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COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

OFFICE OF THE GOVERNOR

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Written Testimony

U.S. Senate Committee of Energy
And Natural Resources
June 17, 2026

Håfa Adai, Tirow, Chairman Lee, Ranking Member Heinrich, and members of the Committee.

Thank you for giving me the opportunity to provide testimony on behalf of the people of the Commonwealth of the Northern Mariana Islands.

Please accept my regrets that I am unable to attend this important hearing in person, as the conditions in the CNMI and the requirements of disaster recovery have made my travel to Washington difficult. However, I submit this testimony with a humble heart, and with deep appreciation for the attention this Committee has given to our islands.

The last time I was in Washington, D.C. was in February of this year, when the Commonwealth participated in Section 902 consultations and the senior meeting of the Interagency Group on Insular Areas. At that time, we came to discuss many of the same long-term challenges that continue to shape our future: economic recovery, infrastructure, energy, labor, health care, and the federal partnership.

In February, these challenges were severe, and Our communications with federal partners were focused on recognition of our unfolding crisis, partnership in addressing both immediate and longstanding issues of the Commonwealth, and assistance to prevent the collapse of an American community in the Indo-Pacific region.

I assumed the governorship during a trying time for the Commonwealth. Upon entering office, I was met with a looming fiscal crisis that arose from the inability for the CNMI's primary economic sector, tourism, to rebound from the collapse of international travel in the wake of the COVID-19 pandemic. In the years since the pandemic, we have witnessed historically significant markets for the industry deteriorate, government revenue decline precipitously, and federal resources aimed at responding to the fiscal impacts of the pandemic expire.

When I was last in Washington, the situation facing the CNMI was significant and the continued viability of the Commonwealth was in question. Unfortunately, this structural collapse at the core of our economy has been compounded by additional crises.

Nine weeks ago Super Typhoon Sinlaku struck our islands and tested our people, our infrastructure, and our economy. At the same time, the global fuel crisis has made the cost of energy even more difficult for families, businesses, and public services in the CNMI.

It has been more than two months since Super Typhoon Sinlaku impacted the Commonwealth. Since that time, our people have been working every day to recover. Our first responders, our utility crews, our mayors, our village leaders, our businesses, our nonprofit partners, our federal partners, and our families have all been doing their part.

We are grateful for that work and the work that is ongoing across the CNMI. Some families are still repairing their homes. Some businesses are still trying to reopen. Our power system is still being stabilized. Our public facilities, roads, water systems, ports, schools, and health care services are still carrying the weight of the storm.

But I want to be clear: the CNMI is still recovering. It is still recovering from Super Typhoon Sinlaku. It is still recovering from economic collapse. It is still recovering from the pandemic.

That is why federal assistance at this moment in the CNMI's history is so important.

The CNMI government has limited means to resolve its current fiscal challenges on its own. The Commonwealth has a small revenue base, a narrow private-sector economy, high fixed costs, and limited access to outside financing. When revenues fall, we have few ways to absorb the loss without affecting public services, government employees, retirees, businesses, or families.

When I assumed the governorship in July 2025, the Commonwealth was already facing serious fiscal strain. We were preparing for Fiscal Year 2026 while carrying major obligations, including pension payments, public education, healthcare, public safety, utilities, and other basic services. At the same time, the privatesector economy had not recovered enough to generate the recurring revenues needed to meet those obligations with stability.

Super Typhoon Sinlaku has made that fiscal position more difficult. Post-disaster revenue data show that the Commonwealth's Fiscal Year 2026 revenue forecast has been revised downward by approximately 9 percent, or $12.3 million. April 2026 revenues fell approximately $6.7 million, or 32 percent, below the established baseline. We have also incurred more than $2.6 million in unbudgeted disaster-related costs.

These are major losses for a government of our size. They come at a time when we are already operating under austerity measures, including reduced work hours and vacancy management. Those measures reduce costs, but they also reduce household income, local spending, and the capacity of public agencies to deliver services.

We must still fund schools, healthcare, public safety, utilities for public facilities, corrections, medical referrals, employee and retiree health coverage, and pension obligations. These are basic responsibilities to our people. They do not disappear because revenues decline.

The central fiscal problem is that we are being asked to meet these obligations with a revenue base weakened by economic decline, disaster impacts, and rising operating costs. The largest recurring source of that weakness is the condition of the CNMI's tourism industry.

The largest recurring source of weakness in the Commonwealth's revenue base is the condition of the CNMI's tourism industry.

Tourism remains the CNMI's primary private-sector economic engine. It drives hotel occupancy, restaurant activity, transportation, retail sales, tours, cultural activities, airport revenues, employment, and government collections. When tourism declines, the impact reaches far beyond the visitor industry.

The CNMI is now experiencing one of the most severe tourism contractions in its recent history. Visitor arrivals are projected at approximately 104,511 in Fiscal Year 2026. That is more than 500,000 fewer visitors than the 607,000 arrivals recorded in Fiscal Year 2018.

Air service has declined at the same time. Airline seat capacity has fallen from approximately 762,000 seats in Fiscal Year 2018 to approximately 167,500 seats in Fiscal Year 2026. That is a 78 percent decline.

For the CNMI, air service is the foundation of tourism recovery. Visitors cannot drive to the Commonwealth. They cannot take a train to the Commonwealth. They cannot arrive through a nearby mainland airport. Every visitor must arrive by air. When airline seats disappear, the ceiling for visitor arrivals drops with them.

The loss of air service has affected every part of the tourism economy. T'way Air has exited the market. Jeju Air has reduced service. Hong Kong Airlines has delayed and scaled back planned expansion. Philippine Airlines has postponed service resumption until October 2026. These changes reduce access to the CNMI at the exact time when we need more access to recover.

The decline in tourism also reduces the resources available to rebuild tourism. The Marianas Visitors Authority depends heavily on Hotel Occupancy Tax revenues to fund destination marketing, air service development, and recovery work. Those resources have fallen sharply. The MVA share of Hotel Occupancy Tax revenues has declined from approximately $14.2 million in Fiscal Year 2018 to approximately $1.4 million in Fiscal Year 2026.

This creates a difficult cycle. Fewer flights mean fewer visitors. Fewer visitors mean lower hotel occupancy and lower Hotel Occupancy Tax collections. Lower collections mean fewer resources for marketing and air service development. With fewer resources, it becomes harder to rebuild demand and attract service.

We are trying to rebuild tourism with a fraction of the air seats, visitors, and marketing resources that existed when the industry was healthy. In Fiscal Year 2026, the CNMI has approximately 22 percent of the airline seats, 17 percent of the visitors, and 10 percent of the MVA Hotel Occupancy Tax funding that existed in Fiscal Year 2018.

The CNMI is trying to do so while responding to falsehoods and misunderstandings about EVS-TAP. I have written to Chairman Lee to correct the record and to make clear that the CNMI takes national security seriously. We do not ask the federal government to ignore security. We ask that security be balanced with the economic reality of our islands.

EVS-TAP is important to our tourism recovery. It must be secure. It must have strong screening. It must be accountable. But removing it without a replacement would hurt our economy at a time when we are still recovering from disaster and years of economic decline.

We are asking for partnership. Let us work together to strengthen the program, improve vetting, protect the border, and protect the people and businesses of the CNMI.

This should include serious consideration of secure travel pathways for the Philippines and other appropriate visitor markets. The Philippines is a close ally of the United States and has strong ties to our community. A Philippine waiver or travel authorization could help strengthen tourism, support air service, and reduce dependence on any one market.

At the same time, any China-related travel authorization must be handled carefully, with strong federal screening and enforcement. We understand the national security concerns. We share those concerns. But we also ask that decisions be made in a way that does not leave the CNMI economy without options.

Tourism recovery is central to fiscal recovery. Higher visitor arrivals would increase jobs, business activity, airport activity, hotel occupancy, and government collections. Continued weakness will place more pressure on businesses, workers, and the General Fund.

Energy costs are another major pressure on the Commonwealth's economy and public finances.

The CNMI relies heavily on imported fuel for power generation. That makes families, businesses, and government agencies vulnerable to global fuel prices and supply disruptions. When fuel costs rise, the impact is felt across the entire Commonwealth.

In May 2026, the Commonwealth Utilities Corporation Fuel Adjustment Charge increased from approximately $0.24500 per kilowatt-hour to approximately $0.44489 per kilowatt-hour. That is an increase of approximately 81.6 percent in the fuel adjustment component of utility costs.

For the Commonwealth government, this increase creates a serious budget problem. We have historically spent approximately $12 million to $14 million per year on utility services. Under the higher fuel adjustment charge, annual utility costs could rise to approximately $21.8 million to $25.4 million if consumption remains generally consistent.

That could mean approximately $9.8 million to $11.4 million in additional annual utility costs for the Commonwealth government.

For a government already operating under austerity, an increase of that size is extremely difficult to absorb. Utilities are a basic operating cost. Schools need power. Healthcare facilities need power. Public safety buildings need power. Government offices, water systems, wastewater systems, ports, and public facilities all depend on reliable electricity.

When utility costs rise, agencies may have to shift limited funds away from programs, services, maintenance, personnel, or other operational needs. That weakens government capacity at the same time residents and businesses need more help.

Energy costs also affect the private sector. Hotels, restaurants, retailers, laundromats, small stores, contractors, and service providers all face higher operating costs. Some businesses can pass on those costs, but many cannot. Higher energy costs make it harder to recover, rehire, reinvest, and remain open.

This is also a household issue. Families are facing higher power bills while also dealing with storm damage, reduced work hours, higher living costs, and uncertainty in the economy.

The CNMI needs reliable baseload power. We need a modern generation power plant that can provide stable and affordable power for our people, our hospital, our schools, our businesses, our airport, our ports, and our public safety agencies. For now, that means we still need a modern fuel-burning power plant as part of our energy mix.

That does not mean we are turning away from clean energy. It means we are being practical. Our people cannot live on promises. Our hospital cannot run on promises. Our economy cannot recover on promises. We need power that works every day, in good weather and after storms.

Super Typhoon Sinlaku struck the Commonwealth at a time when our economy and public finances were already fragile.

The storm disrupted power, water, transportation, communications, business operations, public facilities, and government services. It affected families, workers, businesses, schools, utilities, ports, and health care services. It also required us to redirect personnel and financial resources to emergency response, debris removal, infrastructure stabilization, public safety, and recovery work.

We are thankful for FEMA, SBA, and all the federal agencies that have been working with us. Their assistance is helping families, small businesses, and government agencies begin the recovery process. FEMA assistance, SBA disaster loans, and other federal programs mean help for a family trying to repair a roof. They mean support for a small business owner trying to keep workers employed. They help restore public services and bring confidence back to our community.

We are continuing to work with FEMA and SBA to document the full cost of the damage. But I ask the Committee to understand that the financial impact of a disaster in the CNMI goes beyond damaged buildings. It includes lost business, lost wages, interrupted tourism, higher construction costs, emergency power costs, and the strain placed on a small government with limited revenues.

The fiscal impact has been immediate. April 2026 revenues fell approximately $6.7 million, or 32 percent, below the established baseline. The Commonwealth's Fiscal Year 2026 revenue forecast has since been revised downward by approximately 9 percent, or $12.3 million.

At the same time, disaster-related costs increased. We have incurred more than $2.6 million in unbudgeted disaster-related costs. These costs were necessary to protect public safety and move recovery forward, but they were outside the original operating budget.

For that reason, I respectfully ask Congress and the Administration to support an increased federal cost share for FEMA Public Assistance Categories C through G. The CNMI must repair roads, public buildings, utilities, water systems, public facilities, and other permanent infrastructure, but we cannot recover fully if the local share for that work forces deeper cuts to essential services. An increased federal share would allow the Commonwealth to rebuild while preserving the basic government functions our people depend on.

The storm also disrupted the tourism economy. Commercial air travel was interrupted. Hotel rooms were redirected for emergency response operations. Visitor activity was reduced. The timing of the storm made an already weak tourism season more difficult.

Disaster assistance is temporary. It helps families repair homes, replace essential goods, secure temporary housing, and restart business activity. It does not replace the recurring private-sector activity the CNMI needs to sustain jobs, business revenues, and government collections over time.

The labor impacts are also serious. As of May 2026, the CNMI Department of Labor had received 19 workforce impact notices from employers. These included reductions in force, business closures, reduced hours, and furloughs. Together, those notices affected approximately 865 workers, including approximately 682 U.S. workers.

Since Super Typhoon Sinlaku, seven notices have been directly related to disaster impacts, business downsizing, or recovery challenges. Those notices affected 435 workers, including 332 U.S. workers.

That is why programs like Disaster Unemployment Assistance are critical to recovery. They help workers and families stay afloat while businesses reopen, infrastructure is restored, and normal economic activity returns. For a small island economy like the CNMI, this support helps prevent a disaster from becoming a longer-term crisis for workers, families, and the broader community.

Federal disaster spending will provide important short-term support to the CNMI economy. Recovery funds help families repair homes, help businesses replace losses, and support contractors, suppliers, and service providers during the rebuilding period. But this activity is temporary by nature. It can help stabilize the Commonwealth during recovery, but it cannot replace the recurring private-sector growth, visitor activity, employment, and government revenue needed for long-term fiscal stability.

The Commonwealth's financial risks are now concentrated in several areas.

First, tourism-related revenues may remain weak if air service does not recover. Low visitor arrivals reduce Hotel Occupancy Tax collections, business gross revenue taxes, airport activity, employment, and private investment. This weakens the recurring revenue base needed to fund public services.

Second, disaster recovery costs may continue to exceed available local resources. We have already incurred more than $2.6 million in unbudgeted disaster-related costs. Additional recovery needs may continue as public facilities, infrastructure, utilities, and communities are restored.

Third, higher utility costs may place new pressure on agency budgets. If current fuel adjustment rates persist, government utility costs could increase by approximately $9.8 million to $11.4 million annually. That level of cost growth would strain government operations and may force reductions elsewhere.

Fourth, temporary recovery spending may hide deeper weakness in the economy. FEMA assistance, SBA loans, and reconstruction activity will circulate through the local economy. That help is important, but it is temporary. It cannot replace sustained tourism activity, stable air service, and recurring private-sector growth.

Fifth, further austerity may create additional economic harm. Reduced government work hours and spending cuts can help control expenditures in the short term. They also reduce household income, local purchasing power, and agency capacity. In a small island economy, those effects can weaken businesses and reduce government collections.

We are pursuing long-term economic diversification, including potential manufacturing, renewable energy, and other new industries. These efforts are important and should continue. But most of those benefits remain in planning and development stages. They are unlikely to solve the immediate fiscal pressures facing the Commonwealth.

As the United States looks to strengthen supply chains, critical minerals, and national security, I also want to address deep sea mining.

Governor Lou Leon Guerrero of Guam and I sent a letter to Chairman Lee requesting a moratorium on seabed mining around the Marianas. We did that because our ocean is part of who we are.

The ocean feeds our families. It supports our culture. It supports tourism. It is part of our history and our way of life. Decisions about seabed mining near our islands should not move forward without proper consultation, environmental review, and respect for the people who live there.

We understand the need for critical minerals. We understand that the United States is looking at supply chains and national security. The waters around the Marianas are home. They are sacred to our people. They must be protected.

National security must include the security of our communities, our environment, and our way of life.

Taken together, these challenges show how limited the Commonwealth's margin has become. Fiscal recovery, economic recovery, infrastructure resilience, and protection of our natural resources are all connected in a small island community.

We are continuing to review updated Fiscal Year 2027 estimates along with our partners in the Office of Insular Affairs.

Those estimates will need to reflect post-disaster revenue trends, tourism conditions, energy costs, recovery expenses, and the actual pace of economic activity. Until those figures are finalized, the current Fiscal Year 2026 data already shows that the Commonwealth's financial position is fragile.

The risk is that these pressures reinforce one another. Weak tourism reduces revenue. Lower revenue forces austerity. Austerity reduces local spending. Higher energy costs increase operating costs. Disaster recovery creates new expenses. Businesses and workers then face more uncertainty. Without intervention, the Commonwealth could face a longer period of reduced revenues, weaker services, business closures,

Mr. Chairman and members of the Committee, as partners in the protection of American presence and influence in the region, I respectfully ask for your continued help in several areas.

First, please continue supporting FEMA, SBA, and other federal recovery efforts for Super Typhoon Sinlaku. The CNMI needs timely reimbursement, continued technical assistance, and federal rules that recognize the limited resources and high costs of a small island government.

Second, please help us restore air service and rebuild tourism. The CNMI needs a serious and practical federally-led partnership that recognizes the importance of tourism and the challenges the industry is facing. That includes the necessary conversations between CNMI, Guam, federal agencies, airlines, airports, and private industry. We also ask Congress and the Administration to consider cabotage relief for the CNMI and Guam, and secure travel pathways for the Philippines and other essential visitor markets.

Third, please work with us on EVS-TAP. Strengthen it if needed. Improve screening, vetting, and accountability if needed. But please do not remove an important tool for our economy without a workable replacement. The CNMI takes national security seriously, and we believe border security and economic recovery can be addressed together.

Fourth, please help us build a modern and reliable energy system. The CNMI needs reliable baseload power, a modern generation plant, stronger grid infrastructure, energy efficiency, and continued support for the Commonwealth Utilities Corporation. Energy reliability is essential to public safety, healthcare, education, business recovery, and long-term fiscal stability.

Fifth, please provide labor flexibility so the CNMI can recover and rebuild while protecting workers and following the law. This includes commonsense extension and fixes to the CNMI's Immigration Transition Program. We need workers to repair homes, restore utilities, rebuild infrastructure, support hotels, and keep businesses open. Labor policy should protect against abuse while recognizing the workforce limitations of a small island economy.

Sixth, please support the critical supplemental and programmatic requests of programs necessary for our community's recovery, such as, Medicaid, Disaster Unemployment Assistance, Disaster Nutrition Assistance, and other programs that help our families recover with dignity. Families cannot rebuild if they are hungry, unemployed, or unable to access medical care. These programs help stabilize people while the economy recovers.

Seventh, please support a moratorium on seabed mining around the Marianas until there is full consultation, environmental review, and respect for our people. The waters around our islands support our culture, our food security, our tourism economy, and our way of life.

The CNMI is not asking for special treatment. We are asking for fair treatment. We are asking that federal policy recognize who we are, where we are, and what responsibilities we carry for the United States.

Our people are strong. We have survived typhoons, economic hardship, the pandemic, and many other challenges. We always get back up. But strength does not mean we should have to stand alone.

The CNMI is a proud part of the American family. We are also proud Pacific people. We believe in peace. We believe in security. We believe in partnership. And we believe that with the right support, the CNMI can recover stronger, build a better future for our children, and continue to serve an important role for the United States in the Indo-Pacific.

Chairman Lee, Ranking Member Heinrich, and members of the Committee, thank you for listening to the people of the Commonwealth.

Si Yu'us Ma'åse. Ghilisow. Thank you.