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

REGARDING
S. 2325
THE NORTHERN MARIANA ISLANDS U.S. WORKFORCE ACT

FEBRUARY 6, 2018

Chairman Murkowski, Ranking Member Cantwell, and Members of the Committee, I am Doug Domenech, Assistant Secretary for Insular Areas at the Department of the Interior (Department). Thank you for the opportunity to testify regarding S. 2325, the Northern Mariana Islands U.S. Workforce Act. The Department looks forward to working with Congress and the Committee to assist the Commonwealth of the Northern Mariana Islands (CNMI) to provide a long-term solution to the CNMI's labor needs and economic challenges, to protect and provide Americans and other U.S.-eligible workers job opportunities, and to identify new opportunities for growth and diversification.

Provisions of S. 2325

S. 2325 would (1) extend the termination date of the transition period for the full application of federal immigration laws by 10 years, (2) allow for the annual adjustment of the supplemental fee of $200 per nonimmigrant worker on each prospective employer issued a permit to employ such workers, (3) clarify the eligible uses and distribution requirements of supplemental fee

funds, (4) raise the annual number of authorized CNMI-only transitional worker (CW-1) visas to 13,000 during fiscal year 2019, (5) seek to increase the percentage of United States workers by creating incentives for the hiring, protection or retention of United States workers, (6) establish new application procedures for the issuance of CW-1 visas, and (7) authorize certain eligible aliens (CW-3 workers) to receive work permits for three years, subject to three year renewal periods during the duration of the transitional period.

Extending the transition period until December 31, 2029 would, in addition to its effects on the CW-1 program, extend: (1) the exception to the otherwise applicable annual caps on H-1B and H-2B nonimmigrant workers for employment in the CNMI or Guam; (2) the E-2C CNMI nonimmigrant category for certain investors in the CNMI; and (3) the bar on asylum applications under section 208 of the Immigration and Nationality Act in the CNMI.

Recent Economic History

The Northern Mariana Islands (NMI) 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* (the Covenant) and the CNMI Constitution in 1978, with the Covenant fully taking effect in 1986. It was expected that tourism was going to be part of the foundation on which CNMI's economy would be built. In the early 1980s, a garment industry was introduced and, thereafter, expanded rapidly. The garment industry peaked in 1998, with a $1.1 billion business built on imported foreign labor. By 2009, all the garment factories were closed causing a significant negative impact on CNMI's economy. CNMI's annual budgets dropped from a high of $247 million in 1997 to $102 million in 2012.

Faced with drastic revenue reduction and increasing liabilities, the CNMI government struggled to meet its mandated obligations. 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 made the CNMI an international gambling destination. It was an option which the CNMI leaders found to have greater potential to improve the CNMI's economy quickly and to enable the local government to afford paying its financial obligations.

A new casino broke ground in July 2015. Since then, casino-based revenue has already started to bolster the territory's economy and provide security for its retirees.

Plans from substantially more private and public investment in CNMI were shattered when Typhoon Soudelor made landfall on the island of Saipan in August 2015. The devastation from the typhoon brought extreme competition for supplies and labor and delays in casino and hotel construction.

In addition, the CNMI economy has become increasingly dependent on CW-1 visas, which were authorized by the Consolidated Natural Resources Act of 2008 (CNRA), Public Law 110-229. The statute's mandate for the numerical reduction on CW-1 visas became an issue, considering that for fiscal year 2016 the entire number of available CW-1 visas was fully subscribed in May 2016, and was fully subscribed within two weeks for fiscal year 2017. CNMI's economy remains, admittedly, substantially dependent on what was supposed to be a temporary visa category that has been around for less than 10 years.

CNMI continues to experience labor difficulties. We look forward to working with Congress to fulfill Congress's intent to ensure a gradual, responsible CW-1 visa wind-down, while ensuring policies are in place that allow CNMI to continue its nascent economic progress. The Department looks forward to discussing opportunities to provide a long-term solution and S. 2325 is an important step in that ongoing dialogue.

Billions of dollars are being invested in casino and hotel facilities, increasing the number of civilian construction projects. Without some effort to provide legal labor relief to CNMI, it is anticipated that projected investments in the CNMI will be lost. When slated casinos and hotels finally open, the Marianas Visitors Authority estimates that they will need 18,500 additional employees to run them. A recent report by the U.S. Government Accountability Office projects that without sufficient foreign labor the economy of the NMI would contract by an estimated 26 to 62 percent.

On August 22, 2017, in recognition of the need to address the short-term labor needs of the CNMI, the President signed into law P.L. 115-53, which took the pressure off of the annual limit of 15,000 on CW-1 visas by requiring that the recent sudden increase in demand for construction be accommodated by issuing H-2B visas.

Administration Position

The Administration is committed to working with the leadership and people of CNMI to ensure robust and healthy economic growth, and appreciates that appropriate access to labor is key to such growth. The Administration is also committed to doing all it can to not only follow the laws of our nation, but also to help employ American citizens wherever possible.

The Administration remains open to working with Congress and the Committee to help develop the best legislation for addressing all of the economic and labor needs of the United States and CNMI. The Administration would be open to supporting legislation that facilitates the hiring of Americans and reduces CNMI's overall reliance on foreign labor by requiring a responsible, explicit wind-down of CW-1 visas to zero.

The Department of the Interior, through the Office of Insular Affairs (OIA), has been providing technical assistance to the CNMI as called for under the Consolidated Natural Resources Act of 2008, Public Law 110-229. Under the proposed legislation, the Department would be responsible to compile the aforementioned biennial report. The Department supports the intent and content of this report, but acknowledges that much of the content and work would be done by or in conjunction with the Departments of Homeland Security, Labor and Commerce.

I appreciate the opportunity to speak on behalf of the Department today, and look forward to helping develop a solution that supports the economic growth that we all seek.