

**U.S. House of Representatives Committee on Natural Resources
 May 18, 2022 Oversight Hearing on the Fiscal Year 2023 Budget Request
 of the Department of Interior’s Office of Insular Affairs
 Questions for the Record Submitted to the Honorable Ralph Deleon Guerrero Torres**

GOV22-093

Questions from Representative Gregorio Kilili Camacho Sablan

Question 1: Governor Torres, your testimony acknowledges that the CARES Act and the American Rescue Plan Act allowed the Marianas to mitigate the economic damage caused by the pandemic and the cessation of tourism. It is important for Congress to understand in detail how you have used the financial support we have provided, so we can assess the effectiveness of that support and gauge any future need. For the record, please, provide your complete accounting of the following federal programs:

- a. \$1,400 economic impact payment to taxpayers
- b. State and local fiscal recovery funds
- c. Child tax credit
- d. Emergency rental assistance
- e. Homeowner assistance fund
- f. Small business credit initiative
- g. Earned income tax credit

Most useful to the Committee would be a record of the amount of funding allocated to the Marianas for each program, the amount paid out to date, and the specific number of beneficiaries in the case of funding directed to individuals, households, or businesses. In the case of the state and local fiscal recovery funds provided by the American Rescue Plan, please provide your complete plan of expenditure and an accounting of how much has been spent to date under each of the four allowable categories of use.

- Please find the answers to the questions posed above in the chart below.

Item	Program	Beneficiaries	Funding Allocated	Paid Amount
A.	Economic Impact Payment 3*	33,719	\$ 73,817,072.29	\$ 73,817,072.29
B.	State and local fiscal recovery funds		\$ 512,076,165.00	\$ 348,683,288.38
	<i>602 State Fiscal Recovery</i>		\$ 481,876,521.00	\$ 348,683,288.38
	<i>603.b.2 Local Fiscal Recovery (NEU)</i>		\$ 5,447,789.00	
	<i>603.b.3 Local Fiscal Recovery (County)</i>		\$ 10,466,141.00	
	<i>604 Capital Projects Fund</i>		\$ 14,285,714.00	
C.	Advance Child Tax Credit Payment	4,834	\$ 13,868,450.90	\$ 13,868,450.90
	Additional Child Tax Credit	5,605	\$ 20,903,598.84	\$ 20,903,598.84

D.	Emergency Rental Assistance	2,150	\$ 9,839,154.10	\$ 8,137,491.90
E.	Homeowner Assistance Fund**	239 pre-applications and 61 applications	\$ 4,100,000.00	\$ -
F.	Small Business Credit Initiative***	Pending US Treasury Evaluation	\$ 57,000,000.00	\$ -
G.	Earned Income Tax Credit	8,277	\$ 15,517,971.04	\$ 15,517,971.04

* The Economic Impact Program is based on population; therefore, the allocations and paid amounts are the same. Child Tax Credits and Earned Income Tax Credits are based on information provided at tax filing by taxpayer. Funding is then requested by the Division of Revenue and Taxation for disbursement to the taxpayer.

** The Homeowner Assistance Funding has yet to be released. The subrecipient, Northern Marianas Housing Corporation (NMHC), is anticipating to push out funding to households based on the criteria provided by guidance pending the hiring of staff to operate the program. 239 pre-applications have been received as well as 61 applications. These are under evaluation by the main office NMHC staff in the interim.

*** The CNMI Department of Commerce submitted an application on February 12th for the Small Business Credit Initiative and has informed the CNMI Department of Finance that they are awaiting the completion of evaluations by the U.S. Treasury.

Question 2: You testified that U.S. workers play a more significant role in the Marianas economy than ever before, representing 59% of the total workforce, according to recent data from the Government Accountability Office. However, that GAO data shows that the increase in the U.S. workforce almost exactly matches the number of individuals who have been granted permanent status in the Marianas under terms of U.S. Public Law 116-24 and who then had their designation changed to “U.S. worker.” Without this redesignation the number of U.S. workers has remained flat. Yet the Commonwealth has spent \$12 million in recent years for training to bring new U.S. workers into the labor force.

During this period, you have been submitting plans of expenditure for these training funds to the U.S. Department of Labor that do not meet the statutory requirements of the U.S. Workforce Act, U.S. Public Law 115-218. Specifically, your plans have failed to project the number of U.S. workers that would be added to the labor force as a result of your proposed expenditures for training. Please explain to the Committee why your training programs have been so ineffective. Do you intend to meet the statutory requirements of USPL 115-218 in the plan of expenditure you will be submitting to the U.S. Labor Department in July?

Respectfully, I disagree with the assertion that the CNMI’s training programs have been ineffective. While the data may show that an increase of U.S. workers is partially attributable to individuals granted permanent status under U.S. Public Law 116-24, the availability and quality of the CNMI’s training programs have allowed participating U.S.

workers to gain qualifications, acquire necessary skills and better prepare for the workforce.

The last two years have greatly impacted the economy and labor market of the nation and unfortunately the CNMI has not been immune to these challenges, in fact, due to the structure of our economy, in many ways the impacts have been more severe. No assessment of our progress with respect to increasing U.S. Workers in the Commonwealth can be accurate without accounting for the impacts of the COVID-19 pandemic and how it has affected our training progress. Specifically, the availability of work has decreased with austerity measures, reductions in force, reductions in hours, and business closures. Further, for many professional U.S. workers, the CNMI cannot offer the competitive salaries offered by the contiguous United States and also likely explains the decrease in the CNMI's current population.

The CNMI has made great efforts to meet the statutory requirements of USPL 115-218 by imposing a requirement for awarded entities to justify how their training program will produce U.S. Workers and the submission of reports of any such projections. However, said entities have had difficulty maintaining data to produce educated or informed projections. The CNMI intends to work more closely with awarded entities to work towards compliance.

Question 3: You state in your testimony that there is a critical need to revisit federal policies regarding labor access in the Marianas – the lack of local labor is a significant hindrance to economic recovery and improvement. You suggest that the annual reduction schedule for CW-1 permits needs to be revised and the numerical cap be increased. Could you explain how you would like the requirements contained in the U.S. Workforce Act (P.L. 115-218) amended? What consequences could you foresee if those changes are not implemented?

There has always been a critical need for foreign workers in the CNMI. Foreign workers constitute a majority in our health care system, the construction field, and our hospitality industry. As demonstrated during the pandemic, the need for nurses and providers have skyrocketed. Further, due to the lack of a construction workers, many high scale projects to revive the local tourism economy have been on hold. The issues presented have created significant hinderances to the CNMI's economic recovery and improvement.

In addition to increasing the numerical cap, the CNMI and federal government would benefit from relaxing or consolidating the arduous multi-step process to obtaining a foreign working, allowing the CNMI Department of Labor to approve temporary labor certifications, and/or creating a local avenue for any related appeals.

Without providing this meaningful access for our business community, I foresee continued pushback and complications. Further, this would result in a lower availability of qualified workers in critical fields.

Question 4: Do you think the Commonwealth will be prepared when the transition period expires in 2029?

While the Commonwealth is working diligently towards the goal of increasing our U.S. Worker force, the delayed recovery and uncertainties of the pandemic has made it difficult to predict the CNMI's readiness in 2029. The pandemic has delayed and even possibly set back the progress of our efforts to train and hire the adequate numbers of U.S. workers to meet the requirements of the Transition Program. Unfortunately, the permit reduction schedule and the timelines associated with the Transition Program did not account for this unprecedented disruption to the economy, and will not account for any future economic conditions that will arise as we recover and continue toward the 2029 expiration.

Question 5: You say in your testimony that the Marianas is “working toward a more sustainable and reliable energy source.” Could you tell us more about this effort? How has OIA aided in this regard?

It is important to note that the Department of the Interior, Office of Insular Affairs, has been a key partner in the development of the CNMI's sustainable energy future. The overwhelming majority of funding for the projects mentioned below was provided by OIA. In addition, OIA has dedicated technical expertise to assist the CNMI in developing resilient and sustainable energy solutions.

The vast majority of the CNMI's clean energy initiatives focus around the abundant solar energy available to our islands. The CNMI already produced 32% of its energy from consumer-owned renewable solar resources. Soon, the Commonwealth Utilities Corporation (CUC) will grow to include utility-owned solar production with the goal to continue expanding towards 100% renewable energy.

In addition to the primary focus on solar power, there have been other critical steps in the development efforts of renewable energy, efficiency, and resiliency, including the following:

- 1) CUC will soon be advertising for a 10MW utility solar farm with battery storage on the island of Saipan. This project will leverage a power purchase agreement contract to expedite construction and implementation while transferring long-term operations and maintenance costs from CUC customers.
- 2) Funding for the design of a 2.5MW utility solar farm with battery storage on the island of Tinian was recently approved. This project will allow a shift from the reliance on fossil fuels and supports federal initiatives in green infrastructure funding.
- 3) CUC has prepared a Solar Model to guide the utility in developing an efficient, reliable, and responsible solar portfolio. The resulting solar power grid will also help CUC's Water Division by providing stabilized power necessary for delivering reliable water to its customers.
- 4) CUC developed an Energy Master Plan for the CNMI customers in 2021, which included rigorous goals and objectives that span multiple sectors of the island economy. These goals included carbon reduction and carbon-neutral approached to energy production in the CNMI such as an objective of 50% clean power by 2030, and energy efficiency improvements to reduce fossil fuel consumption.

- 5) An Initial Technical Assessment Report for the CNMI was prepared which identified the steps necessary to improve resiliency and energy independence while reducing the reliance on fossil fuels. This project was the basis for the future Strategic Energy Plan.
- 6) The CNMI Office of Grants Management's Strategic Energy Plan which provides a road map for the development and implementation of cost-effective energy management solutions, including expanding resiliency and renewable energy programs.
- 7) A Cool Roof System was recently funded which will integrate energy-efficient and renewable energy for operational resiliency.
- 8) LED streetlights are being installed throughout the CNMI on both public roads and at government buildings to reduce demand on existing systems.
- 9) CUC developed an Energy Master Plan for the CNMI customers in 2021, which included rigorous goals and objectives that span multiple sectors of the island economy. These goals included carbon reduction and carbon-neutral approached to energy production in the CNMI such as an objective of 40% clean power by 2030, and energy efficiency improvements to reduce fossil fuel consumption.
- 10) A Strategic Energy Task Force was created to promote coherence in the planning and implementation processes of all ongoing and future CNMI energy-related projects. The task force members, representing a wide range of energy experts including CUC representatives for the supply side, provide insight and guidance to ensure progress towards the Strategic Energy Master Plan.
- 11) A Resource Assessment for the development of geothermal energy sources was completed in 2016 by CUC which investigated the feasibility of developing geothermal energy solutions on Saipan.
- 12) An Integrated Resources Plan was prepared in 2016 by CUC which identified the roadmap for the most cost-effective mix of energy resources for operations now and in the future. This plan determined the optimized power supply portfolio for utility operations while minimizing cost and maximizing sustainability and resiliency. CUC has issued a Request for Proposals for the purpose of updating the Integrated Resources Plan to meet current and future needs.
- 13) Supervisory Control and Data Acquisition (SCADA) technology to improve existing power generation efficiency was recently approved for installation at CUC. The SCADA system will optimize existing power production equipment to reduce energy consumption resulting in few greenhouse gas emissions.
- 14) CUC has acquired the first of its future fleet of all-electric vehicles to help reduce nonpoint source emissions and reliance on fossil fuels

Without the Office of Insular Affairs' assistance, it would be difficult to realize the potential of the CNMI's renewable energy future. OIA's investments in renewable initiatives will increase energy efficiency and independence for the residents of the CNMI and will catapult future projects to improve the quality of life of our citizens.

Question 6: You state the federal government could greatly assist the Marianas through assistance in reducing transportation costs, both within the Commonwealth and internationally. Could you describe how this type of transportation assistance would work?

- The CNMI is in dire need for a complete multi-modal transportation system to support infrastructure and community health outcomes. Currently travel is limited to monopolized air travel on small flights which present connectivity challenges, especially for individuals in need of medical attention. Increased mobility options will provide a pathway to improved wellness, economic outcomes, and enhanced environmental sustainability for the CNMI.

With the assistance from the Federal Government, the CNMI will be able to conduct an inter-island multi-modal transportation feasibility study to build from the Saipan Walkability Assessment and support the islands of Tinian and Rota and multi-modal connectivity planning throughout the CNMI that will include pilot project implementation of renewable charging stations to support electric-vehicles fleet build-out.

Further, the CNMI has an interest in continuing the conversation regarding an implementation of Essential Air Service programs that would support both inter-island within and domestic flights from the CNMI. Transportation is a critical component of life in the Marianas, and to see success in these islands – for all population centers within – long-term transportation solutions that provide service with the constraints of current scale will require local and federal assistance to secure.