

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

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On behalf of the people of the Commonwealth of the Northern Mariana Islands, I want to thank Chairman Murkowski, Ranking Member Manchin and the distinguished members of this committee for recognizing the need of this important conversation about the priorities of the US territories and allowing for this submitted testimony for the record.

Many of the issues facing the territories today are unique to us. We all fight against issues of geography. Limited land mass, natural resource scarcity, distance from the United States, and import reliance are key among these issues. We face labor challenges, where our locations, economies, outward migration and population sizes are not suitable to build resiliency or strength in a globally competitive market. But I believe most important among these issues is our continual struggle to gain the federal government's understanding of the complexity of achieving substantial progress for the people living in the territories.

I thank Chairman Murkowski for her outstanding effort on behalf of the US Senate for organizing and encouraging participation in Congressional Delegation visits to the CNMI. Many of the challenges we face are difficult to comprehend if one does not travel the 8,000 miles across the Pacific Ocean to experience it for themselves.

Efforts such as these are critical when federal laws have such over-sized effects on the fragile state of the US territories. Territories, while not having full representation in our House of Representatives, no direct representation in the US Senate, and are unable to cast a vote for President, suffer the harshest side effects of the unintended consequences of federal actions that do not account for the vulnerability our communities.

The topic of today's hearing is on the state of our territories and the priorities for my administration going forward. While I have many goals for the next four years in office, I must be honest in recognizing the greatest obstacles toward improving the lives of the people of the CNMI are the actions of the federal government.

One of my most urgent priorities is the rebuilding of safe and resilient homes that were destroyed by Super Typhoon Yutu last October. Super Typhoon Yutu was the worst typhoon to hit US soil since 1935. According to damage assessments performed by the American Red Cross 5,910 homes were destroyed or suffered major damage after the October 25th disaster of last year. Nearly 4 out of every 10 homes on island were impacted by this disaster at a time where available housing

stocks were already at capacity. These homes will require rebuilding and new construction to maintain the safety and security of their families, yet the availability of construction labor to do this necessary and critical work has been limited by federal actions preventing construction companies' access to the necessary foreign labor through the H2-B program.

In this situation, the prohibition of CW-1 positions for new construction workers combined with the federal government's position that the majority of construction contractors are ineligible to source their labor through the H2-B process, will result in fewer safe and sanitary homes in the CNMI. What should be of great concern is the wide-ranging implications that will follow for socio-economic mobility, education, and health throughout the islands. Down the road this will require even greater federal resources to support these families.

In my time, I had to lead my islands through two once-in-a-generation natural disasters. It is not a question of if another disaster devastates our islands, but when. This WILL happen again, and without the presence of construction labor to rebuild resilient homes, the cost to the federal government will be greater and greater in the years to come.

Already the cost of policies limiting access to construction labor has increased the cost to the federal government for disaster recovery.

After Typhoon Yutu, FEMA and the Department of Defense recognized the challenges of performing their work for the American citizens living in the CNMI by seeking out new and innovative solutions that conformed to our unique circumstances.

One week after the disaster, DoD and FEMA officials announced a program in collaboration with the CNMI called the Temporary Emergency Tent and Roofing Installation Support or TETRIS program. Under TETRIS, the Joint Task Force West, saw more than 1,000 uniformed service members mobilized in support of the relief efforts. Seabees from the 30th Naval Construction Regiment and the 254th Red Horse Squadron were activated in the hundreds to support the installation of tents and emergency roof repairs for the thousands of affected homes because local manpower and resources could not scale in the capacity necessary to prevent further loss of life, mitigate suffering and reduce the impact of the disaster.

If it were not for the 200 hundred men and women of the Seabees and the Red Horses, 184 homes in Tinian would be without roofs over their heads because there are no available construction workers there.

Further FEMA recently approved a Permanent Housing Construction Program that will source and provide labor and materials to reconstruct the homes of eligible households. Currently there are 9,400 applicants for this program and FEMA is in the process of looking toward bringing in labor from outside the CNMI because of the lack of local manpower. The homes that are selected will be fortunate. Now as FEMA and SBA resources have been released to the residents of the CNMI, the thousands of homes remaining will not be able to afford the cost of transporting labor nor will there be available contractors to help rebuild their lives.

The Department of Defense and FEMA have experienced the challenges we live with daily when it comes to labor and have created new pathways to work around them. I ask that you consider

their experience and join it with the experiences of our private sector partners who are struggling to grow our economy and hire our people in the face of the restrictions imposed on us by Washington, DC.

Many in this committee are familiar with the CNMI's labor struggles. I thank this committee and Chairman Murkowski for your tireless efforts toward the enactment of Northern Mariana Islands US Workforce Act that recognized the CNMI's labor shortages and economic needs and provided additional time and resources for our community to grow. This was an important effort for the CNMI, and the process shows that the territories require specific solutions to their unique issues, but the conversation must continue.

The CNMI, more than ever, needs the federal government's recognition that there is a choice between the progress of the thousands of US citizens in the territories and the all-encompassing application of national laws and regulations, and that in many instances these two choices are mutually exclusive.

According to the most recent 2010 Census information, 52% of individuals in the CNMI lived beneath the federal poverty line, an increase of 6 percentage points from 10 years prior. Between these two surveys, federal actions to apply the federal minimum wage and federalize the immigration system were enacted. The prolonged economic depression that highlights that period was as a result of the elimination of the controversial garment industry, a dramatic contraction of our visitor arrivals, and the institution of strict government austerity as a result of reduced government revenues – three main pillars of the CNMI's economy.

Only recently has this trend begun to level off. Our economy has just recently rebounded to pre-depression levels but is just 5% the size of the smallest US state's economy. Our US labor force is steadily increasing beyond the 50% mark in 2017, increasing 11 percent from 2016, thanks in part to higher wages that are now on average above \$12 per hour. Yet, the CNMI lags far behind the United States.

The median income of individuals in the CNMI is \$18,000 lower than the national average. Rates of those without health insurance is 37 percentage points higher in the CNMI than the nation and the poverty rate is 39 percentage points higher than the national average.

It is a priority to reduce instances of poverty and increase wages and opportunities for my people, but the resources the CNMI has available to it to grow its economy to meet the needs of the population are slim. The CNMI is not rich in extractive resources, has limited fisheries stock for commercial fishing, and does not have enough land mass for competitive agriculture industries. The islands are too isolated to participate in global supply chains, we suffer from inflated costs for the importation of goods and materials, have lost our sole manufacturing sector, and experience exorbitant utilities costs due to a reliance on imported diesel.

The sole remaining economic driver in the CNMI is tourism but even in that field we are at a competitive disadvantage. The cost of air service to the CNMI is undercut by lower cost alternatives in the region. Philippines, Vietnam, Thailand and Indonesia are our direct competitors and our use of the US dollar increases costs for on-island expenses when tourists arrive. The

limited economic resources because of these issues further reduces destination enhancement efforts and the competitiveness of the islands. The CNMI's tourism market is solely reliant on three source countries – Japan, Korea and China – to provide the revenue for our small economy.

The travel time and distance from the US mainland results in limited investment from American companies and a reliance on foreign investment to maintain economic viability.

And natural disasters represent a clear and devastating risk to economic activity and government resources.

Much of these issues are caused by the problem of scale. Too few consumers and investors are present in the CNMI to reduce cost and create a virtuous cycle toward greater levels of development and resiliency. These challenges are not unique to the CNMI around the world but are unique within the United States.

A little more than a half century ago, the Northern Mariana Islands was still war-torn agricultural community with no economy to speak of - isolated geographically and politically from the world.

And despite progress since joining the United States 40 years ago, the CNMI is still in many ways a developing country in all aspects except its relationship to the United States. Where the American government recognizes the economic challenges of developing states and supports a growth trajectory through stages of development, the CNMI is forced to support the needs of its people and attempt growth while under restrictions and rules developed through centuries of American economic history, all with a small fraction of the resources of the US mainland.

We are also required to strive to accomplish this possibly impossible task with fewer federal resources to support our population. The Medicaid program operates differently in the territories capping the total amount of Medicaid dollars given to the population and has a statutorily set federal match as opposed to the formula applied in the states. Employment services such as the Wagner-Peysor act are not available to the CNMI because we do not fall under the statutory definition of "State". Our infrastructure development fund, created to only support the economic development of the CNMI in 1978 has remained at \$27.72 million dollars for 41 years and that limited pot is now shared between Guam, American Samoa and the U.S. Virgin Islands. Our sons and daughters fight alongside the sons and daughters of your states in our nation's military but receive less care and support as veterans solely because they live in the CNMI.

Whether it is possible to build a prosperous community when contending with such unmistakable limitations is still an open question.

Still, it is essential that we leverage what resources are available to us to build a stronger community. But federal government actions, such as the restrictions on labor access, threats to our essential tourism markets, and the growing competitiveness of the global economy is severely limiting our potential to succeed.

I make mention of these challenges to highlight a central point: The United States needs to recognize the unique challenges of its territories and work toward a new approach when dealing with territorial issues.

For the CNMI, immigration issues are front and center of our development. We cannot build enough scale within our community to lower the costs of living, increase the efficiency of government services, or support those in greatest need – our retirees, our students, our disabled and our mentally ill, without a sufficiently robust economy, and this economy cannot exist without workers and tourists.

The reality that the inflexible application of federal immigration law will be one of the greatest obstacles toward bettering the lives of the people of the CNMI.

I ask that we reconsider the prohibition of construction labor under the Northern Mariana Islands US Workforce Act to allow for the CNMI to determine the allowable cap on construction permits available to both safeguard the scarcity of these permits and allow for the necessary construction of our islands. And I ask that Congress replicate the program allowed for our neighboring island of Guam and their military buildup program and permit the entry of construction workers under the H2-B program to work with general contractors and construction companies as we continue the long rebuilding process ahead of us.

We must think of the practical application of requiring half of the current labor force to return to their countries of origin every two years while the economy sits and waits for the months of renewal processing.

And we should closely monitor the implementation of these new provisions, so they do not undermine the economy and US jobs we worked so hard to build and protect.

In order to have a chance at creating a viable economy, we must have a willingness to cooperate toward the development of a system that prevents the errors of the past from reoccurring but do so in a way that respects the special relationship the CNMI has with the United States.

Our people exercised their right to self-determination 40 years ago and voted to become Americans. Many of those who voted for our entry into the American family are still alive today and supported our status because of the promise that partnership with the United States would offer the standards of living equal to that of the larger American community.

In the process of joining the United States we relinquished critical areas of our autonomy and entrusted it with this body, under the hope that the members that fill its halls and chambers understand and care for the people of our islands.

The relationship since that point has had its successes and its conflicts and there is still much work to do in building a strong and viable US community in the Western Pacific.

I ask that this work begin with a belief that we are not a problem to be solved. Our problems require understanding of the nuanced and complex path that created them.

I ask that you allow us the opportunity to scale the development path. Recognize that we have only recently begun to step foot on this ladder, and that what works for California, Nevada, Idaho, or New Hampshire may not work for a community with such pronounced challenges like the CNMI.

And most importantly, I ask that the federal government treat us as partners in the goal of economic growth in the CNMI. We must acknowledge that the federal government has an incredible amount of power to influence the lives of the people living there. Using that power responsibly for the betterment of our people requires mutual respect in recognizing where failures exist and collaborating to address the underlying issues.

I am proud to say that we have made great progress in the CNMI over the course of the last years. We have enhanced public services, launched our first ever public transportation system, and increased social service benefits to our people. We have created our first substance abuse rehabilitation center to fight back against the spread of Crystal Methamphetamine addiction, we have more local funding appropriated for our public schools, maintained low public debt, decreased unemployment, and increased average wages. Our streets are safer, and our people have more opportunities to thrive and our islands' sole hospital has new equipment and resources to save lives. These successes are due to the growth in our economy, but this success hinges whether the federal government will allow this growth to continue or not.

We have made progress on issues discussed in this Committee over the course of my administration. I am pleased to say that the CNMI continues to make progress to ease concerns over money laundering as the Commonwealth Casino Commission and the newly established House and Senate Committees on Gaming moves forward on stronger legislation to protect our people from the harms associated with the gaming industry and my administration has worked closely with FINCEN to ensure our regulations are created with the primary goal of ensuring compliance with federal anti-money laundering and bank secrecy laws.

Additionally, our new CNMI Department of Labor has created the strongest relationship the CNMI has ever had with officials of the US Department of Labor and is actively pursuing all labor violation claims to ensure all workers are given an equal opportunity for success.

My priorities on infrastructure development, destination enhancement, upgrades to our education system, diversification of our economy, reduction in substance abuse and non-communicable diseases, reduction to instances of poverty, the strong and resilient recovery from Typhoon Yutu, and the improvements to core government services will be meaningless without the willingness of the federal government to understand our issues and address constraints within federal policy that hinder growth.

As a key actor toward the accomplishment of these priorities, I look forward to speaking with you further about the obstacles we are facing with our immigration system, our continued access to tourism markets, and the complications of building an economy in a remote US territory.

Together I know we can work toward redefining our relationship with the federal government and carve a path forward that maintains the partnership our forbearers envisioned 40 years ago.

Thank you for the opportunity to provide you with this testimony. I sincerely appreciate the efforts being made to increase communication with the US territories and am committed to continuing these important discussions in the months and years ahead.