those would be?

Mr. TORRES. No, Ma'am.

Senator CANTWELL. Okay. Well, I would look forward to hearing what you think that those kinds of mechanisms would be.

Mr. TORRES. I could definitely follow up and give you those reports.

Senator CANTWELL. Yes, thank you.

Dr. Gootnick, do you?

Dr. GOOTNICK. Well again, I also can only report what's in the press. But what I can tell you is that the Tinian Dynasty, which is on the Island, was on the Island of Tinian. Tinian is one of the more peripheral islands in the Mariana Islands. Saipan has a population of about 48,000. Tinian has a population of about 3,000.

The Tinian Dynasty was located on Tinian. And amongst the new permits that have been issued, zoning permits that have been issued for future construction, there is another large project on Tinian that's amongst those that are slated for—that have been approved and are, as I understand it, raising funds for construction. That one project is slated to require 5,000 workers to operate the facility once it's completed which is by comparison to the population of Tinian, quite a large project.

Senator CANTWELL. Well, as I think you heard in my opening statement and the former Chair of this Committee had a lot of critique about what was happening in the 1990s and 2000, and what we want to know is whether it's being repeated.

Since this 2015 Tinian Dynasty was accused of money laundering, we want to know what mechanisms are in place to stop the money laundering activity and to start making sure we understand when we have a suspicion about it, not waiting until the FBI comes in to do that work. I will look forward to getting the Governor's comments about what he thinks those changes might be.

Thank you.

The CHAIRMAN. Senator Franken, Senator Risch has deferred to you as he collects his thoughts.

Senator FRANKEN. Thank you. Thank the Senator from Idaho. Thank you, Madam Chair.

In 2006, I wrote a chapter in one of my books about the horrifying abuses of workers that had taken place in the Northern Mariana Islands. Senator Cantwell referred to immigrant workers being forced into de facto slavery in sweatshops, being forced into prostitution. Yet Tom DeLay and Jack Abramoff insisted on blocking any efforts to put a stop to the abuses. In fact, Tom DeLay prevented legislation authored by then Senator Frank Murkowski from being considered by the House. Senator Murkowski said he was, "appalled," after witnessing the conditions of workers on the Islands.

When Democrats took over in 2007, took over the House, the legislation to put a stop to the abusive labor practices was finally brought to the floor and passed on an overwhelmingly bipartisan basis. The U.S. minimum wage is now being extended to cover the Northern Marianas as are U.S. immigration policies.

Now after the progress that has been made in the last decade, I believe in support and will make sure there are not any loopholes that would allow workers to continue to be exploited.

Dr. Gootnick, how have working conditions changed in the Northern Marianas over the last decade?

Dr. GOOTNICK. So I think it's an important question and as I think about it, there's a fundamental difference between construction workers and the other foreign workers in the economy. So, there have been—it's been widely reported in the press, concerns about abuse of construction workers, these workers coming from China, working for the Chinese firms.

In the tourist industry I think it's a somewhat different matter. These are chambermaids, cooks, many of the other basic occupations in hotels and resorts. Those workers, at this point, are predominantly from the Philippines and now from China.

Not to say that any worker, of course, any worker needs to be treated fairly and any worker could be subject to abuse. But the tourist industry, I think, is fundamentally different from the construction industry where the problems have been reported.

Senator FRANKEN. Okay.

Are the updated laws on minimum wage and working conditions being adequately enforced and does anyone else on the panel care to comment?

Mr. SABLAN. If I may, Senator, thank you.

When I first got here in 2009, my first term, I did spend many instances talking to other members about Mr. DeLay and Mr. Abramoff, in particular.

I will say this, that yes, we had those situations but I can count on one hand, probably, the number of people who can say that they knew Mr. Abramoff well.

Senator FRANKEN. Well, not a lot of people are going—

Mr. SABLAN. I beg your pardon?

Senator FRANKEN. Not a lot of people are going to jump up and say, I knew him. I knew him.

Mr. SABLAN. No, but this is how he was—these things were happening and people in the government and in the private sector, not many knew him, who can say they knew him. I never met the gentleman.

The—

Senator FRANKEN. Yes, I only have so much time, so I wanted to know how—

Mr. SABLAN. The minimum wage is going up and will go up another 50 cents this year and will be \$7.25 next year.

Senator FRANKEN. That is okay.

Mr. ARENOVSKI. If I may, Senator?

Senator FRANKEN. Well, I want to get to a couple other questions. And Governor, I asked my staffer what the unemployment rate was as soon as this started and that was Chairman Murkowski's first question to you. I was really surprised that you did not know the answer to that because that is very relevant here, obviously, because we are talking about we have had this history of foreign workers being exploited. We had the tragic death of a worker on a casino project recently. I know, Mr. Arenovski, you are in workforce training. But I was surprised you did not know the unemployment rate because that is so relevant and why there are—you are asking for more visas when there are people unemployed and you do not know the exact unemployment rate. It just seems very relevant.

I am wondering why you do not know that and I just want to be reassured that we are not going to see what we saw in the '90s and in the first half of the first decade of the 21st century.

Mr. TORRES. And I apologize for that, Senator. We are working on our data for our unemployment. But I do know that we have a total of about 2,000 that's unemployed. We have about 600 that's on the list for labor pool.

I do know that, like I said earlier, with alerting our food stamp recipients we're down. We reduced it down to 30 percent including dental workforce to the exact, I'm guessing maybe, three, four percent of our unemployed. But I would definitely go back and get this report to you.

Senator FRANKEN. Okay. I again thank Senator Risch and I hate to abuse your indulgence, so——

Senator RISCH. [spoken off microphone.]

Senator FRANKEN. Okay, I just want to ask about this death of this construction worker at the casino project because it spurred investigation into the immigrant status of the workers. As a result, the FBI raided the offices of the construction company. Reportedly, the FBI found that the company was employing at least 189 Chinese nationals who were not legally able to work in the Northern Marianas.

I would like to know what steps are being taken to keep situations like this one from happening again and how this legislation could help? Can you address that because I think it is crucial to our hearing?

Mr. TORRES. Thank you, Senator.

The reason why we have our Speaker of the House and Senate President here with us, we're looking at our state laws to strengthen and stricken the labor force. We're looking at putting employees, government employees, a work site. And every employer and employee that comes into the construction site has a list that is registered in as a qualified U.S or non-resident worker permits. So we are taking steps in the state light, to ensure that every employee that works has the proper documentation.

Senator FRANKEN. Thank you.

No one else has any other comment, obviously.

I thank you again, Senator Risch.

The CHAIRMAN. Senator, did you care to?

Let me follow up on that because, I think, it is an important step to put in place these processes that will ensure that we do not have these workforce issues that are very, very troubling.

You have indicated, Governor, that you are looking to make sure that you have a full accounting of who the workforce is. But then if you determine that you have an employer that has looked the other way on this, what actual enforcement actions are you then able to take against that employer for falsification of records or just not doing what it is that they have been instructed to do in terms of accountability?

Mr. TORRES. Chairman, thank you. Thank you for that question.

Again, our Senate President and the Speaker is here. We are looking into the matter so that they can propose the proper legislation whether to fine those employers or stop their project or both.

So we are going to go back and meet with every company, with these construction companies, and let them know that this is—are the process that we will be doing in state. And those tourists or illegal immigrants that come in will not be accepted and they will be penalized.

So we are looking if we're putting bonds into these agencies, to make sure that every individual that they put in are registered through our USCIS approved list.

The CHAIRMAN. Is there anything from a federal perspective? I guess I look to you, Congressman, for what we should be looking at in terms of considerations that will help the CNMI as they are addressing violations within the workforce?

Mr. SABLAN. Yeah, actually we have been talking to USCIS and CBP and ICE for that matter. I mean, the Congressional Office has.

We have identified and given to USCIS the names of these five or six companies that are doing construction projects and have been identified to have allowed—see, the problem is that they receive the visas. And so, instead of bringing in the employees with the visas they brought in employees without the visas. They have been caught, and that is good. I'm very happy that the FBI stepped in, and I forgot them because in the past it was very difficult to get federal authorities to get involved.

The CHAIRMAN. Well, let me ask another question because I would imagine that you do not have a very significant FBI presence out there.

Mr. SABLAN. No. Well, now we have probably twice, maybe more, the number.

I was also very surprised that there was a USCIS employee who has been on the Island since 2009 and actually came in to see me just last year.

The CHAIRMAN. What? You did not know he was even on the Island?

Mr. SABLAN. No, and actually I didn't know. And I know this employee.

The CHAIRMAN. Yes.

Mr. SABLAN. But he was actually an investigator. And so, he—we visited and we talked. Again, I shared with him my very thoughts about how important this program is to us and that we must all be above board and that we need them to keep us honest. He was happy to do that and we talked and I have not seen him since. But he is there, and he does his own investigations.

The ICE agents, I knew very well. Actually, well enough that I can say they were my friends. One agent, who had been reassigned to a post in Texas, needed to find a family she trusted to leave their dog with and they gave—they chose us. I was very happy that they chose us because I've never had a dog in my life.

[Laughter.]

But that dog, actually now, when I'm home, actually that dog owns the house.

[Laughter.]

I'm very happy but see, that's the relationship that I have built with CBP, with ICE, with USCIS. And I have not hesitated to talk to them.

When these issues with construction accidents occurred, a doctor at our hospital reported the issues to OSHA and then she also alerted us to the matter. And so I met with OSHA here and I said, you need to tell us how many accidents, how many reports. So, they went and we actually got a report from them of, you know, how many of their employees were hurt. Some of them were—had a, you know, a cut on their finger, some of them had a broken leg, some of them were more intense that they needed to be sent off is—

land. And so, they have to be sent back to China for—and of course, as we all know unfortunately, we just had a fatality.

And that caused all of this. And I am on the Education and Workforce Committee so that has helped me greatly in reaching out to the Department of Labor because the only reasons they have in the Northern Marianas is rates an hour. And now, as we all know, rates and hour employees in the Marianas are getting training tools to be able to look out for and identify trafficking.

I don't know if the construction workers were trafficked because they are, themselves, they came knowing that they were going to work. And they had told agents, CBP agents that they are visitors and the number. But CBP has returned, sent out, refused entry to almost 1,000 individuals in just this year because they have been more conscious of who is coming in and who is not.

The CHAIRMAN. Well, the purpose of today's hearing is to consider the legislation, H.R. 339. As was outlined, it is pretty specific in its purpose and I appreciate the work that has gone into that.

But I think we recognize that if we, in Congress, are going to advance legislation that will allow for, truly, the intended economic expansion to build on much of the good that we are seeing out in the Northern Marianas, we want to do that. But we also want to know that there is that level of accountability and if, in fact, there are violations, whether it is workplace safety, whatever the violations may be.

You mentioned trafficking. I think we all recognize that that is an issue that concerns all of us and our ability to really get a handle on what is going on. At this point in time, I think it is relatively limited. Knowing that there is a level of enforcement that is not only adequate, but really appropriate, to what we are trying to advance, I think we want to make sure that that is in place. If in fact we do not have the appropriate authorities that can help assist, that is also something we need to be considering.

Mr. SABLON. Right.

The CHAIRMAN. Governor?

Mr. TORRES. Thank you, Chairwoman.

We are pursuing, the CNMI, is pursuing a 287G program under the Immigration Act. This would deputize officers to deport illegals. So we are working on that.

And also, I would like just to, again, inform the Committee that although we do have some challenges, I would like to recognize that for the first time for the CNMI to have over 500,000 tourists.

And so, if we have a couple thousand that's been coming in as illegal tourists, yeah, it may seem that we're not condoning those actions, but it is also important to recognize that our GDP has increased by 17 percent. Our total revenue has increased by 89 percent. For the first time, for the local to pay that compensation at \$9 million. The first time for us to start paying the government back debt.

So we do have real success stories, although we do have challenges. And so, it's really important for me to highlight some of those successes that we continue to see to the workforce. Never before that we have more U.S. workers in the CNMI than we have foreign workers.

So this construction, for example, 12,900 CW. One thousand or a couple hundred has been out saying they're mistreated. Well, we still have 11,000 or 12,800 that are treated fairly.

So I really do know that we do have some challenges that the state needs to beef up on our regulations, our enforcement, but I just like to highlight some of our success.

The CHAIRMAN. I do think that that is an important part of it, and we have not really focused on what has happened within the local economy.

Of course, you want to make sure that that economy is driven by good and positive things, not illegal activity. I think that that was the point of some of the questioning here this morning.

I wanted to ask perhaps a more broader question, just for further education for me. The comment was made that it is going to be important to move quickly on this legislation because you have an issue with the timing of nursing visas and that you could potentially see an impact by this summer where it would have a negative impact on the delivery of public health dealing with the availability of workers. But it was also mentioned that there is a potential to impact your utility corporation.

Can somebody speak to those issues just so I have a better understanding as to the timing on this and what the impact will be, not only on the health care providers, but also on your utilities?

Mr. TORRES. Thank you, Chairman.

So CUC has engineers that are CW, under the CW program. The hospital nurses are also, a lot of them are, under the CW program. So every CW has different expiration date because they're expiring between now until October they're not able to turn in their application because of the—

The CHAIRMAN. Because of the—

Mr. TORRES. We've met the quota.

So that's where the emergency is that if we don't allow this extension or additional number, then it is inevitable that we would lose our nurses and our engineers.

We have increased our local capacity of engineers at our CUC, our utility. We've hired ten new engineers in the last couple years. So we encourage our locals to come back with an engineer program to replace CW workers.

Mr. SABLON. If I may, could I have?

The CHAIRMAN. Congressman?

Mr. SABLON. Madam Chair, between now and September 30 I think the, our local hospital alone would lose approximately, if I'm not mistaken, 130, some nurses and lab technicians and things like that.

The CHAIRMAN. You could lose 130 by—

Mr. SABLON. Something—

The CHAIRMAN. End of the fiscal year?

Mr. SABLON. Yes.

And that's just our local hospital. There are also public and private clinics. There are diagnostic laboratories and there are facilities that provide CT scan and those. The health, I like, what do they call, I think, alone, could probably be in the 300 some.

We tried our very best to get information from the medical professional licensing board, the professional licensing board and the

nursing board, but we were not able to get it for today's hearing. I don't know if they're willing to share that with us, but maybe the Governor can be more successful.

The CHAIRMAN. Let me ask you, Mr. Arenovski, in terms of the training. Are we seeing more interest in local people being trained in the health care field and engineers that can help fill this gap?

You did not really speak to the type of training programs you were doing. You noted somebody who was being trained for front desk responsibility. But are we seeing interest in some of the higher end fields as well?

Mr. ARENOVSKI. The Island Training Academy does what they call the Allied Health Program that includes phlebotomists, registered nursing assistants.

From an engineering standpoint I could not speak. I do not know of any engineering programs or like that would go for the CUC. Those are highly technical positions which we do not have whether it's at the college, at the Trades Academy, or elsewhere at this point.

The CHAIRMAN. I do not know the extent of the training opportunities within CNMI, obviously what you are doing, Mr. Arenovski. But in terms of college opportunities is there anything on island that is speaking to these specific sectors where you have got some gaps?

Mr. TORRES. We do have a nursing program at our college.

Madam Chair, we are working with the legislature to increase a special scholarship program just for nursing and doctors. We know that it's a long process and so we want to encourage our folks to get into the medical field. So we are looking to giving about, putting about \$1 million of local funds to appropriate specifically for nursing and doctors and for the health care system.

Mr. SABLAN. May I?

At the same time, I went to Pohnpei and Chuuk last September, I think it was October. Nobody in the Committee wants to go to Chuuk, so I volunteered on my vacation.

But of course, I've heard stories also of companies going to Pohnpei to try and recruit workers, and it's true. They went down there. But on my return trip I met with these three men, just out of high school. And they said they were going to Saipan. And so I said to them, what are you going to do there? They said, well, we are going to work. My aunt has found jobs for us.

So we are also beginning to see that we're getting workers or individuals who are going to work from the Federated Freely Associated States.

The CHAIRMAN. In any significant numbers, Congressman, or is this just anecdotal?

Mr. SABLAN. Well, I will say probably more numbers than we had. I mean, more recent, not like the garment times when there were huge numbers, but they are growing.

I grew up in Chuuk and so my house is located near a house where many of my Chuukish friends reside. But no, we are seeing a number of individuals coming from the Freely Associated States.

Again, I would—

The CHAIRMAN. Are we doing anything to try to recruit more? Is there an active effort there?

Mr. SABLAN. I understand companies have gone down and actually had a resource job fair. Were they very successful? I really cannot speak to it. But that's also something that we are already, some companies are pursuing.

I can turn back and have a president of a company that has—in her company, citizens of the Freely Associated States working with them, within her company. Actually——

The CHAIRMAN. If we had had more room on the panel here to have somebody who represents somebody within one of the business or industries there I think it would have been helpful to have that perspective, because I have heard first-hand of the challenges from those who are out there trying to make things happen, build things, provide services and their frustration with gaining workers.

Mr. SABLAN. Right.

The CHAIRMAN. Let's go to Governor Torres and then Dr. Gootnick.

Mr. TORRES. Madam Chair, I wanted to share this with you.

I actually have, before this hearing was set, I was set to go down to the Micronesian Islands, meet with the President and the Governors. So I was supposed to go to the Marshall Islands for four days and go to Kosrae, Kwajalein and Pohnpei, to meet with the leaders and to give them the assurance that if any of their employees or people to go down to CNMI to work that the government would work with the private sector to make sure that their employees or their people are paid right and are treated fairly good.

The CHAIRMAN. Is housing an issue, Governor?

Mr. TORRES. The employers provide housing.

The CHAIRMAN. All employers?

Mr. TORRES. All workers that are being hired off island.

So, yeah, so it's amazing how you asked that question because prior to this trip I'm set to go to these islands to give the government security for anyone that's going to CNMI to work and encourage. We'll actually be meeting with all the communities on each island to encourage them to come to CNMI to work. I'll be scheduling my meeting again back after this hearing.

The CHAIRMAN. Okay.

Dr. Gootnick.

Dr. GOOTNICK. So, the CNMI tax data will show that there are about 700 workers from the Freely Associated States working, as of 2015. That's actually down from a couple thousand, about 2,000, I believe, 10, 15 years ago.

One of the issues there is that the Freely Associated State workers, citizens, have the opportunity to go to either Guam or Hawaii as well where the minimum wage is actually in the \$8.25 and \$9.25 range. So that's an issue.

With your indulgence, just one quick thing on the unemployment issue. The Bureau of Labor Statistics does not collect unemployment data in the Mariana Islands, so there is no per se unemployment rate in the way there would be unemployment rate in the 50 states.

The best way to think about it. I think the concern that Senator Franken was looking at is that there are 12,700 foreign workers in the economy right now and that there are about 2,400, unemployed U.S. citizens residing there. So that's not an unemployment rate,

but it's the best piece of information, I think, you may have with respect to unemployment. In addition, there are about 9,000 adults who are considered unemployed but not in the labor force. That's mostly students, the elderly, homemakers and a few others.

So, I think in terms of framing unemployment, because of the lack of BLS statistics, you're more thinking about those numbers than you are necessarily thinking about unemployment rate.

The CHAIRMAN. I appreciate you clarifying that. It then begs the next question. If GAO has conducted this review. It has been helpful for the discussion here today.

I know that there was a \$200,000 grant that the Office of Insular Affairs provided back in 2016 to help collect some of the data on the CW program.

It seems to me that part of what we need to continue to do is help in providing data so that we really know what we are talking about in terms of our numbers and whether we are on track in the way that, not only those who are living and working in Northern Marianas feels is appropriate, but that those who are providing some level of oversight are seeing that as well.

Mr. Pula, do you want to comment on that?

Mr. PULA. Thank you, Senator Murkowski.

Throughout the years, since the CNRA has been applied, 2009, to CNMI, our office and the Department of Interior have been working with the CNMI government in providing some technical assistance grants through the different years, try to help the labor force and try to get some data.

I think you hit on a very good point about just getting the correct data. And this is an issue, not only in the CNMI, but throughout the territories and in the Freely Associated States.

I think, besides capacity or the local, we've had discussions with the leaders of CNMI, with the Governor, the legislature, where we have always asked them to be proactive. We understand the concerns, of course, of the Senators on both sides of the aisle, in terms of what had happened in the past. So we're cognizant of that and we try to be helpful.

One of the things that I was just sitting here and listening to the discussion that perhaps maybe the Administration can help, moving forward, is maybe through the, you know, agency group on the insular areas, the IGIA, that we at the Administration have. We can maybe form a subcommittee through the IGIA with the help of the governors, of course, as well as the delegates office and work specifically with some of our sister agencies, of course, Department of Homeland Security and others.

I just want to make mention also, that in the past the issue have always been when this program started, of the immigration in CNMI, the Department of Homeland Security, through their processes and the different agencies, cross cutting agencies within the Department, sometimes take a while to get things done. And because of sometimes, budgetary cuts, they don't have the, sort of like, the personnel out there to help CNMI. And this has been the case as I've been in the Office of Insular Affairs for a while, where sometimes we use our technical assistance funding to help our sister agencies do some of the work because they don't have line item budgets for those particular issues.

So I just want to make mention that perhaps this is a way, moving forward, this perhaps, subcommittee in the IGIA could help work with the local government, as well as, you know, pertinent folks to help the situation in CNMI, move it forward. That's just one.

The CHAIRMAN. Yes, I appreciate that.

I also recognize that while we can talk data, making sure that we have got numbers, you have people who you represent, Governor Torres, that are saying, I don't need data, I need workers, I need to get this project moving and I can't do that. We need to be capable of, kind of, doing it all, if you will.

It is up to folks like Mr. Arenovski to train up as many as you can. It is important that there be a continuing, ongoing and, I think, aggressive effort for further recruitment whether it is in the federated areas or on the mainland. The efforts that need to be made to make sure that once you are able to recruit, that they actually stay out there.

Issues as they relate to wages, to workplace safety, to just good working conditions and also, kind of, the quality of life that goes with it. I think there are people who say, I cannot imagine anybody going to Alaska, where it is cold and dark and you are working in the seafood industry and it is cold and wet and I would not want that job. Yet, we get good people to come back.

You have problems like ours, only you are not cold but you are still a long way and it is high cost and you are away from family. There are certain aspects of that that are very difficult to make up. But that is where, I think, if we can be more successful recruiting people from the surrounding islands, you have a familiarity and quite honestly, your geography does not separate you quite as much.

I do think it is important that the concerns that were raised by several of my colleagues here today, in terms of ensuring that we are not going backward when it comes to workforce safety, we are not going backward when it comes to the conditions for these workers. That we cannot and will not turn a blind eye to infractions and violations and illegal operations. We cannot do that. I think if that is seen as happening, it makes what you all are trying to do just that much more difficult.

So there is a great deal to do on a host of different fronts here.

I do appreciate what we have been able to bring to the floor here today with regards to H.R. 339 and some of the proposals and what you have outlined.

Again, thank you for being here today. I thank you, Governor, for making the trip, and Congressman, for your representation. Thank you for the assessment, the analysis that you have given us all here today.

With that the Committee stands adjourned.

[Whereupon, at 11:34 a.m. the hearing was adjourned.]

APPENDIX MATERIAL SUBMITTED



HB

115TH CONGRESS
1ST SESSION

H. R. 339

IN THE SENATE OF THE UNITED STATES

JANUARY 31, 2017

Received

FEBRUARY 1, 2017

Read twice and referred to the Committee on Energy and Natural Resources

AN ACT

To amend Public Law 94–241 with respect to the Northern Mariana Islands.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Northern Mariana Is-
3 lands Economic Expansion Act”.

4 **SEC. 2. COMMONWEALTH OF THE NORTHERN MARIANA IS-**
5 **LANDS: TRANSITIONAL WORKERS.**

6 Section 6 of Public Law 94–241 (48 U.S.C. 1806)
7 is amended—

8 (1) in subsection (a)(6), by striking “\$150” and
9 inserting “\$200”; and

10 (2) in subsection (d)(2)—

11 (A) by striking the period at the end of the
12 first sentence and inserting “, except a permit
13 for construction occupations (as that term is
14 defined by the Department of Labor as Stand-
15 ard Occupational Classification Group 47–0000
16 or any successor provision) shall only be issued
17 to extend a permit first issued before October
18 1, 2015.”; and

19 (B) by striking the period at the end of the
20 third sentence and inserting “, except that for

1 fiscal year 2017 the number of permits issued
2 shall not exceed 15,000.”.

Passed the House of Representatives January 30,
2017.

Attest:

KAREN L. HAAS,
Clerk.

**U.S. Senate Committee on Energy and Natural Resources
April 27, 2017 Hearing
H.R. 339, the Northern Mariana Islands Economic Expansion Act
Questions for the Record Submitted to Mr. Nikolao "Nik" Pula**

Questions from Ranking Member Maria Cantwell

Question 1: The second island chain in the Western Pacific is increasingly important to the United States' strategic interests. The U.S. territories in the Pacific, including the CNMI, play a critical role in facilitating the distribution of more U.S. defense assets. Additionally, it is crucial for U.S. standing in the region that the territories demonstrate economic stability, the strength of democracy, and rule of law.

What is the Administration's view of the strategic importance of the U.S. territories in the Pacific?

Response: The United States territories and the freely associated states are of key strategic importance to the United States. This is why the Administration proposed funding of the Palau Compact in DOD's FY 2018 Budget.

Question 2: The Department of Commerce is tasked with collecting labor economic data and statistics in the United States, including gross domestic product and unemployment. However, the Department of Commerce does not conduct regular business in the Northern Mariana Islands which has made it challenging to get a complete economic picture. The Department of the Interior has paid Department of Commerce to collect information on the gross domestic product of the CNMI but not unemployment data.

What recommendations do you have to ensure that in the future more economic data about the CNMI is more readily available, specifically, unemployment data?

Response: The Department of Commerce produces GDP data, not labor data. The Department of Labor produces labor data for states and territories that have unemployment insurance programs. The CNMI and other Pacific territories do not have unemployment insurance programs and, therefore, do not report labor force information to the Department of Labor. The CNMI labor department can report labor force information. So far, however, they have not done so in the manner consistent with the requirements of the Department of Labor.

The Office of Insular Affairs has been communicating with the Department of Labor regarding CNMI's Wagner-Peyser Act eligibility. The Wagner-Peyser Act provides funds to establish a nationwide system of public employment offices and one-stop career centers across the United States. Congressman Sablan introduced H.R. 1656, during the 113th Congress to extend the Wagner Peyser Act to the CNMI. Most recently the Wagner-Peyser Act eligibility was included in the recommendations of the January 17, 2017, Covenant Section 902 Report sent to the Congress by President's Special Representative and the Governor of the CNMI.

**U.S. Senate Committee on Energy and Natural Resources
April 27, 2017 Hearing
H.R. 339, the Northern Mariana Islands Economic Expansion Act
Questions for the Record Submitted to Mr. Nikolao "Nik" Pula**

Question from Senator Mazie Hirono

Question 3: Acting Assistant Secretary Pula, in your testimony you state the Administration is willing to work with this Committee on measures to improve the CNMI's economic well-being. Can you provide the Committee assurances that the Administration also recognizes the important role that the CNMI, Guam and all Pacific U.S. territories to our national security and strategic posture in the Asia-Pacific region?

Response: The United States remains engaged in the Pacific with Navy and Air bases in Guam with an expected augmentation on Tinian in the Northern Mariana Islands. The CNMI is also the home to several pre-positioned ships that can be deployed to hot spots on short notice. The freely associated states (FAS) of Palau, the Federated States of Micronesia, and the Marshall Islands allow transit of ships and denial of access to third party countries. The facilities in Guam, the CNMI, and the FAS provide defense against potential aggression from Asia.

Question: What steps being taken to reinforce this recognition?

Response: Presidents George W. Bush and Barack Obama proposed the shifting military personnel and assets to Guam and the CNMI. Well-publicized are plans for Guam to host approximately 5,000 new Marines, additional Navy ships, additional air assets, and the THAAD missile defense shield also tell potential enemies of our national security interests in the Asia-North-Pacific area. Moreover, the Administration has proposed a new approach to funding the Palau Compact in DOD's FY 2018 Budget.

Question from Senator Catherine Cortez Masto

Question 4: Mr. Pula, you stated that H.R. 339 is only a stop-gap measure and that a more viable long-term solution to the labor problem is needed. Could you discuss what changes to current law the administration believes is necessary in order to address the CNMI's labor shortage in the years to come?

Response: Mr. Pula's statement merely noted that H.R. 339, and, from the last Congress, H.R. 5888 contained elements from which a more long-term solution to the CNMI labor shortages could be drawn. These two bills provide a starting point for discussion of options by officials from the Northern Mariana Islands and the relevant committees of the Congress.

Questions from Senator Chuck Grassley

Question 5: In your testimony you indicated that you work with an interagency group on immigration transition for CNMI. That group was established by law in 2008 when the CW visa program was created, and includes the Secretary of Homeland Security, the Secretary of State, the Secretary of Labor, the Attorney General, and the Secretary of the Interior. This group is required to "negotiate and implement agreements among their agencies" to address "at a

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Questions for the Record Submitted to Mr. Nikolao “Nik” Pula

minimum, procedures to ensure that Commonwealth employers have access to adequate labor[.]”¹

- a. Since those agreements were established, what efforts has your interagency group made to study and address labor conditions in the CNMI?
- b. What steps has this interagency group taken in order to keep the legislatively mandated transitioned phase-out of the CW visa category on track?
- c. Your written testimony described what you called the “Administration Position.” Was this position approved by the current (Trump) administration, or is this a position developed under the prior (Obama) administration and not yet considered or not yet approved by the current administration? Please explain.
- d. Has the “administration position” been approved by White House political leadership or was what you describe as the administration’s position developed by an interagency group of career, non-political employees?

Response: The statement of Mr. Pula did not reference the interagency group established pursuant to title VII of the Consolidated Natural Resources Act (CRNA) of 2008 (Public Law 110-229). The Department of Homeland Security chairs that group and oversaw the development of the interagency agreement to implement title VII of the CRNA. At present, DHS shoulders virtually 100% of the responsibility for the immigration provisions of title VII. DHS, therefore, would be best suited to respond to your question.

One concern expressed in the question involved ensuring “that the Commonwealth employers have access to adequate labor”. The original enactment of title VII of the CNRA contained a provision whereby the Secretary of Labor would study the labor needs of the CNMI and recommend whether or not to extend the transition period, with its CW visa program. The Secretary of Labor recommended such an extension on May 27, 2014. Subsequently, the Congress removed the authority of the Secretary of Labor to analyze the labor needs of the CNMI when it passed the Consolidated Further Continuing Appropriations Act of 2015 on December 16, 2014 (Public Law 113-235).

Question 6: Of the foreign workers on CW-1 visas from 2013 to present, how many could have qualified for a different visa category for the same employment?

Response: The Department of Homeland Security is best positioned to provide the approximate number of foreign employees for whom another visa category would be appropriate.

¹ 48 U.S.C. § 1806(a)(5).

U.S. Senate Committee on Energy and Natural Resources
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Questions for the Record Submitted to Mr. Nikolao "Nik" Pula

Question: If you are not able to provide an answer to question (immediately above), please advise whether the issue was considered by your Department prior to endorsing this and other legislation proposing an increase in the CW visa category.

Response: While the Department of the Interior did not have the exact number of such visa candidates, we knew that approximately several thousand were involved. Such information was sufficient for us to recommend passage of H.R. 339, which would have a short-term effect.

Question 7: For the CW-1 permits approved for 2016, how many remained unused by workers? Has your interagency group studied or discussed the issue of unused CW-1 permits?

Response: The Department of Homeland Security is best positioned to provide the information requested.

**U.S. Senate Committee on Energy and Natural Resources
April 27, 2017 Hearing
H.R. 339, the Northern Mariana Islands Economic Expansion Act
Questions for the Record Submitted to the Honorable Gregorio Kilili Camacho Sablan**

Questions from Senator Mazie Hirono

Question 1: Congressman Sablan, your staff briefed mine last week on the impact of the lack of CW permits to the public health system in the CNMI which employs a number of foreign nationals in nursing and other medical positions. Could you share with the committee on why H.R. 339 is needed from a public health perspective? Are talking about a situation where lives are at risk if Congress does not act?

Yes. As the Chief of Executive Officer of the Marianas' only hospital wrote to me¹ in November last year, "when staffing levels fall below certain nurse-to-patient ratios, the patients are more likely to suffer or even die." Letter attached.

Without enactment of H.R. 339, the Commonwealth Healthcare Corporation (CHCC), operator of the hospital, stands to lose 38² professional healthcare workers whose CW permits expire in the period from April through September 2017. The permits cannot be renewed because the FY17 cap of 12,998 permits was reached and USCIS shut off applications for the fiscal year in mid-October 2016.

Chief Executive Officer Esther L. Muna explained the predicament and her pending loss of staff in her November letter:

CHCC has been successful in renewing all its CWs whose expirations are prior to April 2017. But we have seven workers who expire in April and another 32 who expire prior to October 1, 2017 for whom we could not yet have filed a renewal application prior to the cap being reached because we are only permitted to file six months in advance of the current CW-I permit expiration.

Ms. Muna further stated that the impact of losing these healthcare professionals would be devastating for the hospital and the community, with the effects likely to be seen for years:

The loss of all 39 HPWs (34 staff nurses, two infection control nurses, one mammographer, one ultrasonographer and one clinical laboratory scientist) will greatly affect the quality of patient care and patient safety at our only hospital. It is impossible to give proper care when understaffed.

¹ Attached, letter from Ms. Esther L. Muna, Chief Executive Officer, Commonwealth Healthcare Corporation. November 10, 2016.

² The November letter originally reported that 39 staff were in this position. Subsequently, one has applied to adjust status.

U.S. Senate Committee on Energy and Natural Resources
April 27, 2017 Hearing
H.R. 339, the Northern Mariana Islands Economic Expansion Act
Questions for the Record Submitted to the Honorable Gregorio Kilili Camacho Sablan

In addition to the 38 medical staff at the hospital, the congressional district office staff has polled other public and private medical clinics and found 22 medical personnel who cannot renew their CW permits, expiring this fiscal year.³ These include registered nurses, a radiology technician, a midwife, and other positions that require extensive training and certification or licensing.

We have also surveyed the Commonwealth Utilities Corporation, which provides power, water, and sewer services in the Northern Marianas. CUC employs 28 CW-1 permit holders of whom 10 have permits expiring prior to September 30, 2017 and which cannot be renewed because of the circumstances addressed in H.R. 339.⁴ Because of the critical nature of CUC services to public health and safety, the predicament of these workers also falls within the purview of your question.

Questions from Senator Catherine Cortez Masto

Question 1: Congressman, in the 114th Congress you sponsored H.R. 5888, which called for 18,500 CW visas annually through 2029, with possible extensions if approved by the Secretary of Labor. Do you believe such changes are enough to address the labor shortage in the CNMI?

H.R. 5888 incorporated the position that Governor Ralph DLG. Torres presented in his Section 902 consultations with the Special Representative of President Obama last year. I introduced the legislation in order to assist the Governor in those consultations.

While 18,500 CW visas annually through 2029 may be appropriate, projecting economic needs twelve years into the future requires exceptional foresight. I am of the view that a more dynamic system should be adopted that responds to the demand for labor as it may change from year to year. I am also of the view that any such system must assure that the ratio of US workers to foreign workers in the Marianas labor force continues to improve annually. I look forward to working with all interested parties to include these core concepts into a longer term solution to the need for labor in the Marianas.

As an example of the kind of change that may occur over time, H.R. 339, if enacted, would reduce demand for CW permits by barring their use for certain construction workers. And, by increasing funds for training, the bill is intended to reduce demand for foreign workers further by bringing more U.S. workers into the labor force.

³ List attached.

⁴ Attached, memo from Mr. Andrew Orsini, Human Resources Manager, Commonwealth Utilities Corporation. May 11, 2017.

U.S. Senate Committee on Energy and Natural Resources
April 27, 2017 Hearing
H.R. 339, the Northern Mariana Islands Economic Expansion Act
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Question 2: The goal of the CNRA was for the CNMI to rely less on foreign labor, which is why the number of CW visas is drawn down over time to zero. How do you reconcile your plan in H.R. 5888 with the stated goal of the current law?

I am in agreement with the goal of the CNRA to reduce reliance on foreign labor as speedily as possible.

I am also cognizant of the law's other goals both to "do no harm" and to expand the economy. As Section 701(b) of the CNRA states:

(b) AVOIDING ADVERSE EFFECTS.—In recognition of the Commonwealth's unique economic circumstances, history, and geographical location, it is the intent of the Congress that the Commonwealth be given as much flexibility as possible in maintaining existing businesses and other revenue sources, and developing new economic opportunities, consistent with the mandates of this subtitle. This subtitle, and the amendments made by this subtitle, should be implemented wherever possible to expand tourism and economic development in the Commonwealth, including aiding prospective tourists in gaining access to the Commonwealth's memorials, beaches, parks, dive sites, and other points of interest.

Any future policy must reconcile all the goals of the CNRA: to reduce foreign labor, to maintain existing businesses, and to foster economic development.

Sablan – QFR

Attachment 1



Commonwealth Healthcare Corporation
Commonwealth of the Northern Mariana Islands
1 Lower Navy Hill Road, Navy Hill, Saipan, MP 96950



November 10, 2016

COPY

Honorable Gregorio "Kilili" Sablan
U.S. Congressman for CNMI
423 Cannon HOB
Washington, DC 20515
P.O. Box 504879
Saipan, MP 96950

RE: REQUEST FOR ASSISTANCE TO SEEK HUMANITARIAN PAROLE FOR
39 "CAPPED-OUT" HEALTHCARE PROFESSIONAL WORKERS FOR FY 2017

Dear Honorable Congressman Sablan:

The Commonwealth Healthcare Corporation (CHCC) respectfully submits this letter to request your assistance in seeking humanitarian parole relief from U.S. Citizenship and Immigration Services (USCIS) for the CHCC's 39 healthcare professional workers (HPWs) who are affected by the CW-1 numerical limit (cap) for Fiscal Year 2017.¹ Only one month into the new fiscal year, and the USCIS has already announced the 2017 cap has been reached. The impact of losing 39 qualified health care workers — primarily nurses, but also a laboratory scientist, ultrasonographer, mammographer, and two infection control specialists — will be devastating for CHCC and the community, with the effects likely to be seen for years.

As you know, the Commonwealth Health Center (part of the corporate CHCC) is the only hospital — public or private — in the Commonwealth of the Northern Mariana Islands (CNMI). We provide acute and chronic health care services to in-patients, out-patients and through our Emergency Department to the people of the CNMI. The CHCC also maintains community health centers on the islands of Rota and Tinian, and in the village of Kagman. There are no private providers in Rota and Tinian, and the few on Saipan are insufficient to serve the needs of all the people, particularly those who are indigent. The CNMI's medically indigent population is very high and seems to be growing.²

¹ Please see Attachment A for the names and place of employment within CHCC for the 39 workers affected by the cap.

² The 2016 CNMI Non-Communicable Disease and Risk Factor surveyed 1,034 households on Saipan, Tinian and Rota and found that 46.1% of the CNMI residents have no form of health insurance coverage. This is 14% higher than what was reported in the 2010 Census for the CNMI and more than four times greater than the uninsured rate in the US. In response to the need for affordable healthcare, the CHCC reinstated the "Sliding Fee Program (SFP)" in 2013. The program allows for a reduction or elimination of covered fees for services and care received at the CHCC based on the patient's income. The SFP discounts most inpatient and outpatient services at the CHCC, and is often the only option for health care payment assistance for many residents who cannot afford, or are not provided, private insurance by employers. From 2013 to 2015, more than 620 primary beneficiaries and dependents enrolled in the program. The majority of beneficiaries are enrolled in the "Sliding 100" discount category, which means their low income makes them eligible for the highest discount category.

Almost half (46%) of all CNMI residents have no health insurance coverage. This means that CHCC is often effectively their only option to receive medical care.

The CHCC has been very diligent in timely renewing our health care worker CWs. The CW petitions can only be submitted six months prior to the expiration of a worker's CW. CHCC has been successful in renewing all its CWs whose expirations are prior to April 2017. But we have seven workers who expire in April and another 32 who expire prior to October 1, 2017 for whom we could not yet have filed a renewal application prior to the cap being reached because we are only permitted to file six months in advance of the current CW-1 permit expiration.

We are requesting your assistance in asking the USCIS for humanitarian parole for these health care workers as a group. We understand we will need to file individual applications but we would like your support in explaining to the USCIS just how devastating this loss of 39 CHCC personnel would be for the people of the CNMI and for the workers and their families.

The CHCC had been planning on hiring an additional nine (9) nurses before we learned that the cap had already been reached. Now, in the face of increasing demand for all of our services – laboratory, radiology, in-patient³ — we are relegated to attempting just to hold onto to what we have. Even if all 39 of HPWs are allowed to remain on island and work, CHCC will still be facing a critical shortage. For example, we planned on hiring three additional nurses for the Emergency Room. Now we will not be able to do that.

The loss of all 39 HPWs (*34 staff nurses, two infection control nurses, one mammographer, one ultrasonographer and one clinical laboratory scientist*) will greatly affect the quality of patient care and patient safety at our only hospital. It is impossible to give proper care when understaffed. Patient safety is also compromised when infection control procedures are not followed because of understaffing. Mounting data from U.S. hospitals nationwide illustrates that when staffing levels fall below certain nurse-to-patient ratios, the patients are more likely to suffer or even die. This is not like any industry where we are dealing with inanimate objects. We are dealing with human lives.

The CHCC's Radiology Department provides a useful example of the challenges we face. As the only full-service, Medicare, FDA-certified and American College of Radiology (ACR) accredited medical imaging department on Saipan, we are heavily dependent on trained, experienced and quality conscious imaging professionals to support the current and growing medical imaging needs of our population. Presently, these experienced professionals are available to us only through the existing CW arrangement and further reductions in the CW labor pool of medical imaging professionals significantly and adversely impacts the quality, availability, and sustainability of medical care in the CNMI.

Due to significant discrepancies in salary and compensation offered on the US Mainland and available here in the CNMI, medical imaging professionals are next to impossible to recruit, tend to be short-term and require a large initial investment on the part of the hiring facility to acquire. There are no

³ Please refer to attachments B through E to see demand for all clinical services in 2015 and 2016.

local or regional allied health programs available to support an established radiology department with multi-specialty trained professionals nor to assist in meeting the growing demands of the only Medicare Certified hospital in the CNMI. Limiting our access to this professional expertise will also affect the quality of care offered and could significantly impact our ability to meet the required "Conditions of Participation" mandated by the Centers for Medicare and Medicaid Services (CMS) for all Medicare-Certified hospitals. Presently, two (2) experienced and well-trained individuals from the CHCC Radiology Department are affected by the cap restrictions and their expertise in the fields of radiography/mammography and ultrasound are a vital component of our imaging capability and diversity. Both were hired to meet the growing demands of our local and tourist populations and together represent 20% of the department's imaging professional component. Their departure would significantly impact the volume of exams done as well as the ability of the department to maintain 24/7 coverage. The same analysis applies to the Laboratory Department, should it lose one of its clinical scientists.

Most of the inpatient wards will be dramatically affected if the nurses are not allowed to remain and work. The Medical-Surgical Ward (including Intensive Care Unit and Neonatal Intensive Care Unit) would lose twelve (12) nurses, the Emergency Department would lose five (5) nurses, Hemodialysis unit would lose four (4) nurses, Obstetrics and Gynecology (including Labor & Delivery) would lose two (2) nurses, and Pediatrics Ward would lose one nurse.

If the 34 ward nurses were not allowed to remain and work, we would have to shut down hospital services or nursing unit/wards and reassign the remaining nurses to other critical units affected by the CW cap. For instance, the Surgery department which has one nurse affected will have some of its nurses re-assigned to the Emergency Room. As a result, all elective surgeries will be discontinued and only emergency surgeries will be permitted. This will create a backlog of elective surgeries that may take more than a year to erase. The shutdown of surgery unit but for emergencies will also increase off-island medical referrals and its associated costs. The general health of the population will decline due to the lack of available services. Finally, for the nurses who remain, their overtime will likely increase, which will add stress to their lives and those of their families and possibly increase the rate of mistakes.

While the goal of the CHCC is and has been to expand U.S. citizen hiring, as a practical matter there are no U.S. workers certified or registered as nurses and laboratory and radiology specialists in the CNMI who are not already working at the CHCC or one of the private clinics. The Northern Marianas College (NMC) does not have degree programs in laboratory, pharmacy, and radiology to build local capacity. While the NMC does have a nursing program that produces on average at least 15 graduate nurses annually, only approximately 30% pass the National Council Examination for Registered Nurses (NCLEX-RNs). The CHCC does not hire nurses who have not passed the NCLEX-RNs. While we wholeheartedly support the NMC program, its limited success has hindered the CHCC's ability to recruit locally trained U.S. nurses to replace foreign ones.

Honorable Gregorio "Kilili" Sablan
November 10, 2016

Page 4 of 4

In addition to the needs of the hospital and the community, the upheaval in the lives of these 39 workers and their families will be great. Many of them have been working with the CHCC for more than 10 years. This is their home. More than half have children who are U.S. citizens. These children are in school. If the parents leave, what happens to the children? There is a general reluctance to remove them from school and return them to the Philippines, and sometimes the well-meaning arrangements that have been made fall apart. The numerical cap does not assess how long the employees have been in the CNMI, what their relative value is to the community, or the effects their leaving will have. It is a harsh and blunt instrument to limit the employment of non-US citizens and permanent residents.

For all of the above reasons, the CHCC respectfully requests the assistance of your office to obtain relief for the affected 39 healthcare professional workers by the CW-1 cap for FY 2017.

We deeply appreciate your assistance.

Sincerely,


ESTHER L. MUNA
Chief Executive Officer

Summary of Attachments:

Attachment A, List of Healthcare Professional Workers Affected by the FY 2017 CW-1 cap.
Attachment B, Demand in use of CHCC Services – 2015 to 2016
Attachment C, Demand in use of the CHCC's Radiology Services – 2015 & 2016
Attachment D, Demand in use of the CHCC's Laboratory Services – 2015 & 2016
Attachment E, Infection Control Program Data Surveillance and Tracking – 2015 & 2016



Commonwealth Healthcare Corporation
Commonwealth of the Northern Mariana Islands
1 Lower Navy Hill Road, Navy Hill, Saipan, MP 96950



**LIST OF 39 HEALTHCARE PROFESSIONAL WORKERS
AFFECTED BY THE CW-1 CAP FOR FISCAL YEAR 2017**

#	NAME		POSITION TITLE	HOSPITAL UNIT ASSIGNMENT	CW-1 EXPIRY
	LAST	FIRST			
1	Gatchalian	Fernando	Staff Nurse/Registered Nurse	Intensive Care Unit	04/17/17
2	Ungab	Michael Ray	Staff Nurse/Registered Nurse	Psychiatric	04/17/17
3	Villadelrey	Glen	Staff Nurse/Registered Nurse	Medical/Surgical	04/17/17
4	Guzman	Marites	Staff Nurse/Registered Nurse	Medical/Surgical	04/26/17
5	Lizardo	John Mark	Staff Nurse/Registered Nurse	Medical/Surgical	04/26/17
6	Canlas	Christine	Staff Nurse/Registered Nurse	Medical/Surgical	04/26/17
7	Benetua	Jackylyn Kate	Staff Nurse/Registered Nurse	OB/Gyne/Nursery	04/26/17
8	Alejandre	Ray Aldus	Staff Nurse/Registered Nurse	Intensive Care Unit	07/01/17
9	Balingit	Maria Noemi	Staff Nurse/Registered Nurse	Emergency Room	07/01/17
10	Carag	Lilibeth	Staff Nurse/Registered Nurse	Intensive Care Unit	07/01/17
11	Combinido	Julie	Staff Nurse/Registered Nurse	OB/Gyne/Nursery	07/01/17
12	Gaspar	Bernard	Staff Nurse/Registered Nurse	Neonatal ICU	07/01/17
13	Hidalgo	Carmen	Staff Nurse/Registered Nurse	Hemodialysis	07/01/17
14	Legaspi	Veronica	Staff Nurse/Registered Nurse	Children's Care Clinic	07/01/17
15	Lomibao	Violeta	Staff Nurse/Registered Nurse	Medical/Surgical	07/01/17
16	Olanda	Daisy	Staff Nurse/Registered Nurse	Labor & Delivery	07/01/17
17	Santos	Marian	Staff Nurse/Registered Nurse	Pediatric	07/01/17
18	Tinio	Perlina	Staff Nurse/Registered Nurse	Medical/Surgical	07/01/17
19	Balucanag	Ananette	Staff Nurse/Registered Nurse	Neonatal ICU	07/01/17
20	Cariaso	Rocel	Staff Nurse/Registered Nurse	Psychiatric	07/01/17
21	Concepcion	Vivian	Staff Nurse/Registered Nurse	Medical/Surgical	07/01/17
22	Fauni	Gilbert	Staff Nurse/Registered Nurse	Emergency Room	07/01/17
23	Garcia	Rosalie	Staff Nurse/Registered Nurse	Emergency Room	07/01/17
24	Gargallo	Saul	Staff Nurse/Registered Nurse	Operating/Recovery	07/01/17
25	Javier	Ma Gisela	Staff Nurse/Registered Nurse	OB/Gyne/Nursery	07/01/17
26	Ringor	Elsie Grace	Staff Nurse/Registered Nurse	Emergency Room	07/01/17
27	Orcia	Josephine	Staff Nurse/Registered Nurse	Emergency Room	07/01/17
28	Tebia	Vanessa	Infection Control Specialist/RN	Quality Performance	07/01/17
29	Fernandez	Nancy	Infection Control Preventionist/RN	Quality Performance	07/01/17
30	Alcantara	Jan	Staff Nurse/Registered Nurse	Medical/Surgical	07/14/17
31	Villafria	Lorna	Staff Nurse/Registered Nurse	Family Care Clinic	07/26/17
32	Cruz	Robert Ervin	Staff Nurse/Registered Nurse	Hemodialysis	07/26/17
33	Nepomuceno	Clarissa	Staff Nurse/Registered Nurse	Medical/Surgical	07/26/17
34	Bayle	Miriam	Radio Tech./Mammographer	Radiology	08/09/17
35	Soriano	Roxanne Joyce	Radio Tech./Ultrasonographer	Radiology	08/09/17
36	Zheng	Xueli	Staff Nurse/Registered Nurse	Family Care Clinic	08/29/17
37	Almendras	Bella	Licensed Practical Nurse	Hemodialysis	08/29/17
38	Cascabel	Rusell	Staff Nurse/Registered Nurse	Hemodialysis	08/29/17
39	Corotan	Sherine	Clinical Laboratory Scientist	Laboratory	09/20/17

RECAPITULATION:

April 17, 2017 CW-1 Expiry= Three RNs
April 26, 2017 CW-1 Expiry= Four RNs
July 01, 2017 CW-1 Expiry = 22 RNs
July 14, 2017 CW-1 Expiry = One RN

July 26, 2017 CW-1 Expiry = Three RNs
August 9, 2017 CW-1 Expiry = Two Radio. Technicians
August 29, 2017 CW-1 Expiry = Three RNs
September 20, 2017 CW-1 Expiry = One Clinical Lab. Scientist

ATTACHMENT A



Commonwealth Healthcare Corporation
Commonwealth of the Northern Mariana Islands
1 Lower Navy Hill Road Navy Hill, Saipan, MP 96950



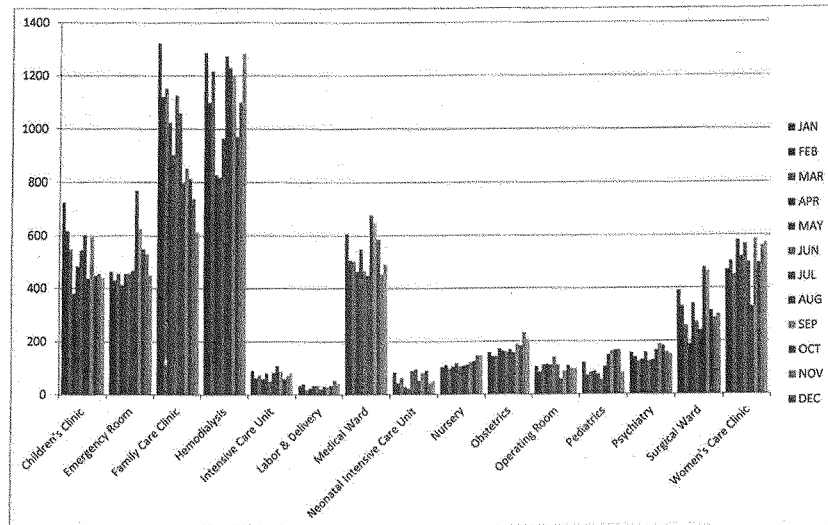
COMMONWEALTH HEALTH CENTER - MONTHLY CENSUS/INPATIENT

YEAR 2015												
UNIT	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Children's Clinic	725	617	548	381	484	545	603	438	595	448	456	441
Emergency Room	463	431	457	413	454	456	467	770	627	549	529	450
Family Care Clinic	1323	1122	1152	1025	903	1126	1060	797	851	814	740	613
Hemodialysis	1288	1098	1217	828	819	965	1274	1231	1201	971	1100	1284
Intensive Care Unit	90	62	73	59	80	51	83	109	88	60	71	81
Labor & Delivery	34	39	19	24	34	34	21	32	30	35	53	42
Medical Ward	607	507	503	464	548	465	449	677	647	585	453	491
Neonatal Intensive Care Unit	84	44	62	29	23	89	95	52	82	89	43	50
Nursery	103	113	98	104	117	105	107	112	121	125	146	145
Obstetrics	157	143	143	172	164	160	169	157	190	183	233	209
Operating Room	105	84	111	113	111	141	110	58	88	109	98	97
Pediatrics	120	70	83	87	75	56	104	149	162	166	168	82
Psychiatry	156	140	123	130	157	125	129	166	189	183	159	152
Surgical Ward	391	332	257	188	340	272	241	478	465	314	287	302
Women's Care Clinic	469	502	451	581	519	567	498	330	585	495	561	572
TOTAL	6115	5301	5297	4598	4828	5157	5410	5556	5921	5126	5097	5011

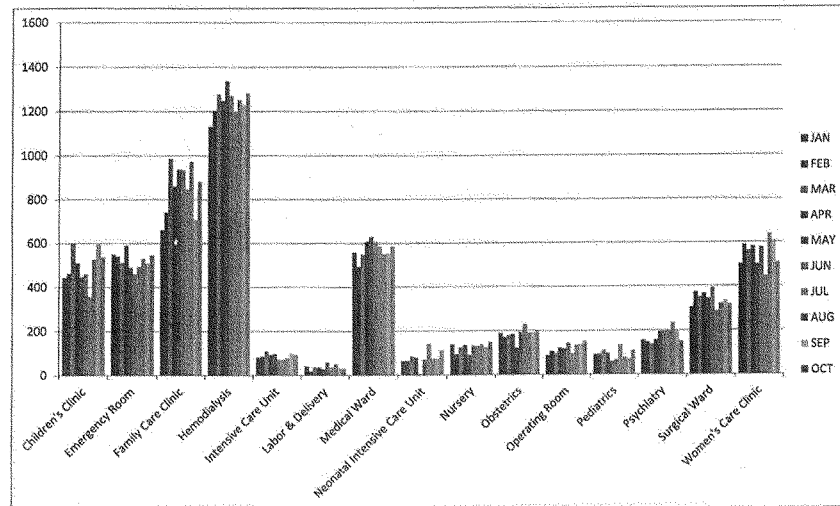
YEAR 2016												
UNIT	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Children's Clinic	443	462	600	510	448	460	356	528	603	537		
Emergency Room	550	541	513	591	491	461	495	531	510	546		
Family Care Clinic	661	741	987	860	938	934	848	974	708	883		
Hemodialysis	1131	1205	1278	1248	1337	1271	1198	1253	1230	1281		
Intensive Care Unit	82	86	110	94	99	73	71	80	102	95		
Labor & Delivery	41	19	38	37	29	60	38	52	34	32		
Medical Ward	559	494	550	607	629	606	585	549	554	588		
Neonatal Intensive Care Unit	65	65	87	81	5	72	142	75	77	112		
Nursery	140	95	127	136	92	133	132	140	126	149		
Obstetrics	190	171	179	185	122	192	229	191	191	198		
Operating Room	89	107	99	122	119	144	99	134	139	153		
Pediatrics	91	94	111	96	60	69	136	80	73	108		
Psychiatry	156	148	139	156	194	196	202	234	203	152		
Surgical Ward	305	374	352	367	344	392	287	320	336	318		
Women's Care Clinic	501	588	564	581	501	578	445	638	609	510		
TOTAL	5004	5190	5734	5671	5408	5641	5263	5779	5495	5662	0	0

ATTACHMENT B

YEAR 2015



YEAR 2016



ATTACHMENT B (Graph)



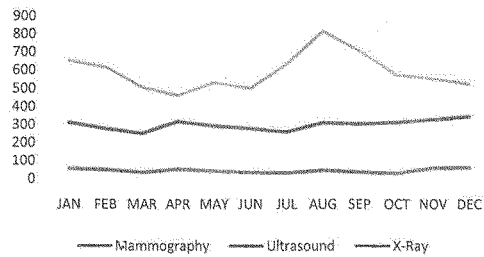
Commonwealth Healthcare Corporation
Commonwealth of the Northern Mariana Islands
1 Lower Navy Hill Road Navy Hill, Saipan, MP 96950



COMMONWEALTH HEALTH CENTER - RADIOLOGY DEPT. MONTHLY CENSUS

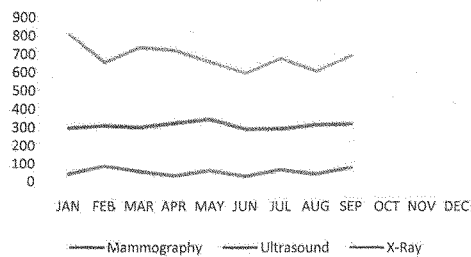
YEAR 2015												
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Mammography	54	49	33	52	41	33	31	46	36	30	59	60
Ultrasound	311	276	249	318	292	277	258	311	303	313	328	346
X-Ray	651	616	505	461	531	501	633	816	705	574	554	526
TOTAL	1016	941	787	831	864	811	922	1173	1044	917	941	932

YEAR 2015



YEAR 2016												
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Mammography	40	86	55	31	61	28	66	41	78			
Ultrasound	298	309	301	326	348	293	295	318	322			
X-Ray	808	656	738	724	659	598	679	610	694			
TOTAL	1146	1051	1094	1081	1068	919	1040	969	1094			

YEAR 2016



ATTACHMENT C



Commonwealth Healthcare Corporation
COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
1 LOWER NAVY HILL ROAD, NAVY HILL, SAIPAN, MP 96950



COMMONWEALTH HEALTH CENTER - LABORATORY DEPARTMENT MONTHLY CENSUS																									
TEST NAME	15-Jan	16-Jan	15-Feb	16-Feb	15-Mar	16-Mar	15-Apr	16-Apr	15-May	16-May	15-Jun	16-Jun	15-Jul	16-Jul	15-Aug	16-Aug	15-Sep	16-Sep	15-Oct	16-Oct	15-Nov	16-Nov	15-Dec	TOTAL	
2 HR GLUCOSE	3	3	0	2	1	2	2	1	3	2	6	0	2	2	1	0	5	3	0	0	3	3	44		
SGTT	1	0	0	0	0	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	3		
AB SCREEN	77	157	70	144	75	161	71	203	88	148	145	175	161	162	153	167	161	181	177	189	154	161	3,180		
ABO RH TYPING	47	38	29	41	29	36	39	45	39	28	45	44	43	41	34	47	48	54	43	55	36	48	909		
ABO/RH & SCREEN	9	4	5	1	4	3	5	4	4	1	1	3	2	2	3	1	2	2	4	3	6	3	72		
ACANTHOCTES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	1	0	0	0	3		
ACC-CHEC ADVANTAGE POC	2	0	0	1	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	4		
ACETAMINOPHEN	2	7	13	5	4	8	11	11	15	17	7	7	3	3	7	7	9	6	11	7	3	5	168		
ACETONE	0	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	2		
ACID PHOSPHATASE	3	0	1	0	2	0	0	0	0	0	3	0	1	0	0	0	0	0	0	0	1	0	11		
ALBUMIN	1,074	870	898	769	800	987	877	1,041	1,001	952	883	938	984	881	1,180	889	1,019	1,019	1,023	1,063	970	912	887	20,928	
ALBUMIN, MICRO	16	14	15	19	7	29	7	14	9	10	17	15	7	12	6	8	14	18	16	15	9	10	287		
ALBUMIN/CREATININE RATIO	0	0	0	0	0	2	0	0	0	0	1	1	0	1	0	0	0	0	0	0	2	1	8		
ALDOOLASE	0	1	0	0	0	0	0	0	0	0	1	0	0	0	0	1	0	0	0	1	0	1	5		
ALDOSTERONE	0	0	0	0	0	1	2	4	1	0	0	1	1	2	0	1	0	1	1	1	0	0	16		
ALKALINE PHOSPHATASE	1,071	871	897	764	795	985	878	1,029	1,003	950	879	922	920	874	1,173	873	1,013	1,019	1,056	889	893	882	20,676		
ALPHA-1-ANTITRYPSIN	0	2	3	1	1	4	2	0	1	0	1	0	1	1	0	0	2	1	1	4	0	2	27		
ALPHA-FETOPROTEIN	1	11	5	5	12	4	16	1	5	7	8	2	4	7	1	1	5	6	1	7	10	12	129		
A-TI	1,073	872	900	769	799	986	879	1,030	1,001	950	879	924	921	876	1,173	877	1,014	1,019	1,057	893	894	882	20,705		
AMPHETAMINE SCREEN	14	0	3	0	4	0	10	0	13	0	5	0	4	0	0	0	0	0	0	0	0	0	53		
AMPHETAMINES	0	14	0	16	0	15	0	21	0	25	0	29	9	24	13	22	12	17	12	29	10	18	286		
AMYLASE	33	10	31	17	27	11	20	9	18	14	13	6	10	6	5	26	9	8	13	8	15	20	329		
ANA PANEL	4	6	8	3	3	4	2	1	6	1	9	1	10	5	7	2	6	2	8	2	5	6	101		
ANA PATTERN	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	2	0	0	0	0	0	3		
ANA TITER	23	19	17	10	18	10	11	3	20	3	17	3	16	6	10	4	11	4	14	6	14	14	253		
ANCA	0	1	0	0	4	2	5	1	1	0	3	1	1	1	1	0	1	0	0	1	3	3	29		
ANISOCYTOSIS	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	2	1	1	0	0	0	5		
ANTI MITOCHONDRIAL ANTIBODY	5	2	4	1	2	4	3	0	1	0	1	0	2	1	0	0	2	1	2	4	0	2	37		
ANTI SMOOTH MUSCLE	1	2	3	1	2	4	2	0	1	0	1	1	1	0	0	1	3	1	0	3	0	1	28		
ANTIBODY IDENTIFICATION	1	2	0	3	1	6	1	3	0	3	3	1	3	1	2	0	3	3	1	1	2	3	41		
ANTI-DNA ANTIBODY	1	1	1	0	1	1	0	1	1	1	2	1	0	0	1	0	0	0	0	0	1	0	13		
ANTI-GLOM BASEMENT MEM	0	0	0	0	1	1	1	0	0	1	0	0	1	1	0	1	0	0	0	0	2	1	11		
ANTI-MICROSOMAL ANTIBODY	2	0	2	0	7	0	13	0	6	0	8	1	2	0	1	0	2	2	1	1	0	2	50		
ANTI THROMBIN III	1	0	0	0	0	0	0	0	0	1	1	0	0	1	0	1	0	0	0	1	1	0	7		
ANTI-THYROGLOBULIN ANTIBODY	1	0	1	0	0	1	0	0	0	0	2	0	1	0	0	0	1	3	0	1	2	1	14		
ANTI-THYROID MICROSOmal PEROXIDASE	1	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	1	1	0	0	0	0	4		
APPEARANCE	11	11	4	6	7	5	11	7	14	3	4	12	11	9	8	10	12	8	11	5	2	174			
ARSENIC	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	1		
ARTERIAL BLOOD GAS POC	0	54	0	44	0	90	7	33	28	64	14	49	19	53	18	53	44	109	40	77	35	41	872		
ARTERIAL BLOOD GAS POC O2 SAT	0	54	0	44	0	90	7	31	28	64	14	49	18	53	18	53	43	108	40	76	35	41	866		

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Sablan – QFR

Attachment 2

*22 private sector healthcare workers in the Marianas have CW status expiring in FY2017
and are unable to renew because of the application closure.*

Eucon Medical Health – 1

- 1 nurse

Hardt Eye Clinic – 2

- 1 registered nurse
- 1 practical nurse

Marianas Health Services – 3

- 2 registered field nurses
- 1 physical assistant

Marianas Medical Center – 5

- 1 midwife
- 3 nurses
- 1 radiology technician

New Wave Dental – 1

- 1 dental assistant

Paradise Dental – 1 (left island in May)

- 1 dental (hygienist/therapist?)

Saipan Health Clinic – 4

- 4 registered nurses.

Tri Enterprise – 5

- 3 staff nurses
- 1 home health aide
- 1 physical therapist

Data collected by personal interview by office on Congressman Sablan, May 2017.

Sablan -- QFR

Attachment 3



Commonwealth Utilities Corporation



MEMORANDUM

May 11, 2017

To: Gary P. Camacho, Executive Director

From: Andrew Orsini, Human Resource Manager *W 5/11/17*

Subject: Information on CUC CW-1 Workers

The total number of CW-1 Workers currently with CUC is 28. These positions and the qualification of the Individuals are essential and critical in the continued operation of CUC. There are 10 CW-1 Workers expiring September 30, 2017. The following 10 positions are as follows:

- | | |
|---|----------------|
| A. Trades Technician – | Mechanical (4) |
| B. Trades Technician – | Electrical (2) |
| C. Trades Technician – | Operations (2) |
| D. Assistant Engineer – | Electrical (1) |
| E. <u>Senior Engineering Technician -</u> | <u>(1)</u> |
| Total | 10 |

The remaining 18 CW-1 Workers all expire December 31, 2017.

: Office File



CUC is an Equal Opportunity Provider and Employer.
 P.O. Box 501220 Saipan, MP 96950-1220 USA
 Tel No. (670) 664-4282 Fax No. (670) 235-3131

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Questions from Chairman Lisa Murkowski

Question 1: If this legislation were to pass, it would limit construction workers under the CW program to those who had permits prior to October 1, 2015, and have renewed them each year since. How many construction workers would that leave available in the CNMI via the CW program?

According to the USCIS data, in Fiscal Year 2015, approximately 1,500 workers were classified as employed under the Standard Occupational Classification Group 47-0000. Data from USCIS over the years has been improving, however, the total number of construction workers who were present prior to October 1, 2015 is difficult to ascertain. For FY 14, 8,221 permits were classified as "Unknown" occupations by USCIS. In fact, more than 92% of all CW permits issued for that Fiscal Year were classified as "Unknown". As FY 2015 data showcases an improvement on the number of CW permits classified as "Unknown", it may be possible that the "Unknown" figure in FY 2015 of 1,118 may contain employees who would ordinarily fall into Standard Occupational Classification Group 47-0000.

Given that the vast majority of investment is from Chinese companies, and Chinese companies tend to only use Chinese labor, how likely are those companies to seek out non-Chinese labor for their projects, versus ending the project altogether if they can't use Chinese labor?

Yes, there exists a real possibility that ending access to employees classified under the Standard Occupational Classification Group 47-0000 in the CW program will negatively affect ongoing developments in the CNMI, yet in the absence of greater controls and safeguards that will ensure the protection and wise use of the limited CW visas, this policy is necessary.

The potential loss of investment has been a serious consideration that highlights the difficulty of growing an economy while having limited access to labor. Despite this dilemma, it is important to note that the CNMI takes seriously its responsibilities under the transition program and is willing to place hard lines in order to protect the existing economy. I have made several attempts to make the potential risk of allowing large numbers of construction workers to acquire the limited number of CW permits known to both USCIS and the private sector. In February 2016, during a meeting with former USCIS Director Leon Rodriguez, I requested that USCIS no longer issue CW permits for construction occupations. I reiterated this concern with the Department of Homeland Security during our Section 902 Consultations and made several announcements in the local media for our private sector partners to be responsible in their use of the CW program and to pursue alternative visa classifications where available.

The choice we have been presented with is continuing the operations of existing enterprises in the economy, versus the need to grow the economy. This choice is particularly difficult because, as the most recent GAO report shows, with a growing economy more and more US workers are finding employment in a wider selection of jobs.

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It is important to state that in the CNMI, much like any open market-based economy in the world, workers seek for jobs that fit their skills and their interests. Despite having a number of unemployed individuals in the CNMI, their entrance into the labor force is highly dependent on their skills to perform the vacant positions or fill a position occupied by a foreign worker and their interest in taking the position. As a territory of the United States, it is not in our ability to force work upon any individual. The best chance we have to reach full employment of every abled body man and woman, is to grow the economy so that a diverse selection of jobs and competitive wages finds the willing employee to fill that position. This is occurring now, but can only occur when there are new businesses and economic growth.

Question 2: Governor, the CNMI has a law that requires 30 percent of a company's labor force to be U.S. workers. Yet, there have been instances where you waived that requirement for construction companies, which has allowed those companies to obtain more CW permits for construction workers than they would have otherwise – permits that might have been made available to foreign workers who are currently unable to renew their permits this year, like those in the hospital. Could you explain why those waivers were issued?

The 30% local hire policy is a regulatory requirement enforced by the CNMI Department of Labor ("CNMI DOL") and waivers for the 30% local hire requirement are provided by the CNMI DOL are granted following an assessment of the local labor capacity. At the time the last exemptions were provided, it was clear to the CNMI DOL that there were not enough skill construction laborers present in the CNMI to perform the labor. This is apparent in all sectors of the economy, as businesses, both large and small, are regularly cited for noncompliance primarily due to the lack of US eligible workers in the CNMI.

The issuance of the last exemptions occurred either before or shortly after the CW numerical limitation was reached for the first time in 2016. At the time the last exemptions were granted, the CNMI did not receive word on USCIS's position on continuing to allow construction workers to be processed under the CW program as requested in February 2016. If construction workers were to be sourced through the H2-B program, exemptions would be required as there would still be a shortage of skilled US construction workers in the CNMI.

On September 29, 2016, the CNMI Department of Labor placed a moratorium on any future exemptions. It should be noted however that the underlying reason for granting exemptions still exists. For specialized skills required in a construction project, there are not enough US workers available in the CNMI to fill these positions.

Questions from Ranking Member Maria Cantwell

Questions: In 2015, the Treasury Department fined the Tinian Dynasty casino in the Commonwealth of the Northern Mariana Islands (CNMI) for money laundering. The

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company had to pay \$75 million, the largest fine ever imposed by the Treasury Department on a casino. Today, the Best Sunshine Casino is also allegedly under investigation for money laundering after reporting revenues nearly 8 times that of Macau's largest casinos.

a. Are you aware of a federal investigation in to the Best Sunshine Casino?

Neither I nor the casino regulatory body, the Commonwealth Casino Commission ("CCC") is aware of a federal investigation into the Best Sunshine's casino operation. The only information regarding a federal investigation has been provided by media reports, but have yet to be substantiated. The CNMI stands ready to support any federal investigation related to money laundering concerns and is seeking to establish more formal partnerships between the CCC and federal partners to curtail any violations of local or federal law.

b. Is there a local CNMI investigation into the Best Sunshine Casino?

Presently, the CCC is actively monitoring the daily monetary transactions and maintains 24/7 observations of the casino floor with onsite enforcement agents, who have received training by, among others, the U.S. Attorney's Office. Any allegation received by the CCC is immediately reviewed to determine whether the allegation(s) are founded or unfounded before opening an official investigation. Based on the review of the allegation(s), the CCC would reach out to federal law enforcement for assistance or to transfer cases that involves violations of federal laws. The CCC has full time staff responsible to provide regulatory oversight over the Licensee (IPI) including IPI's compliance with the CNMI P.L. 18-56¹ and P.L. 19-24², CNMI Casino Regulations,³ and the CNMI Casino Minimum Internal Control Standards (MICS).

Wanton violations of CCC Regulations, and both Local and Federal Laws will result in the revocation of the Casino License. The CCC and the CNMI Government is closely monitoring the activities of the Casino and is willing to undertake the revocation process if these requirements are not followed.

c. Is there a local mechanism in place to detect and prevent money laundering at casinos?

The CCC has implemented CCC Regulation Section 175-10.1-545(k), which requires IPI to develop an Anti-Money Laundering (AML) compliance program to ensure compliance with federal and local laws and regulations. This regulation reinforces the CCC's commitment that IPI complies with Title 31 (BSA) requirements and to prevent violations similar to those found in the Tinian Dynasty Casino.

An Anti-Money Laundering program is comprised of the following four pillars:

¹ Public Law 18-56 https://www.cnmilaw.org/pdf/public_laws/18/pl18-56.pdf.

² Public Law 19-24 https://www.cnmilaw.org/pdf/public_laws/19/pl19-24.pdf

³ Commonwealth Casino Commission Regulations <https://www.cnmilaw.org/admincode/Title175/T175.html>

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- 1) Develop and implement internal policies, procedures, and controls;
- 2) Designate a Compliance Officer in charge of the day-to-day compliance with the BSA,
- 3) Develop and implement an ongoing employee AML training program, and
- 4) Require independent audits to test the programs.

The IPI has implemented and maintained an AML program where it has developed written policies and procedures, formed a legal and compliance department which is in charge of day-to-day BSA compliance, provides AML training, and has contracted Ernst & Young to conduct its independent test on IPI AML program.

The CCC has mandated that prior to the granting of a casino license to IPI Employees and/or Key Employees, each IPI regular or key employee must undergo AML training, be issued a certificate of completion, and attach the certificate to his or her employee license application before an application can be considered complete for review by the CCC.

The CCC has mandated that IPI submit copies of all Currency Transaction Reports (“CTRs”) and Suspicious Activity Reports (“SARs”) that are filed to FinCEN by IPI. Continuous regulatory reviews of Know-Your-Customer (“KYCs”) records, Source of Funds (“SOFs”) records, and patron gaming activities.

For good cause determined at the January 30, 2017 public meeting of the Commonwealth Casino Commission, the Commission (CCC) issued Commission Order No. 2017-001 which ordered the following:

1. All employees of the casino which require licensure, including but not necessarily limited to: management, owners, members of the Board Directors, attorneys, gaming employees, marketing employees, employees engaged in collection activities, and other staff must be trained regarding Title 31 Anti-Money Laundering laws and regulations of the United States of America as it pertains to the compliance of responsibilities under the Bank Secrecy Act, the applicable laws and regulations of the Commonwealth of the Northern Mariana Islands, and internal policies of the casino licensee.
2. A Certificate of AML Training Completion must be issued to all listed above and a copy must be provided to the Commission.
3. On a yearly basis, the casino licensee must acquire and retain an independent third party, acceptable to the Commission, to review the casino gaming licensee’s compliance with required Anti-Money Laundering laws and policies.
4. The persons providing the training for the casino licensee pursuant to paragraph 1 above must be approved by the Commission prior to providing such training. The curriculum must be submitted to the Commission for review at least thirty (30) days prior to implementation of the training.

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5. The actions required by paragraphs 1 and 3 above must be completed no later than sixty (60) days after the receipt of this Order. Documentation that this paragraph 5 has been completed shall be submitted to the Commission. Thereafter, trainings required by paragraph 1 above shall occur for newly hired licensed employees within seven (7) days of their hiring; all licensed employees shall be retrained yearly.

Further, the CCC has set in place the following mechanisms to detect and prevent money laundering:

- Mandated updates during Commission monthly meetings to reinforce AML awareness and significance;
- Conducts continuous and ongoing intelligence gathering;
- Conducts investigations based on information contained in SARs; and,
- Performs other related task as part of the CCC's regulatory oversight.

As you can see, the regulatory environment in which the CNMI is regulating the Saipan Casino is dramatically different than as was the case with the Tinian Dynasty casino and created with great effort to ensure that the violations were not repeated. The Tinian Dynasty was penalized for the following determinations:

- 1) Willful failure to develop and implement an anti-money laundering program;
- 2) Willful failure to report transactions involving currency in amounts greater than \$10,000; and,
- 3) Willful failure to detect and adequately report suspicious activities and transactions in a timely manner.

The Tinian Dynasty Casino, at the time of its operations, operated under the assumption that the laws for which they were found in violations were not clearly applicable to the CNMI. However, the Federal District Court's 2015 opinion (*United States of America v. Hong Kong Entertainment, Case No. 1:13-cr-00002*) clarified the applicability of the Bank Secrecy Act (BSA) and the Financial Crimes Enforcement Network's (FinCEN) and found that regulations do apply to the CNMI. With this clarification, the operators in the CNMI have full understanding of the application of federal regulations and is expected to conform to them.

The CCC in their operations have taken the previous issues related to adherence to AML laws and regulations into great consideration when crafting the governing regulations for the Saipan casino. Most importantly, I have tremendous faith in the staff and management of the CCC and believe in

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their commitment to uphold the laws and requirements governing casino operations. The men and women of the CCC are diligent public servants who have trained with our federal partners to ensure they have the skills and resources to perform their important responsibilities.

d. If there is a local mechanism, but a local investigation is not ongoing, why not, given press reports of an FBI raid on Best Sunshine's headquarters and a former employee's allegations of money laundering?

The CCC conducted its local investigation in the records and reports of IPI and found no substantive evidence supporting the allegations of money laundering by their former employee. From the investigation, it was found that the specific transactions alleged by the complainant as IPI's attempt to circumvent the FinCEN reporting requirements cannot be substantiated by CCC. The required CTRs for the specific transactions were in fact filed and reported to FinCEN. The CNMI Casino Regulations made it an obligation for any casino employee to immediately report to the Commission any violations of the CNMI casino law or regulations. In this case the complainant failed to report to the Commission any of the violations that he alleged occurred at the Best Sunshine casino floor. The complainant in effect committed a violation of the CNMI Casino Regulations for failure to report the alleged violations to the CCC.

e. What additional mechanisms are necessary in the CNMI to prevent money laundering?

The CNMI understands the importance of ensuring that IPI maintains a robust AML program based on the best practices from around the nation. Furthermore, the CCC has developed policies that must be strictly adhered to by IPI on its AML program. Any deviation or non-compliance will be met with swift action from the Commission, including the revocation of the Casino license. The CNMI has also communicated with federal law enforcement partners to collaborate on ways to stay actively engaged in the continuous monitoring of the activities of IPI for indicators of potential money laundering activities. The CCC monitors the Suspicious Activity Reports (SAR) and the Cash Transaction Reports (CTRs) on a daily basis. In addition, CCC monitors all Settlement Agreements on VIP patrons playing on credits. Prior to the issuance of credit, the casino performs their due diligence on the players which included a review of the applicants' credit check, wealth check, litigation check, etc. This is a critical part of the Know-Your-Customer (KYC) that is a requirement of the AML program. The CCC monitors the KYCs as part of the Commission's audit, compliance, and enforcement tasks.

The CCC also requires the casino licensee (IPI) to submit monthly reports showing their complete Vendor Lists. The monthly Master Vendor List shows the names and addresses of the payees, amount, purpose, and other detailed descriptions of the transaction.

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- f. If you are not sure of what additional mechanisms are necessary to prevent money laundering, what is your plan and time frame for determining what additional mechanisms are necessary?

At my requests, the CCC is presently reviewing other States' statutes on anti-money laundering. The CCC aims to prepare a draft bill to present to the CNMI legislature for consideration. This action will take 2-4 months.

Questions from Senator Mazie K. Hirono

Question 1: People from the Freely Associated States can work in the Marianas, too, without needing a CW permit or any other special visa. The GAO's report said in 2003, 1,909 freely associated state workers were employed in the CNMI as compared with 677 of these workers in 2015, according to CNMI tax data. Is your government or are your local businesses doing anything to fill your need for workers by recruiting from the Federated States of Micronesia, Palau or the Marshall Islands?

Workers from the Freely Associated States ("FAS") are a critical component of the current economy and our ongoing workforce development efforts. A number of factors have led to the reduction in numbers in the CNMI, of which the most prominent is that the economy of the CNMI in 2003 was dramatically different than today. In 2003, the CNMI GDP was at its decades long peak at \$1.7 billion, with garment manufacturing still a present industry. Since that point, the economy took a painful a 6-year decline. At the lowest point within this period, the economy contracted by approximately \$770 million reaching \$900 million in 2009. This persistent economic depression, to which we are still recovering from, resulted in a loss of jobs for all workers, US citizens and FAS citizens included. Since that point, employment for domestic workers, including FAS citizens, has increased.

There are also other factors that have reduced the number of FAS workers in the economy including lower wage levels compared to other states and territories. However, since the enactment of US Public Law 110-28, wages have increased steadily and are to reach the federal level by 2018.

A more important factor relates to the concept of chain migration. Since losing jobs and opportunities throughout our years of economic depression, many FAS citizens have left the CNMI for outside employment opportunities. Without a larger presence of FAS citizens in the CNMI, the population of FAS citizens to entice their networks outside of the CNMI to move here is diminished.

Despite these factors, I have personally undertaken efforts to build intergovernmental relationships with the leaders throughout the FAS to see how we can entice more of their citizens to live and work in the CNMI. In fact, prior to being requested to provide testimony to this Committee, I had arranged to visit the Republic of the Marshall Islands, and the Federated States of Micronesia to

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meet and discuss the opportunities for regional collaboration in workforce development. Since altering these travel plans, my office is making arrangements with these countries and the US State Department to continue this important endeavor.

Ultimately, as more businesses develop, and jobs are created, opportunities to hire more workers both US citizens and citizens of the FAS will emerge. As these workers take on these jobs and increase their skills they will be better suited to take on the jobs currently occupied by foreign workers in line with the mandates of US Public Law 110-229.

Question 2: H.R. 339 bars the use of CW permits to hire new foreign construction workers. Why do you think this is necessary for economic development in the Marianas?

The CNMI does not have the requisite number of construction workers on-island to continue to grow our economy, and because of that, the bar on the use of CW permits for foreign construction workers has the potential to negatively affect the economic development of the CNMI. Despite this fact, the policy offered in HR 339 provides the wider economy a greater level of stability not present in the current system. I have made many efforts to advise USCIS of the negative repercussions of their current CW processing system and have requested they make necessary revisions to ensure single industries or companies do not hamper the larger economy. Specifically, I have previously highlighted the following issues:

- The processing of CW permits on a “first come first served” basis opens the possibility for employers to submit large applications for the limited available permits affecting a large number of businesses who rely on CW workers due to the lack of either available alternative visa classifications or US eligible workers. This practice redirects the entire economy artificially, potentially directing all economic activity to a small sector at the expense of established businesses.
- Alternative visa classifications exist for construction workers. Workers entering the CNMI for construction occupations have an alternative visa available to them under the H2-B program.
- The CNMI has no input into the allocation of the CW permits which would be necessary to direct resources toward transitioning occupations out of the CW program. If we did have this the opportunity to collaborate in the allocation of CW permits, we would have greater control over the concentration of foreign workers in certain occupations.

The events of the last year with regard to labor shortages and illegal immigration have validated these concerns and in the absence of partnership with the federal government in the allocation of CW permits, something must be done to ensure the larger economy is not crippled by the overabundance of demand for CW permits in a single sector.

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Question 3: On March 30, 2017, the FBI executed a search warrant and made an arrest at the offices of Imperial Pacific International, which is constructing a casino in Saipan. The FBI made the arrest in response to the death of a Chinese worker at the Imperial Pacific Resort construction site. The Chinese worker was found to have entered the CNMI on March 7, 2017, as a visa parolee/tourist and that the individual was not authorized to work in the U.S. or the CNMI. During the FBI's search of the offices, it found 400 Chinese passports, of which 189 belonged to persons who arrived in Saipan as visa parolees/tourists and had already overstayed their visa. Could you update the committee on steps your government is taking to improve working conditions and address cases of illegal employment in CNMI including challenges you face in these tasks?

The CNMI takes the issue of illegal immigration very seriously. However, under US Public Law 110-229, the CNMI has relinquished its control over immigration to the Department of Homeland Security ("DHS"), which has limited our ability to directly enforce federal immigration laws. However, the CNMI has taken steps to work collaboratively with the federal government to ensure this practice does not continue. My office is working directly with DHS to submit an application for participation in the 287(g) program authorized by the Immigration and Nationality Act, which would allow greater cooperation between the CNMI and DHS to detain and deport illegal immigrations. I am working with the CNMI Legislature to pursue local laws that will criminalize the practice of bringing in workers to the CNMI as a tourist. And I was pleased to learn that Imperial Pacific has now implemented a worker verification system for their construction site, in order for them to be directly involved and take direct responsibility over the workers entering the site by their various subcontractors, and I will work with the Commonwealth Casino Commissions ("CCC") to continue to promote this practice.

Additionally, the CNMI, through the CCC, is in the process of levying fines and penalties on IPI vendors who have unlawfully sourced foreign labor, and the CNMI has collaborated positively with the US Department of Labor to ensure all workers receive compensation for the work performed and are returned back to their country of origin if not legally present in the CNMI.

The practice of illegally bringing in foreign workers is detrimental to our economy, and our image. It is not tolerated and I will pursue all possible angles to be a proactive partner in curtailing its practice, while maintaining our economic growth responsibly.

Questions from Senator Catherine Cortez Masto

Question 1: As I am sure you know, human trafficking is an immense problem facing our society. The International Labour Organization estimates that there are more than 20 million victims of human trafficking globally, 68 percent of whom are trapped in forced labor. After learning of the FBI's recent investigation and arrest of a subcontractor operating in CNMI, which was found holding the passports of 400 Chinese workers, I am concerned that the flow of foreign labor into CNMI without the appropriate safeguards, can

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create conditions ripe for labor trafficking. What enforcement and educational programs/policies does local law enforcement have to ensure that forced labor is not being used in the CNMI's construction industry?

I agree with your concerns about human trafficking and commend you for your years of advocacy on this important issue. I do not wish for the CNMI to compound to the global trade of forced labor, and firmly believe the CNMI has made remarkable progress in worker's rights. The most recent situation regarding construction workers is troubling, but as in economies throughout the United States, bad actors will always attempt to circumvent laws for private gain. In effort to curtail this practice, I have worked closely with the Commonwealth Casino Commission, US and CNMI Departments of Labor and Imperial Pacific International to ensure this practice is not only condemned but halted.

In the recent weeks, the CNMI government has collaborated with the US Department of Labor to seek payment for the wages of foreign workers who have entered the CNMI illegally. Since appearing before the committee earlier this month, the CNMI, alongside the US Department of Labor, facilitated the payment of \$1.1 million in back wages of 104 foreign workers.

While the CNMI no longer has authority over immigration to the islands pursuant to the enactment of US Public Law 110-229, I am working alongside the CNMI Legislature to create local statutes that would criminalize the practice of employers illegally sourcing their foreign labor and will continue to use the resources available to me to inform the business community that the practice of illegally trafficking foreign labor not only paints a poor picture of the CNMI, but also affects the wider economy at a time where we need economic development urgently.

While we work toward strengthening our deterrents to prevent employers from taking advantage of their workers, the illegal hiring and employment of foreign workers is indicative of the difficulties all employers are experiencing in hiring and staffing their operations. In the absence of skilled US-eligible workers, employers are taking greater risks in contravention of the law to meet the obligations of their contracts. Rather than dealing with the ramifications of illegal practices, I ask for recognition of the CNMI's need for increased legal avenues for foreign labor so that the labor market can be legitimate, and trackable so laws relating to the proper and just treatment of workers can be more readily enforced.

Question 2: How is local law enforcement working with the FBI and other federal agencies on this issue? What measures are in place to prevent these visas from being issued for forced labor purposes?

The CNMI is working closely alongside the US Department of Labor to track and resolve issues of unpaid wages and workforce violations. As we continue the process to strengthen our enforcement capabilities in light of recent events, we look forward and welcome increased federal partnership to provide an economy that is conducive to much-needed economic growth and that protects its workers.

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Questions from Senator Chuck Grassley

Question 1: Your testimony and the GAO report provided by Mr. Gootnick make it clear that one of the primary reasons for CNMI's 2017 labor shortage is the enormous influx of Chinese construction workers who are not eligible for H-2b visas and were brought in to complete the Saipan casino project. When your government negotiated that agreement, which is largely funded by Chinese investors, and which requires that the initial gaming facility be completed by August, 2017, you waived the requirement in CNMI's local law that 30 percent of those employed on the project be U.S. workers.

Given the size of the project, and the apparent likelihood that the Chinese developers would import large numbers of Chinese workers who are not eligible for H-2B visas what steps did you take:

- a. When negotiating the agreement to assess the impact on the local labor market;
- b. To preserve CW visas for more skilled workers; and
- c. To protect economic opportunities for native CNMI workers?

The Casino License Agreement between the CNMI and the licensee IPI, a local workforce participation target was set for 65% of the total labor force. While this agreement covers the operations phase of the Casino and not construction, it was believed that the segmented phases of the planned development would provide time for the development to build upon its plans in a manner that would not hamper the larger economy. Since this is the first major development in the CNMI in decades, following our severe economic depression of recent years, and the first major development since the enactment of Public Law 110-229, there were many unforeseen issues that are playing out today.

In light of these issues, and to provide a more accurate timeline that does not negatively impact the economy, the CNMI is in the process of renegotiating the License Agreement to further extend the implementation schedules to allow IPI to implement the necessary human resource system to prevent violations and be better aligned with the transition period, including the greater emphasis on US eligible workers in the construction stages and the potential limitation on CW permits for construction operations.

Already, in the Live-training facility, the Casino operation has employed more than 600 local and US-eligible workers, which has provided job opportunities and wages to our population. As the next phase of the development plan continues toward completion, I anticipate more US-eligible and local workers entering the labor force at an even greater rate as more vacancies open and complementary industries arise. This ability to utilize foreign workers to increase domestic employment is presented in the most recent GAO Report.

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In the absence of this economic growth, there would be less business activity and, in turn, fewer job opportunities in a wide array of occupations, for all workers in the economy as we have seen in the years between the peak of our recent economy in 2003 to the subsequent downfall we are only now building from. The estimated loss to CNMI Gross Domestic Product following the end of the transition period in 2019 of 26 to 62 percent will see a dramatic reduction in the size of employment for US-eligible and local workers.

Question 2: You noted that one of your most pressing needs is for more nurses. Specifically, you said that the primary hospital in Saipan will lose 39 “staff nurses” if the measure is not passed to permit additional CW-1 workers this year. Of those 39 nurses, have any applied for extensions of status or for discretionary relief from removal, with DHS?

On November 2, 2016, the Commonwealth Healthcare Corporation (CHCC) management sent a written request with Congressman Kilili Sablan. See “Letter Request for Assistance to Seek Humanitarian Parole for 39 “Capped-Out” Healthcare Professional Workers for FY 2017” for further details.

Human Resources staff at the CHCC filed a request for extension of stay for April 2017 expiry but was rejected by USCIS for reason that the CW-1 cap for FY 2017 was reached as of October 14, 2017.

One of the CHCC staff nurses, Ms. Marites Guzman, whose CW-1 status expired on April 26, 2017, applied for humanitarian parole with USCIS, but was denied. Ms. Guzman has a 7yo US-citizen son. She filed a request for a deferred action but to date, the USCIS has not given its determination yet. Ms. Guzman is scheduled to depart the CNMI on May 6, 2017.

- a. **The hospital’s web site lists compensation for staff nurses (which includes registered nurses) as \$24,889.35 - \$36,000.⁴ The Bureau of Labor Statistics lists the mean annual wage for a registered nurse as \$72,180.⁵ What effort is your government making to close this compensation gap to attract qualified U.S. workers?**

For the FY 2018 budget, the Commonwealth Healthcare Corporation included a significant increase for all Staff Nurses, Head Nurses, Senior and Junior Nurse Supervisors and the Director of Nursing, bumping up budget needs by approximately \$4.8 million for increases of nursing staff salaries alone. It is uncertain whether funds will be available to accommodate such an increase.

The CHCC is currently awaiting the approval of the CNMI Attorney General’s office for an agreement with Vero Nursing, which specializes in the recruitment of traveling nurses. The CHCC

⁴ See *Examination Announcement No. 17-042*, Commonwealth Healthcare Corp., Commonwealth of the Northern Marianas Islands, available at http://www.chcc.gov.mp/images/JVA-2017/E.A._17-042_Staff_Nurse.pdf

⁵ See *Occupational Employment and Wages, May 2016 – Registered Nurses*, U.S. Dept. of Labor, Bureau of Labor Statistics, available at <https://www.bls.gov/oes/current/oes291141.htm>

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is planning to hire six (6) traveling nurses to address the July capped-out CW-1's to address the shortage. Application processing for CNMI licensure will be expedited for the traveling nurses.

The CHCC also has an agreement with Fernandina College, based in Florida. The CHCC will be used as the college's clinical training site for nursing students. The CHCC plans to offer nursing trainees a competitive salary upon completion of their clinical training.

Additionally, the CHCC is applying with the National Health Service Corps loan repayment program for U.S. qualified nurses as incentive to work for the CHCC. By offering a more competitive salary and making loan repayment assistance available, the CHCC expects to be able to bring in US-qualified nurses for 2-year contracts at minimum.

Furthermore, the CHCC is expanding advertising of nursing vacancies with additional marketing resources and social media.

b. What are the nationalities of the 39 nurses whose visas will expire?

The total number of hospital workers (nurses and ancillaries) which are "capped-out" and must depart the CNMI has decreased from 39 to 36 due to recent resignations of the three nurses in March of 2017. The nationalities of the current number (36) of capped-out workers are:

Filipino: 35
Chinese: 1

c. Have you explored the possibility that these nurses may qualify for H-1B or H-1C visas?

The CHCC has consulted immigration experts and has been advised that registered nurse do not qualify for the H-1B specialty occupation classification. See attached USCIS policy memo PM-602-0104 dated February 18, 2015.

All eligible applicants for the H-1B visa classification must possess a bachelor's degree or its equivalent in the same field or a related field (this is a minimum requirement). Many job offers for RNs only require the completion of a two year, associate's degree. Accordingly, numerous applications for the H-1B visa filed for Registered Nurses are denied by USCIS. Currently, the CHCC does employ one nurse who works in a managerial position under an H-1B visa. The H-1B visa for this nurse has expired and is in process for extension.

The H-1C Registered Nurse visa classification expired on December 20, 2009.

d. In his testimony, Acting Assistant Secretary Pula indicated that 125 nurses will leave due to the expiration of their CW visas, and Congressman Sablan indicated

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that 139 nurses would leave. What is the ACTUAL number of nurses who are in need of a CW visa?

The reason for this discrepancy in reported numbers is because the actual number is a moving target. Due to the uncertainty of their positions, and in the best interest of their families, several CHCC employees have opted to resign even before their permit expires and some have already returned to their home country. As of May 3, 2017, the number of total health care professional workers under CW-1 classification is 171. The professionals under the CW-1 are broken down below:

Registered Nurses: 110 (36 of which are “capped out” for FY 17)
 Licensed Practical Nurse: 24
 Ancillary staff: 37

e. How many nursing students are currently enrolled in Northern Marianas College’s nursing program? How many students graduated from this program from 2012-2016?

The Northern Marianas College nursing program has two cohorts: the 1st Year and the 2nd Year cohorts. The 1st Year Cohort has seventeen (17) students; they are expected to be graduating in 2018. The 2nd Year Cohort has eighteen (18) students who are planning to graduate this May 20, 2017.

The table below shows the graduation numbers for the years requested, along with their NCLEX pass rate.

Year	Number of Graduates	Number of Graduates who sat for the NCLEX	Number of Graduates who passed the NCLEX	Pass Rate
2012	16	7	3	43%
2013	35	6	2	33%
2014	22	14	7	50%
2015	0 ⁶	NA	NA	NA
2016	15	9	6	67%

⁶ The Northern Marianas College (NMC) nursing program did not have any nursing graduates during the May 21, 2015 Commencement Exercise because a new cohort was not admitted in the Fall of 2013 due to the NMC’s accreditation status (on Showcause). NMC Administration decided to not allow new admission in that year because if the NMC did not get reaffirmed, students would have had to repeat their nursing courses taken at NMC if transferred to another college/university, or risk being on a 3-year waiting list to enter a nursing program. The University of Guam was unable to guarantee that their program could absorb NMC students into their program should the NMC not get reaffirmed. As a result, the NMC concentrated on 2nd year students already in the program for SY 2013-2014, accelerated the nursing courses, and held a December 2013 Intercession to graduate them in May of 2014.

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f. Please describe any efforts made to recruit or retain the graduates in question (e), above.

In accordance with CNMI Public Law No. 14-062, an interim permit, not to exceed one year from date of graduation, may be issued to nurses who graduated from a recognized nursing program such as the Northern Marianas College.

The CHCC provides an employment opportunity within one year of graduation for those who hold these interim permits as “Graduate Nurses”. Graduate Nurses must pass the National Council Licensing Examination (NCLEX) for Registered Nurse or License Practical Nurse within one year of the date of their graduation to maintain licensure. Upon, passage of the NCLEX Exam, the CHCC hires them into Registered Nursing positions with a salary increase to the level of a Registered Nurse or Licensed Practical Nurse.

The CHCC Chief Executive Officer and human resources staff met with nursing students and graduate nurses to better understand their barriers to becoming registered nurses. They found that many of the students that are being trained locally as nurses are from low-income families with little access to quiet space for studying, can’t afford to take time off to study, and find it difficult to pay for the testing and application fees. In light of these factors, the CHCC has made plans to boost support for Graduate Nurse professional development.

Should a Graduate Nurse avail of the CHCC’s professional development package, subsequently pass the NCLEX exam, and become a registered nurse, the individual must sign a two (2) year continuous employment contract with the CHCC. Breach of the contract requires that the individual reimburse the CHCC the cost of the “Graduate Nurse Professional Development Package”.

The Graduate Nurse Professional Development Package includes:

- A paid 8-week on-line review for the NCLEX-RN Examination through the National Council of State Boards of Nursing (NCSBN). Alternatively, the student may choose a different review program, but the CHCC’s financial support of the review does not exceed \$100USD.
- Paid \$200USD NCSBN registration and \$110USD CNMI Examination.
- Use of a quiet study area in the Medical Library on the CHCC campus.
- Paid administrative leave of up to two (2) weeks to study for the NCLEX examination.

Graduate Nurses would not be required to reimburse the CHCC for these expenses should they not pass the RN/LPN NCLEX examination. Those Graduate Nurses that do not pass the NCLEX

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within a year of graduation may seek licensure as a Certified Nursing Assistant (CNA) at his or her own expense, and may seek employment with the CHCC at a CNA salary.

Additionally, in order to retain US-qualified nurses and attract additional nurses, the CHCC is in the process of finalizing a new pay scale for nursing staff at significant increases from the current scale.



U.S. GOVERNMENT ACCOUNTABILITY OFFICE

441 G St. N.W.
Washington, DC 20548

May 18, 2017

The Honorable Lisa Murkowski
Chairman
Committee on Energy and Natural Resources
United States Senate

The Honorable Maria Cantwell
Ranking Member
Committee on Energy and Natural Resources
United States Senate

Implementation of Federal Immigration Laws in the CNMI: Questions for the Record

On April 27, 2017, we testified before your committee in the hearing on *H.R. 339, the Northern Mariana Islands Economic Expansion Act*. You requested that we provide additional comments to several post-hearing questions. The questions and our answers are provided in the enclosure. The responses are based on work associated with a report that was published today (May 18, 2017).

If you have any questions about this letter or need additional information, please contact me at (202) 512-3149 or gootnickd@gao.gov.

Sincerely yours,

David Gootnick\signed\May 18, 2017

David Gootnick
Director
International Affairs and Trade

Enclosure

Enclosure

Questions for the Record
 “H.R. 339, the Northern Mariana Islands Economic Expansion Act”
 Hearing Date: April 27, 2017
 Questions for Dr. David Gootnick

Chairman Lisa Murkowski

1. If this legislation were to pass, it would limit construction workers under the CW program to those who had permits prior to October 1, 2015, and have renewed them each year since. How many construction workers would that leave available in the CNMI via the CW program?

We are unable to provide the number of construction workers that would be available under the CW program in the CNMI for two main reasons. If the legislation were to pass, the number of construction workers would depend, among other things, on: (1) how the U.S. Department of Homeland Security’s (DHS) U.S. Citizenship and Immigration Services (USCIS) defines construction workers for purposes of permits issued under the current CW program, as compared to the definition of construction occupations provided in H.R. 339, and (2) how USCIS interprets the extension of “a permit first issued before October 1, 2015,” as currently written in H.R. 339.

- *Construction worker.* In order to obtain the CW-1 permit for a foreign worker, employers are required by USCIS to fill out form I-129CW, Petition for a CNMI-Only Nonimmigrant Transitional Worker, and check a box on the form certifying that the position falls within the list of occupational categories designated by the Secretary of Homeland Security at 8 C.F.R. § 214.2(w)(1)(ix). One of the listed occupational categories is entitled “Miscellaneous occupations.” Once the petition is received, USCIS adjudicators assign a “job code” to the form. One of the job codes that adjudicators could enter is called “Miscellaneous,” which includes an occupation entitled “construction trade.” USCIS would need to compare its definition of “construction trade” to the U.S. Department of Labor’s Standard Occupational Classification Group 47-0000 entitled “Construction and Extraction Occupations.” USCIS approved 1,105 CW-1 permits in fiscal year 2015 and 194 CW-1 permits in fiscal year 2014 for foreign workers in the occupational category “construction trade,” according to USCIS data. Depending on whether USCIS defines “construction trade” as more inclusive or less inclusive than the Department of Labor’s Standard Occupational Classification Group 47-

0000 could lead the number of available permits under the language of H.R. 339 to be either higher or lower than these numbers.

- *Extension of permit.* USCIS would need to determine if foreign workers who were granted CW-1 permits in fiscal years 2012 to 2014 in occupations labeled “construction trade” but were not granted CW-1 permits in fiscal year 2015 would be eligible to apply for a new CW-1 permit in fiscal year 2017 and beyond.

1a. Given that the vast majority of investment is from Chinese companies, and Chinese companies tend to only use Chinese labor, how likely are those companies to seek out non-Chinese labor for their projects, versus ending the project altogether if they can’t use Chinese labor?

During our audit work, we did not ask Chinese employers about the likelihood of hiring non-Chinese labor for their projects. However, we noted that the Consolidated Natural Resources Act of 2008 allows CNMI employers to petition for H-2 visas and bring temporary workers, such as construction workers, to the CNMI without being limited by the numerical restrictions for such visas. Although China is not listed as an eligible country for H-2 visas, other Asian countries that are eligible in fiscal year 2017 include the Philippines, South Korea, and Thailand, among others. Chinese employers can still request H-2 visas for Chinese workers, and this status may be granted if DHS finds that it is in the U.S. interest (see 8 C.F.R. § 214.2(h)(6)(i)(E)(2)). USCIS may alternatively grant Chinese visitors parole into the CNMI for urgent humanitarian reasons or significant public benefit. In 2016, USCIS granted parole to 118,032 of 248,234 (or 48 percent) total travelers to the Saipan Airport.

Senator Mazie K. Hirono

2. In your testimony you interviewed employers in the CNMI who told you that the benefits of the job training programs supported by the CW-1 vocational education fees were limited to Saipan and that programs run by Northern Marianas College and Northern Marianas Trades Institute were unavailable on Tinian and Rota, home to around 5,000 people. What sorts of barriers are there preventing these programs to be provided to the islands of Tinian and Rota?

Job training supported by the CW-1 vocational education fees is generally available on Saipan and to a limited extent on Tinian and Rota. Northern Marianas College reported providing

vocational activities on Tinian and Rota in fiscal years 2013, 2014, and 2015, but not in 2016. The college reported using CW-1 funding to help support 88 students on Tinian and 46 students on Rota in fiscal year 2015. At present, the Northern Marianas Trades Institute offers training only on Saipan, but it is exploring opportunities for expanding to Rota in the near future. None of the 9 representatives from Tinian businesses and 16 representatives from Rota businesses that participated in our discussion groups told us that they had benefited from the training programs offered by the college and training institute. One employer said the training offered is irrelevant to his businesses while another employer said that to attend training residents must fly to Saipan and pay for their own travel and housing, which can be very expensive.

We reached out to Northern Marianas College and Northern Marianas Training Institute for their views on barriers to expanding job training programs to Tinian and Rota. According to college officials, recent barriers included shortage of qualified resident staff, lack of computer facilities with the necessary connection speeds for online certification exercises and examinations, difficulty with sending appropriate materials to Tinian and Rota, and interruptions in air travel between the islands. Climate change could further affect future travel between the islands, according to the officials. However, the officials stated that the college has established and staffed instructional facilities on both islands to support vocational activities, is planning professional development for staff, and is upgrading computer facilities. The training institute identified three main barriers: insufficient funding, scarcity of qualified resident instructors, and the current CNMI wage structure, which discourages workers from seeking training to improve their skills because employers offer the same salaries for both entry-level and skilled-worker positions.

3. To what extent would you say the increase in CW fees under H.R. 339 could help expand access to job training for Tinian and Rota as well as increase the number of jobs for U.S. workers in the CNMI?

In fiscal years 2012 through 2016, DHS transferred about \$9.1 million in CW-1 vocational education fees to the CNMI. Of that amount, the CNMI government allocated about \$5.8 million to local educational entities and holds about \$3.3 million, available for allocation, in a local bank, according to the CNMI Department of Finance. Using the \$3.3 million, as well as any additional funding that may result from the increase in the CW-1 vocational education fee, could potentially help expand access to job training on Tinian and Rota, or support other training activities.

Senator Catherine Cortez Masto

4. The bill we are considering today would stop new CW visas from being issued to construction workers. Some of the other witnesses have said that construction workers can be brought in through other visa programs, specifically H-2B visas. However, your testimony mentions that China is not listed as an eligible country for H-2 visas and that many of the workers being approved for CW permits are Chinese. Could you discuss any other ways that Chinese construction workers would be able to legally work in the CNMI?

If this legislation were to pass, it would limit construction workers under the CW program to those who had permits prior to October 1, 2015. While China is not listed as an eligible country for H-2 visas, DHS has the discretion to grant H-2 status to Chinese workers if DHS finds that it is in the U.S. interest to grant such status. USCIS may alternatively grant Chinese visitors parole into the CNMI for urgent humanitarian reasons or significant public benefit.

5. As I understand it, the unemployed domestic workforce in the CNMI falls short of the demand for additional workers in nonconstruction related occupations needed to support the ongoing operations and development projects. Can you describe how this gap can be narrowed? How can CNMI employers work to recruit and train domestic workers? Are there other ways to recruit U.S. workers to the CNMI?

Narrowing the gap between the supply and demand for CNMI labor would require CNMI employers to recruit domestic residents present in the CNMI but not currently in the labor force or other U.S. eligible workers. Key sources of additional labor force entrants to replace the current CW-1 workers or fill new positions are:

- *New high school or college graduates*—totaling 882 in 2016, according to data provided by the CNMI's Public School System and Northern Marianas College,
- *Domestic residents not in the CNMI labor force*—totaling 9,272 in 2016, according to the 2016 Health Survey, or
- *Other U.S.-eligible workers from U.S. states, U.S. territories, and the freely associated states (the Federated States of Micronesia, Republic of the Marshall Islands, and Republic of Palau)*—totaling 677 workers from the freely associated states in 2015, according to CNMI tax data.

Our discussion groups and semistructured interviews of CNMI employers revealed several strategies to recruit U.S. workers to the CNMI: one employer collaborated closely with the local trade institute, another relied on an apprenticeship program offered by the Public School System, one tried to recruit workers from Puerto Rico, and another entered into a contract with a labor recruiter in Micronesia. However, CNMI employers reported multiple challenges in recruiting and retaining U.S. citizens, such as unsatisfactory results of job postings, high costs of recruitment, and high turnover.

HR 339

Additional Testimony of Mr. Jim Arenovski, GCA, CHT
Island Training Solutions

Thank you for the opportunity to testify in support of H.R. 339. I may have undersold my position in my introduction. Not only do I have a respected and successful compliance and development training company that provides services to the islands' largest companies and government agencies, but I own a number of businesses that employ 50 staff in the restaurant, wholesale and retail sectors from line to manager positions—all but two are a local hires, my two accountants. At the hearing, the Chair commented that it would have been appropriate to bring a person from the business community who could answer a few questions. Although I felt compelled to answer, I was not called upon to do so. Here is my input:

Recruiting from Freely Associated States is not the answer. First, any discussion about bringing in FAS residents is in itself acknowledgement that there are not enough workers in the NMI to supply the current businesses in the NMI and certainly not enough to staff any proposed grow. An effort to recruit in the FAS has been implemented by a few of my clients with a small amount of success. There are not many FAS residents who want to travel to be employed. Those that might want to bring their families; and there is no housing. Only a few employers supply housing and it is for the employee only, not the whole family. Also as mentioned in my original testimony, if FAS residents were to travel, many choose Guam for the slightly higher wage.

The numbers of FAS potential we are talking about are only in the dozens and the attrition rate for those FAS workers is high. Few can meet the rigors of the work style even in Saipan.

Also, some FAS leadership feel it is a drain of their most skilled and talented residents and resent that the NMI or Guam come to take their workers.

The minimum wage has indeed been increasing and will increase until the federally mandated increase reaches the US minimum wage. It is important to note that the current business environment has pushed the wage beyond the mandated minimum wage of \$6.55 to over \$7.25 in many sectors. Our governor mentioned the push to increase to the US minimum wage sooner than mandated, but many businesses understanding how difficult recruiting staff is, have already moved their wages to or beyond \$7.25. Any business not competitive in wages and benefits will struggle in this job market. It is a job seekers market and local and CW-1 workers all know it.

The Northern Marianas College had an island-wide job fair the very day of the H.R. 339 hearing. The venue maxed out at 50 employers both government and private alike, including representatives from my companies. There were about 400 people in attendance who were looking for work. Some were seeking full time work, but many were already employed and looking for better opportunities or seeking part-time work in addition to the job they currently hold. This job fair was heavily advertised and to have 400 people is a great number, but still demonstrates how small the available pool of workers is.

With that said there are still some NMI residents that could work but chose not to. There are many reasons that this occurs, but I rarely hear reasoning that can't be worked around and solved. Issues like child care, elderly care, transportation, cultural traditions, can be overcome, though not easily. Drug and alcohol abuse and related issues are even harder. Understanding the need for alternatives to incarceration, the NMI has instituted a drug court to help those first time or early offenders. Only time will tell of its success, but this is certainly a step in the right direction. We have to continue to make available training opportunities that are convenient to attend, are pertinent to the job market, provide encouragement along the way, and are frequent.

During the hearing, I was painfully reminded of our past troubles during the garment industry days. The recent situation of bringing workers on tourists visas, workplace injuries and one death, is a sore reminder that we have to be even more vigilant in keeping an eye out for the new contractors wanting to do business in the NMI. We are not the NMI of the 80s and early 90s, and we need to do better. I absolutely cannot speak for them, but I wish you could see the positive influence the Tan Holdings Group has had on the NMI. They own three hotels, and are involved in transportation, shipping and ground logistics, high-end retail, and insurance. Just this week they opened SeaTouch, a tourist attraction where people can enter the water and have encounters with stingrays and sharks—an enterprised staffed mainly with local, US hires. The closest such facility of this kind is in the Caribbean. Tan Holdings is a preferred employer to work for and a top philanthropic company, supporting many causes from our local Red Cross and Cancer foundations to taking the lead in developing various sporting events, especially spearheading the sport of soccer that has hundreds of participants both men and women and spanning the very young to adults recreation leagues. Our youth soccer program now competes on an international stage, all thanks to Tan Holdings. Lastly they instituted the Pacific Century Fellows, a leadership development program for NMI's young professionals. Tan Holdings is an integral part of community and the islands success, where there executives, managers and employees give back to the NMI daily. I feel it is necessary that, if the Committee feels the need to remind us of the past—and I personally appreciate your concerns—it is also important to see what advances have occurred over the last 20-25 years and how this group has had a great positive impact on the NMI.

There has been an increase of people not being admitted to the NMI for various reasons by USCIS, we also need USCIS to work better at communicating overstaying visa holders or to take action themselves. Regardless, the NMI as a whole, needs to step up and be more observant and vigilant to new businesses in the NMI to prevent future violations.

I would also like to comment that residents and businesses are in an uproar over the recent activities involving companies bringing in staff on tourist visas. No established business or the residents in the NMI want new businesses that are here for short term gain to hurt the reputation we have worked so hard to improve. I am convinced the business community will be taking a strong stance in watching how new businesses operate and will be asking Government to be more watchful and make examples of those who choose to break local and federal law.

A few more points on the need for H.R. 339: Local business are finding great success using the local, U.S. hires, but there are just not enough. Over the last decade employers have been hiring and developing more local workers and we are at a point where the pool of "willing and able" workers is quickly drying up. Every one of my clients and business associates, NEEDS U.S. LOCAL STAFF NOW. Any local, U.S. person in the NMI who is "willing and able" to work can find a position in a few days. Any information to the contrary is simply outdated.

We are mainly seeking and training for entry level jobs, but it is not only entry level that is needed. Companies in telecommunications, accountancy, medical, dental clinics or our power utility and hospital need qualified staff too. It is hard if not impossible to recruit US workers with technical skills and experience in the NMI, many would have to come from the mainland and that is truly a difficult proposition. Employers are seeking other visa opportunities, for their technical positions, but other visas like H-1B require a college degrees. Many of the skilled positions we need in air conditioning or HVAC, IT, generator operation and repair, cooks, and those with language skills in the various service and tour industries and many more simply do not qualify for these alternate visas. Businesses need the CW-1 program and workers to remain in businesses.

The NMI is a remote. Unlike a town in your constituency that found itself with a new industry needing more workers than its population, they would simply begin advertising in nearby towns and

cities and over time people be commuting or even relocate. In the NMI that is far less of a reality for many reasons. 24 hour away from the mainland, Small Island, limited US type comforts, it is nothing like relocation within the U.S. To expect workers from the states to fill the void is simply unrealistic.

Opportunity for U.S. local workers is directly tied to the economy and that growth in the economy providing jobs to U.S. locals is directly tied to the ability to have the adequate workforce through the CW-1 program to have a growing economy. It may sound odd, but by not providing additional CW positions as requested in HR339, business may be forced to close, leaving US local workers unemployed and our economy in dire trouble.

In closing, even with all the success in getting local US workers trained and into the workforce, the NMI will need the CW program to fill the excess volume of entry level jobs and those technical jobs not supported by H visas. The economic future of the NMI depends on it.

Thank you

LOURDES (LOU) A. LEON GUERRERO
President and
Chair of the Board



Member FDIC

BANK OF GUAM THE PEOPLE'S BANK

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Written Testimony of Ms. Lourdes Leon Guerrero
President and Chief Executive Office, Bank of Guam
On the Senate's Committee on Energy and Natural Resources
Consideration of H.R. 339; The Northern Marianas Islands Economic Expansion Act
April 27, 2017

Madam Chair and Members of the Senate's Energy and Natural Resources Committee, I am thankful for your attention and your willingness to accept written testimony on H.R. 339, the Northern Mariana Islands Economic Expansion Act. I am equally appreciative of Northern Marianas Islands Delegate, Kilili Sablan, for his introduction of this important measure and for his kindness to ensure that my statement is submitted for this hearing's record.

My name is Lou Leon Guerrero and I have occupied the position of President and Chief Executive Officer of the Bank of Guam for the past eleven years. I am submitting testimony in favor of H.R. 339.

By way of quick background, the Bank of Guam is a community bank which was opened by my father, Jesus Leon Guerrero, in 1972. At that time, there were several financial institutions operating on Guam from the US mainland but from his perspective they were not as responsive to the financial needs of individuals and families. Thus, what began as a way to financially empower Guam's residents with beginning assets of \$1million dollars has grown into a \$1.9 billion dollar institution which has at its core value what my father envisioned – a bank to serve the needs of Guam's community and also the entire western pacific.

The Bank of Guam is arguably the one bank in the Pacific serving the needs of maturing U.S. territories, Guam and the Commonwealth of the Northern Mariana Islands (CNMI), as well as all three developing freely associated states, Republic of the Marshall Islands, Federated States of Micronesia, and the Republic of Palau. Our headquarters is located in Guam's capital, Hagatna, and we have also established branches in each of the areas previously mentioned as well as a branch in San Francisco, CA. We hire locally and work to improve the skills, capabilities, and professionalism of all of our employees and make it a point to hire locally in every island we are operating.

As you are aware, the CNMI is in a predicament. It is an economy which once saw the heights of economic growth during the 1990's when it took advantage of trade benefits and control over its immigration policies to both court and establish a garment manufacturing industry; at its highpoint the industry exported an estimated \$1 billion dollars in clothing and other apparel to the U.S. mainland and the industry's contribution in taxes and other fees amounted to \$60 million annually.

These benefits however did not come without consequences, repercussions, or other actions not under the control of the CNMI government, its leaders, or the industry.

The decline and eventual fall of CNMI's garment industry came about primarily because it lost its competitive advantage, over other foreign countries, exporting to the U.S. mainland due to the lifting of quotas by the World Trade Organization. In 2009, after years of declining revenue, the last garment factory closed.

Since that time, the CNMI has been struggling to rebuild its economy and its reputation which was marred by the reported abuses of guest workers. The CNMI remains a U.S territory with a small local population numbering between 20-25 thousand and a remaining guest worker 1/5 the size of itself at the height of garment industry.

In 2009, the U.S. Congress extended U.S. immigration laws to the CNMI. The law was enacted to protect U.S. borders in the Pacific, extend protections to existing guest workers, and provide a known regime of laws meant to avoid abuses of guest workers coming into the U.S.. The law, was also mindful that the CNMI's economy was fledgling and in order to account for recuperation allowed for the continued utilization of a guest worker program, expanded the Guam-only visa waiver program to include the CNMI and accounted for the CNMI's growing Chinese tourism market, and also provided a funding stream to establish education and vocational programs to enhance the skills necessary for the local workforce to be able to meet the employment needs of the private sector (thereby relieving the need to rely heavily on foreign guest workers).

The Bank of Guam believes that the steps taken by this Congress, and specifically this Committee, its House counterpart, and the House Judiciary Committee were mindful of CNMI's situation and did what they believed was necessary to allow the CNMI to recover.

The Bank further believes that recent administrative actions taken which do not take into account the CNMI's unique situation will retard and prohibit CNMI's economic growth. We commend Congressman Sablan for his legislation which we also believe will install the needed certainties for an isolated yet

growing economy. The Bank also joins the many leaders and organizations from the CNMI which have publicly stated their support for the passage of this legislation; Governor Ralph Torres, Saipan Chamber of Commerce, the Hotel Association of the Northern Mariana Islands, and the Commonwealth's Strategic Economic Development Council, and its Healthcare Corporation.

Esteemed Members, residents of U.S. territories, despite living in our own paradises, are very mindful that as a part of the American family we are often not thought of when legislation meant to increase opportunities and growth for our fellow States and their residents do not extend to us. However, as in the case of P.L. 110-229 which was intended to extend US immigration laws to the CNMI and also do no harm to its recovering economy is not being adequately implemented then we do have an expectation that the Congressional Committees of jurisdiction will intervene on our behalf to do what is right for our fellow Americans.

Thank you for your attention.

Sincerely,



Lou Leon Guerrero
President and CEO
Bank of Guam



Commonwealth Healthcare Corporation

Commonwealth of the Northern Mariana Islands
1 Lower Navy Hill Road Navy Hill, Saipan, MP 96950



CHCC'S TESTIMONY TO U.S. SENATE ON CNMI-ONLY NONIMMIGRANT TRANSITIONAL WORKER (CW-1) BILL

BACKGROUND

In 2011, the U.S. Department of Homeland Security (DHS) took over the immigration control of the Commonwealth of the Northern Mariana Islands (CNMI) and all foreign workers were required to be petitioned by their existing employer under the CNMI-Only Nonimmigrant Transitional Worker (CW1) employment classification.

The CW-1 allows employers in the CNMI to apply for temporary permission to employ foreign (nonimmigrant) workers who are otherwise ineligible to work under other nonimmigrant worker categories. The CW-1 classification provides a method for transition from the former CNMI foreign worker permit system to the U.S. immigration system. The Department of Homeland Security (DHS) U.S. Citizenship and Immigration Services (USCIS) is the adjudicating agency of the CW-1 petitions.

The Commonwealth Healthcare Corporation (CHCC), a semi-autonomous health agency that relies on foreign workforce, manages the entire Commonwealth Health System, which includes all services in public health, hospital, rural and community health and mental health. The health system is still quite young. The only hospital in the CNMI and the two (2) rural health centers each on the island of Rota and the island of Tinian were built in 1986 and funded initially thru the Hill-Burton Act, replacing a hospital that was built immediately after World War II.

CHCC is responsible for the only hospital in the CNMI, which has an 86 Medicare-certified bed, 3 outpatient clinics for Adult, Women, and Children, the only full-service CLIA¹ certified non-waived medical laboratory, the only 26-hospital-based dialysis center, a radiology, physical therapy, inpatient pharmacy, and respiratory departments. CHCC is also responsible for the public health system, which provides preventive services for the CNMI and works 24/7 to monitor infectious and chronic diseases. The CHCC also provides mental health and substance abuse services. Moreover, the CHCC serves the corrections facility and have recently reduced services to the corrections facility due to the loss of 9 nurses in April.

The only hospital in the CNMI has had its own challenges over the years. It serves a disproportionate share of the population of the Medicaid and the indigent populations. In 2012, the sole hospital received a termination status from the Centers for Medicare and Medicaid Services (CMS), immediately calling for the technical assistance of the United States Public Health Commission Corps medical and clinical officers to rescue the facility from losing

¹ CLIA stands for Clinical Laboratory Improvement Amendments, which was passed by Congress in 1988 to establish standards for all non-research laboratory testing. As a "non-CLIA waived" medical laboratory, the CHC Laboratory performs tests of greater complexity than the simple "waived" tests, and therefore must meet higher and stricter standards for compliance. Waived tests (e.g. pregnancy tests, some urine tests, and fecal occult blood tests etc.) are those tests that are so simple and accurate they carry little risk of error when done correctly.

critical funds from Medicare and Medicaid. The CHCC committed to removing the termination status and managed to make significant improvements in its services that reduced the number of citations from CMS, however, the CHCC needs adequate staffing to “provide nursing care to all patients as needed”. Funding for the health system includes Medicare and Medicaid reimbursement. Medicaid pays the CHCC, like other US territories, with limited and capped funding annually and receives only 50% Federal Medical Assistance Percentage (FMAP) payment with the other 50% adjusted using the Certified Public Expenditure (CPE) methodology.

Despite these essential safety net imperatives, the CHCC has faced workforce challenges for decades. The reliance on foreign workers began in 1990 when the population of the Commonwealth increased rapidly from the 1980 census of only 16,780 to 1990 at 43,345. If not for foreign workers, the hospital and the rural health centers that opened in 1986 would not have been able to accommodate the CNMI’s population explosion, thereby ensuring that health services were adequate and of higher standard of quality for the people of the Commonwealth.

Reducing this reliance on foreign workers, however, has always been a priority of the CHCC leadership. This issue was included in the discussions of the health agency’s strategic plan. Unfortunately, the FY 2017 CW allowance was capped abruptly, and ahead of CHCC’s plan to completely transfer from CW to either H1B visa or EB2 visas by November 2019. The announcement that the numerical limit on CW-1 permits (cap) was reached early in the fiscal year hit the health system by surprise. This left CHCC nurses without visa status beginning April 2017, and placing perhaps the most severe workforce challenge at the feet of the CHCC. With a total workforce of 664 (Hospital and Administration = 526; Public Health = 138), the CHCC employs a total of 174 foreign nationals under the CW-1 work permit.

On May 5, 2016, the USCIS issued an alert that the FY2016 CW-1 cap had been reached. A total of five hospital staff of the Commonwealth Healthcare Corporation (four Registered Nurses and one X-ray Technician) were affected by this cap. Three of the RNs and the X-ray Technician were required to exit the CNMI for consular process of their CW-1 permits with a start date of employment on October 1, 2016. These four hospital staff members were required to stop work for approximately three weeks to one month. The fourth RN filed a petition to change her immigration status from CW-1 to Lawful Permanent Residence (LPR). She stopped work for two months when her CW-1 permit expired on September 20, 2016. She then resumed work on December 5, 2016 upon approval of her employment authorization document (EAD).

FY 2017 Nursing Crisis

On October 21, 2016, the USCIS issued an alert that the FY 2017 CW-1 cap had been reached as of October 14, 2017. This meant that the CHCC would not be able to renew or extend its 36 hospital staff when their permits expire in April through September 2017, as they were already “capped out”. Filing for an extension or renewal of these 36 permits before the cap was reached was not possible due to the USCIS rule which does not allow permit filing of petitions for renewal or extension earlier than six (6) months before the expiration of the permit.

Date of Expiration	“Capped out” Workers
April 17, 2017	1 Staff Nurse (RN)
April 26, 2017	5 Staff Nurses (RN)
July 01, 2017	18 Staff Nurses (RNs) 1 Infection Control Preventionist 1 Infection Control Specialist

July 14, 2017	1 Staff Nurse (RN)
July 26, 2017	3 Staff Nurses (RNs)
August 09, 2017	1 Mammographer 1 Ultrasonographer
August 29, 2017	3 Staff Nurses (RNs)
September 20, 2017	1 Clinical Laboratory Scientist
Total	36

FY 2017 CHCC staff expirations with no opportunity to renew or extend

In February 2017, the CHCC contracted an expert immigration lawyer based in Guam to process the Employment-based 2nd preference (EB-2) for eight of the RNs who were part of the “capped-out” workers scheduled to expire in July 2017, and the CHCC’s Infection Control Preventionist was processed under the H-1B nonimmigrant classification. Taking these steps to keep the CHCC’s workforce intact are expensive, especially for the modest budget of the safety net health care organization.

Most of the inpatient wards are being dramatically affected by this sudden loss of nurses. Plans are being made to reduce certain hospital and clinical services to reassign the remaining nurses to other critical units affected by the CW cap. Remaining nurses have begun cross training to cover the short-staffed units. Without relief, the CHCC faces precariously lean nursing schedules over the summer. There will be an increase in overtime (an additional expense) and the CHCC will likely be forced to reduce patient intake or services at the outpatient clinics in order to keep the hospital units running.

Although, at times, outpatient follow-up appointments can be postponed, re-checks be conducted less frequently, or patient wait times be allowed to lengthen, outpatient medicine is not optional. Investment in primary care is an evidence-based strategy to reduce the cost of care while improving health outcomes, and in the last two years, the CHCC’s adult care clinic has increased capacity from 1 to 5 doctors. However, due to this shortage of nurses, the CHCC is forced to curb this forward momentum in primary care, effectively triaging health care services, favoring urgent care over primary care. In the long-run, when patients forego primary care services, this likely only increases the burden on the prioritized units of the hospital in the form dialysis treatment and emergency room visits, making compliance with the Centers for Medicaid and Medicare Services (CMS) Conditions of Participation (CoP) all the more challenging.

Recovering from an “immediate jeopardy” status in 2012, the CNMI’s only hospital has been steadily reducing deficiency findings in the CoP required to receive reimbursement from CMS. The nursing shortage is sure to have a devastating impact on the hospital’s compliance with clinical patient care and outcomes. It is imperative that workforce capacity is increased to meet CMS certification for both the hospital and Dialysis Center. The severe and sometimes complete lack of local health care workers available on island in Nursing, Physical Therapy, Pharmacy and Laboratory puts the CHCC at risk of being incapable of meeting the CMS’s hospital and End Stage Renal Disease (ESRD) conditions for reimbursement. The possibility of losing this reimbursement places precious CHCC resources at risk, and at the very least, and sometimes almost as damaging, into uncertainty.

Yet another consequence of the nursing shortage induced by the FY 17 cap is on the CNMI’s correctional facility. In the past, the CHCC was able to provide the facility with full-time nurses to confirm timely medication refills, prepare medication to be administered, ensure that inmates see physicians before medications are due for refill, take sick calls and assess inmate health, administer and interpret PPD skin tests (for Tuberculosis) and coordinate inmate transport to the CHCC for x-ray if needed. These services were fundamental for not only the health of the

inmate, but also for the health of the public. In recent months, the CHCC has had to pull these nurses from the correctional facility to augment hospital and clinic staffing. The correctional facility must now schedule appointments for any inmate health care needs and transport the inmate to the health care facility, thereby increasing risk for escape and demanding that a greater share of the correctional budget go to transportation.

While the goal of the CHCC is and has been to expand U.S. citizen hiring, as a practical matter there are no U.S. workers certified or registered as nurses and laboratory and radiology specialists living in the CNMI who are not already working at the CHCC or a private clinic. Although the Northern Marianas College (NMC) does have a nursing program that produces on average approximately 15 graduate nurses annually, only approximately 30% pass the National Council Examination for Registered Nurses (NCLEX-RNs). The CNMI does not license nurses who have not passed the NCLEX-RNs. While the CHCC and the CNMI wholeheartedly supports the NMC's program, the limited output of licensed nurses has hindered the CHCC's ability to recruit locally trained U.S. nurses.

The CHCC is working to move away from the dependency on foreign workers, but strategies to increase the number of US workers are hindered by constrained budgets, the rural and remote character of the islands, and the limited number of local young people who wish to pursue a career in health care. Strategies to attract more US health care workers include offering more competitive salaries, becoming an eligible site for the U.S. nurse loan repayment under the National Health Service Corps., working to maximize the output of the nursing program at the local community college, and partnering with American nursing programs to provide clinical training opportunities for recent graduates. Although groundwork is being laid to prevent another shortage in the future, vertically integrating operations to generate a stream of US-citizen workers requires time and resources. Moreover, the fruits of the recent economic uptick fall on the economy like a downpour after a drought, and the increase economic activity has thrust the CHCC into a competitive pool of employers clamoring for US labor.

Anticipated Impacts for FY 2018

A devastating total of one hundred twenty-six (126) health care professional workers' (HPWs) CW permit status are set to expire between November and February of fiscal year 2018. In November of 2017, a total of eleven (11) of the CHCC's HPWs face the expiration of their CW permit status. In December of 2017, a total of one hundred three (103) HPWs will see their CW permits expire without renewal, and January and February may see four (4) and eight (8) expirations respectively. The affected departments are Nursing, Inpatient Pharmacy, the Rota Health Center (RHC), Hemodialysis, Laboratory, Physical Therapy, Radiology, and Corporate Quality and Performance Management. Pursuant to CMS COP 482.23(b), Hospitals must have sufficient types and numbers of qualified nursing staff (RN, LPN) for all units and areas of the hospital to provide nursing care as needed. This means that the CHCC must have a sufficient number of nurses with the requisite training and qualifications. The complexity of care, the number of patients, the qualifications of staff, staff skills, and organization structure can all impact the CHCC's ability to "meet patient needs".

One of the CNMI's smaller, less-populous islands, Rota, relies wholly on the Rota Health Center (RHC) for all health care needs. Seeking health care services not offered at the RHC requires at minimum a thirty minute trip by plane. The RHC is at risk of losing a total of 6 employees (75%) in December of 2017- 4 nurses, 1 radiology, and 1 laboratory, leaving the clinic with only 2 nurses (1 LPN and 1 CNA) to provide outpatient clinic and ER services. The challenges of recruitment are amplified on this remote island, which has always faced nursing staff shortages. If the RHC is not able to maintain its current services and operating hours, the health and well-being of all Rota residents is put at great risk.

This potential loss in our workforce is substantial, not only inviting costly overtime payments and increasing burdens on remaining staff, but would also increase the current challenges the CHCC faces in the ability to maintain accreditation with the Centers for Medicaid and Medicare Services (CMS) as a qualified hospital. CMS surveyors may visit the CHCC at any time throughout the year to assess compliance with the Conditions of Participation. Although the CHCC has been investing resources to regularly assess our compliance and train our staff to ensure conditions are met, staffing shortages threaten to make the CHCC vulnerable to falling short of the strict requirements set forth by CMS. Losing this accreditation would threaten the CHCC's ability to offer even basic medical services. The continued operation of the CHCC relies heavily on reimbursement from CMS for services rendered to beneficiaries of Medicaid and Medicare, and should CMS find that the Conditions of Participation (CoP) are not met, the CHCC stands to lose our largest source of revenue.

Impact of CW Permit Expirations on Specific Units at the CHCC (not an exhaustive list)

Furthermore, the Commonwealth Health Center (CHC) laboratory is the only full-service CMS certified non-CLIA waived medical laboratory in the CNMI. CHCC laboratory services depend on trained, experienced and quality conscious laboratory professionals to support the testing needs of the CNMI population. CLIA standards apply nationally and not exclusively to Medicare-certified hospitals. CLIA applies to all entities providing clinical laboratory services, whether or not the CHCC files Medicare claims for the lab tests performed, so the CHC laboratory must maintain its CLIA certification in order to provide necessary lab tests for CHCC patients. In the last year, the CHC laboratory performed close to two million tests. Presently, many of the experienced professionals needed to run these tests are only available through the existing CW arrangement. The nearest US accredited laboratory technologist training programs are in Hawaii, more than 3800 miles away. The salaries are much higher for laboratory professionals in the US mainland, so it is problematic for the CHC laboratory to recruit and retain qualified laboratory professionals. Any reduction in the CW labor pool of laboratory professionals would adversely impact the quality, availability and sustainability of laboratory testing in the CNMI, thereby putting our CLIA and CMS certifications at risk.

Moreover, the CHCC's inpatient pharmacy would be similarly crippled if urgent action is not taken to allow the CHCC to maintain its existing workforce. The pharmaceutical service must have an adequate number of personnel to ensure quality pharmaceutical services, including emergency services pursuant to the conditions of participation. There must be a sufficient number of trained personnel to respond to the pharmaceutical needs of the patient population being served for 24 hour, 7-day emergency coverage to fulfill the needs of the patients as decided by the medical staff. There must be sufficient numbers and types of personnel to provide accurate and timely medication delivery, to ensure accurate and safe medication administration and to provide appropriate clinical services and to participate in continuous quality improvement programs of the CHCC. If the staff is cut, the services rendered at the hospital will be severely limited by the services and response time of our pharmacy services, the CMS Condition of Participation for Pharmaceutical Services will not be met, and meeting the Drug Enforcement Agency (DEA)² and local pharmacy licensure requirements will be likewise more challenging.

The CHCC Department of Radiology unit faces similar challenges. As the only full-service, Medicare, FDA certified and American College of Radiology (ACR) accredited medical imaging department on Saipan, the Department of Radiology is heavily dependent on trained, experienced and quality conscious imaging professionals to support the current and growing medical imaging needs of our population³. Due to significant discrepancies between salaries and compensation in the US mainland and here in the CNMI, medical imaging

² Issuance of a DEA registration to prescribe controlled substances is predicated on successfully completing all of the requirements imposed by the state in which the practitioner will conduct business, and obtaining a state license.

³ From 2015 to 2016, the exam volume in the CHCC Radiology Department for mammography, ultrasound, and X-ray increased by twenty-eight percent (28%), nine percent (9%), and eighteen percent (18%) respectively.

professionals who are qualified to work in the US mainland are very difficult to recruit, tend to be short-term hires, and require a large initial investment on the part of the hiring facility to acquire. There are no local or regional allied health programs available to support an established radiology department with multi-specialty trained professionals, let alone assist in meeting the growing demands of the only Medicare Certified hospital in the CNMI. Presently, these experienced professionals are available only through the existing CW arrangement. Reductions in the CW labor pool of medical imaging professionals significantly and adversely impacts the quality, availability and sustainability of medical care in the CNMI.

Plans for FY 2018:

On March 09, 2017, the USCIS released a notice that it will begin accepting CW-1 petitions subject to the fiscal year (FY) 2018 cap. For the FY 2018 cap, an extension petition may request a start date of October 1, 2017, even if that worker's current status will not expire by that date.

Based on this most recent USCIS notice, the CHCC filed CW-1 petitions in the last week of March and the first two weeks of April 2017, as follows:

- **New employment** for its "capped-out" foreign workers with permits scheduled to expire in April through to September 2017. This means that the "capped-out" foreign workers must depart the CNMI ten days after expiration of their current CW-1 permits, await approval of their petitions, obtain their CW-1 visa while in their home country, return to the CNMI, and continue their employment with the CHCC.
- **Continuous employment** for foreign workers with permits scheduled to expire in October, November & December 2017, and January, February & April 2018. This means that the current CW-1 permits of the foreign workers were cut-off by a number of months, as the case maybe, for CHCC to meet the cap for FY 2018 with start of employment of these new recruits is from October 1, 2017 to September 30, 2018.
- **New employment** for 14 foreign workers/RNs recruited from the Philippines. The start of employment for these new recruits is from October 1, 2017 to September 30, 2018.

This "*first-to-file*" system places the CHCC at great risk of not having its foreign workers extended because of the fiscal year numerical limit (cap) that is enforced by the applicable laws and regulations. Future fiscal year numerical limit ought to be reconciled with the rate of economic growth in the CNMI or at least some exception must be made to ensure that CHCC is able to maintain the requisite health care workforce.

It is important to remember that the numbers presented in this testimony represent humans, all of whom bring value to the CNMI community. Upheaving the lives of these workers and their families means uprooting communities, as many of them have been working with the CHCC for more than 10 years. The CNMI is home. More than half have children who are U.S. citizens, and these children are in school. The numerical cap does not assess how long the employees have been in the CNMI, what their relative value is to the community, or the effects their leaving will have.

The majority of the 179 foreign workers are long-term, dedicated workers of the CHCC as enumerated below (Note: The table below also includes 5 foreign workers at the CHCC with H-1B status):

Length of Service	Number of Workers
15 years and above	3
10 years and above	70
5 years and above	27
4 years and above	40
2 years and above	39

Total	179
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Unless extended by federal legislation or by the U.S. Secretary of Labor, on or before Dec. 31, 2019, the CW classification will cease to exist. Transitional workers who held the CW-1 status must obtain nonimmigrant or immigrant status under the INA before this date if they wish to stay in the CNMI lawfully. It is doubtful that CHCC will be able to replace its foreign workforce with United States workers by December 31, 2019. The most feasible replacement option is through the H-1B non-immigrant status for most of its current foreign workforce, and this option is being thoroughly reviewed by the CHCC as described above.

Health care is a vital necessity, not only for the health of our people, but also for sustained economic growth. The workforce required to sustain a health care system which is compliant with the very US laws designed to protect the health of Americans necessitate trained and qualified professionals. To source these for our remote islands with chronic budgetary limitations, we rely are those workers who are willing to work for less than their counterparts in the US mainland. Thus, we respectfully petition the federal government to consider sparing the health care industry from having to compete with other industries for worker permits by reserving dedicated permits for qualified health care professionals.

U.S. Senate Committee on Energy and Natural Resources
Committee Hearing on H.R. 339
Testimony of the CNMI Strategic Economic Development Council (SEDC)
April 27, 2017

Chairman Murkowski, Ranking Member Cantwell and other distinguished members of the committee, my name is Marian Aldan-Pierce, and on behalf of the Commonwealth of the Northern Mariana Islands' Strategic Economic Development Council (SEDC), I respectfully submit the following written testimony for the record in support of H.R. 339, a bill to temporarily lift the CW visa cap for 2017. The SEDC represents many diverse employers in the CNMI—from construction, to hospitality, to tourism.

Lifting the cap on CW visas is of critical importance to the CNMI, which is currently expected to phase out by December 2019. When Congress extended the Federal immigration laws to the Northern Marianas in the Consolidated Natural Resources Act (CNRA) of 2008, it sought “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.”¹ To that end, Congress created a special transitional worker program, designed “to ensure an adequate number of workers for legitimate businesses in the Commonwealth.”²

Although originally established for five years, Congress expressly recognized that the CW program may need to continue beyond that initial period. Congress authorized the U.S. Department of Labor to extend the program in five-year increments, so long as necessary for the Northern Marianas’ existing and anticipated labor needs.³ In May 2014, the Department of Labor granted such an extension, extending the transitional worker program until December 31, 2019. In making this decision, the Department emphasized Congress’ intent to minimize adverse economic consequences to the Northern Marianas’ economy and to promote the region’s economic growth.⁴ The Department concluded, after a rigorous analysis, that there was “an insufficient number of U.S. workers to meet CNMI businesses’ current needs,” and that a five-year extension was necessary to ensure that the “current and future needs” of the Commonwealth’s businesses are met.⁵ The Department indicated that, together, with the Northern Marianas’ government, it would continue to monitor the labor needs of the Commonwealth’s employers and the efforts to educate and train U.S. citizen workforce, in order to determine whether to grant any additional extensions of the program.⁶ The Department of Labor’s decision to extend the CW program for five years ensured that the Northern Marianas’ businesses could continue to operate smoothly. The extension also averted a potentially severe economic downturn.

¹ Public Law No. 110-229, § 701(a)(2), 122 Stat. 854 (2008).

² *Id.* § 702(a); 48 U.S.C. § 1806(d).

³ 48 U.S.C. § 1806(d)(5).

⁴ 79 Fed. Reg. 31,988, 31,990 (June 3, 2014).

⁵ *Id.* at 31,989.

⁶ *Id.* at 31,989-31,990.

We are deeply concerned that significantly limiting—or terminating—the CW visa program will severely impact on the Northern Marianas' economy, and would impede the territory's growth and prosperity. The seriousness of these consequences is difficult to overstate. Currently, some 14,000 non-citizen workers are employed in the Northern Marianas under this program, providing essential services in such labor-intensive and specialized industries as hospitality, construction, and health care. Given that the Commonwealth's total population barely exceeds 50,000, the Northern Marianas' economic development remains heavily dependent on these workers at least in the short-term future. Access to foreign workers is particularly critical given the ongoing economic development on the Northern Marianas, which is aimed at constructing world-class recreational facilities and enabling the territory to fully realize its tourism potential. As the territory's industry leaders, we strongly support these efforts. Their benefits will rebound to the entire Northern Marianas population, making our territory more prosperous and establishing it as a leading regional tourist destination. These plans, however, risk being put on hold or abandoned entirely if, only a few years down the line, the Commonwealth's employers would be unable to meet their labor needs. The mere uncertainty about the program's fate is already imperiling investor and employer confidence.

We wish to emphasize that the continuing access to non-resident workers is not in conflict with the goal of reducing unemployment among the U.S. citizens residing in the Northern Marianas. As the U.S. Department of Labor has concluded, on the basis of the latest census, the total number of unemployed U.S. workers in the Northern Marianas is only about 20 percent of the current transitional worker quota. Even if the Northern Marianas were to achieve full employment—an economically unrealistic goal—the economy's current labor needs still could not be met through the resident U.S. citizen workforce alone.

Therefore, we respectfully ask for swift passage of H.R. 339. Tourism in the CNMI is experiencing a welcome rebound in recent years, and many new investments are coming onto the island as a result. Should the CW program be terminated in the near future, our fragile economy would quickly go into recession and prospects for future job growth would be bleak.

Thank you for your interest and leadership on these issues. We look forward to working with you and the committee staff on issues of importance to the CNMI.

Sincerely,

Marian Aldan-Pierce
Co-Chair
Strategic Economic Development Council

**Written testimony in support of H.R. 339
'The Northern Mariana Islands Economic Expansion Act'
Provided to the Senate Committee on Energy and Natural Resources**

The Honorable Lisa Murkowski
U.S. Senate
Washington, DC 20510

The Honorable Maria Cantwell
U.S. Senate
Washington, DC 20510

The Saipan Portopia Hotel Corporation, dba Hyatt Regency Saipan wishes to be recorded in strong support of H.R. 339, 'The Northern Mariana Islands Economic Expansion Act'. We thank the Chairman and Ranking Member for the opportunity to provide this testimony.

H.R. 339 would provide immediate relief for skilled, long term workers within our organization that currently face the likelihood of departing our island due to the FY2017 numerical cap on CW1 visas. These associates hold positions such as electricians, plant room operators, engineers, carpenters and managers within our organization.

In 2010, our organization began to develop a plan to change our workforce prior to the timeline set by PL 110-229. We set out goals and a mission for the coming four years for our Human Resources team. We reviewed our local labor pool and identified positions where we found interest from our US eligible workforce irrespective of the applicant's qualification. Our team prepared a workforce plan as required by the Department of Labor, listing all positions that we believed to be trainable within 90 to 120 days. This workforce plan was used as our guide to hire locally, phasing out our dominant CW1 workforce.

To support our efforts, we initiated a partnership with the Northern Mariana Trades Institute, implementing a hotel and restaurant program in 2010 and a culinary program in 2011. Our managers became instructors for these programs working side by side with the trades school as a way to train and recruit individuals that developed the basic skills necessary for our operation. Today, students completing these courses are being placed beyond our hotel. Students from these programs are being employed and promoted in hospitality business' island wide.

The transition was not an easy journey. Our organization went from a 20% local workforce prior to 2009 to a 79% local workforce today. The remaining 21% of our non US workforce consists of management team members on L and H visas as well the previously mentioned skilled positions. The CW1 visa category makes up only 16% of our workforce, an extremely important group of associates in our operation. In our transition, we lost institutional knowledge and a workforce that had been a part of our team for fifteen or more years.

To assist our transition, we turned to US mainland sister properties and hospitality institutions. Of those recruited, all had a difficult time adjusting to the islands culture, proximity to home and lifestyle. Some were successful in completing their time commitment. Most however were unable to fulfill their commitment, leaving our island before their contracted date. Our turnover following the transition went as high as 36%. However, through the process we have gained an authentic and motivated workforce. We have reaped positive benefits from our decision and actions in 2010.

Unfortunately, despite our efforts there remains a skills gap on our island. There is not yet a pool of US eligible workers to take the place of electricians, plumbers, power plant operators, refrigeration & appliance repair or HVAC professionals. While we continue to work toward developing these skills and transition to other visa options, the immediate relief provided by H.R. 339 will help to ensure that we are able to maintain our operation while moving responsibly toward our goal.

Hyatt Regency Saipan urges the Senate Committee on Energy and Natural Resources to support H.R. 339 in its current form and advance the bill out of committee favorably.

Thank you again for the opportunity to share our experience with the committee.

Warm Regards,



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