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Governor

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COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS
OFFICE OF THE GOVERNOR

March 4, 2025

GOV 2025-251

The Honorable Kimberlyn King-Hinds
Congresswoman
U.S. House of Representatives
Washington, DC 20515

Dear Congresswoman King-Hinds,

Thank you for your March 3, 2025 letter requesting the expenditure plan for the requested repurposing of the \$414 million in unused CARES Act Pandemic Unemployment Assistance (PUA) and Federal Pandemic Unemployment Compensation (FPUC) funds.

In response to your inquiry, I have attached a breakdown of critical priorities that these funds will address:

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|------------------------------|---------------|
| • Economic Recovery | \$231 million |
| • Strengthen Public Services | \$120 million |
| • Public Health Priorities | \$55 million |
| • Community Enhancement | \$8 million |

This plan includes funding for economic recovery through tourism and airline support initiatives, as well as other initiatives that would promote private sector growth. I have included restoration of revenue losses for the central government and autonomous agencies to respond to the impact of a post-pandemic recovery.

As you noted, this effort may be improbable and I understand this may be a challenging request to the U.S. Congress, however the passage of such legislation will provide urgent economic assistance to the Commonwealth at a time when economic recovery is essential to our livelihood. Your support and efforts to advance this funding flexibility through the legislative process is important and appreciated.

Sincerely,


Arnold I. Palacios
Governor

Economic Recovery \$231 million

Tourism and Airline Support

The Marianas tourism sector welcomes visitors from around the region and the world. Not only has it brought a resurgence of the important Japan market, but has expanded to welcome visitors from Australia, New Zealand, Singapore, and the Philippines, among others. This creates greater stability against external forces and ensures the continued viability of the economy in the long term. The Marianas Visitors Authority (MVA) is the primary agency responsible for the Marianas tourism product, funding proposed will enable MVA to engage in promoting the CNMI as a tourist destination. Funding allocated to the Marianas Visitors Authority (MVA) is to provide incentives to stimulate economic recovery through the revitalization of the tourism industry, restoration of travelers' confidence in travelling to the CNMI, and increased overall destination exposure. The MVA will be able to conduct promotional and marketing activities for target tourist markets, including locally sponsored events and improved attractions. The development of tourism products for Rota and Tinian as well as major tourist attraction centers are expected.

This funding will also enable MVA to initiate new air service investor discussions, alongside the Commonwealth Economic Development Authority (CEDA) and work collaboratively to provide the necessary information, investor material, and incentives to see the successful acquisition of new routes. The total number of tourists visiting the Marianas is directly correlated with the number of seats flying to its airports. This includes start-up incentives, promotion, and investor missions.

Commonwealth Ports Authority Support

The Commonwealth Ports Authority (CPA) plays a critical role in the CNMI's economy, facilitating the importation of goods and exports. Airport operations were disrupted in 2018 due to damages of major infrastructure following the destruction of Super Typhoon Yutu. Damages include the control tower, the domestic terminal and the jetways were all detached and twisted by the force of a Category 5 storm. Yutu's destruction was catastrophic prompting the cancellations of flights from our main source of tourism markets (Korea, Hong Kong and China). Infrastructure repairs are near completion with airports in operation. However, the COVID-19 pandemic has significantly impacted CPA's revenue streams, exacerbating existing financial challenges. This funding will provide essential support to CPA, enabling the authority to maintain operations, invest in infrastructure upgrades, provide airline incentives program and promote economic growth.

Commonwealth Ports Authority Operational Support

The CPA requires operational support to ensure the continued safety and efficiency of port operations. This funding will be utilized to cover program and operational expenses, including personnel costs, maintenance, and equipment upgrades. By providing this support, we can ensure the CPA remains operational, supporting the CNMI's economic recovery and growth.

Commonwealth Economic Development Authority (CEDA)

With the environment of significant economic uncertainty in the Marianas, business investment, development, growth, and retention are goals that require concerted effort to achieve. Funding provided to CEDA will go towards developing programs that assist entrepreneurs' access to capital to ensure the success of their businesses. Affordable and low-cost financing helps to promote greater levels of small and medium-sized businesses in the Marianas as well as support business retention.

- Support Business Retention Initiatives

The CNMI's business community has been severely impacted by the COVID-19 pandemic, with many enterprises facing significant challenges to remain operational. This funding will support business retention initiatives, providing critical assistance to struggling businesses and helping to preserve jobs.

- Utility Assistance for Businesses

Many businesses in the CNMI are struggling to pay utility bills, exacerbating their financial challenges. This funding will provide utility assistance to eligible businesses, helping to alleviate financial pressures and support business continuity.

- SBDC-Payroll Protection Program

The Small Business Development Center (SBDC) plays a vital role in supporting the CNMI's small business community. This funding will support the SBDC's Payroll Protection Program, providing critical assistance to small businesses to help them retain employees and navigate the economic challenges posed by the pandemic.

Strengthen Public Services (\$120 million)

- Restore Revenue Loss to Autonomous Agencies and Central Government

The COVID-19 pandemic has resulted in significant revenue losses for autonomous agencies and the central government. This funding will help restore these revenue losses, ensuring that essential public services can be maintained.

- Restore Lost Wages from 2020 to Current for Government Workers

Due to the government's revenue loss from its tourism economy, implementation of a reduction in work hours was necessary to mitigate the revenue shortfall while maintaining government basic operations of public services. The government implemented furloughs and those who remained experienced 20% wage reductions. This funding will help restore lost wages, recognizing the critical role government workers play in delivery of essential public services.

- Extension and Maintenance of PUA Program

The Pandemic Unemployment Assistance (PUA) program has provided critical support to individuals affected by the pandemic. This funding will support the extension and maintenance of the PUA program, ensuring that vulnerable members of the community continue to receive essential support.

Public Health Priorities (\$55 million)

Funding for utilities assistance to the Commonwealth Health Corporation, the lone hospital in the Marianas. Increasing costs of fuel and rising utility rates place a significant cost burden on the hospital to maintain current operations as it serves the population of the Marianas. Funding will also be used to maximize the Medicaid program local match requirements, enabling the Commonwealth to realize full allocation of Medicaid funds awarded to the CNMI. Lastly, the Group Health and Life Insurance Program provides health insurance to over 7,000 covered lives. Funding will ensure the continuation of this program into fiscal year 2026.

Community Enhancement Program (\$8 million)

Universal Garbage Collection: Key to this effort is the reduction in littering and the curtailment of the environmental harm caused by improper disposal of solid waste by expanding the proper means for disposing of waste at the source. Through expanding access to garbage collection services and the availability of public waste collection at the beaches and parks, community areas are attractive to tourists and residents alike.

Streamline Permitting Process: Government permitting processes are disjointed, complex, and time-consuming. This disincentivizes investment and business development at the cost of government revenues and economic growth. Funding will go towards creating an efficient and streamlined system for obtaining government permits, including the centralized location and online platform for permit application and issuance.

Enforcement of Blighted Properties: provide incentives for removal of structures considered “public nuisance”.

Expenditure Breakdown:

Stimulate Economic Recovery	231.0
<i>MVA Tourism Recovery Promotional Activities</i>	85.0
<ul style="list-style-type: none"> • Promotional and Marketing activities to target tourist markets • Development and target investment into Tourism Products in Tinian and Rota • Development of Priority Tourism Centers 	
<i>Commonwealth Ports Authority Support</i>	
<ul style="list-style-type: none"> • Promote and Incentivize New Air Service, Maintain current flight Routes to the Marianas • Commonwealth Ports Authority Operational support 	26.0 15.0
<i>Commonwealth Economic Development Authority</i>	
<ul style="list-style-type: none"> • Support Business Retention Initiatives/ Utility assistance for Businesses • SBDC- Payroll Protection Program 	25.0 80.0
Strengthen Public Services	120.0
<ul style="list-style-type: none"> • Restore revenue loss to autonomous agencies and central government • Restore lost wages from 2020 to current for government workers • Extension and Maintenance of PUA Program 	
Community Enhancement Program	8.0
<ul style="list-style-type: none"> • Enforcement and incentive program for blighted properties • Streamline and establish unified online permitting portal for businesses • Require Customer Service Training for Customer-facing Staff • Establishment of a System of Universal Garbage Collection 	
Address public health priorities	55.0
<ul style="list-style-type: none"> • Utility assistance to the Commonwealth Health Corporation • Maximize Medicaid Local Match • Group Health Life Insurance Program 	
Total	414.0