



Testimony

Before the Committee on Energy and  
Natural Resources, U.S. Senate

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**COMMONWEALTH OF  
THE NORTHERN  
MARIANA ISLANDS**

**Recent Economic Trends  
and Preliminary  
Observations on  
Workforce Data**

Statement of David Gootnick, Director,  
International Affairs and Trade

# GAO Highlights

Highlights of [GAO-18-373T](#), a testimony before the Committee on Energy and Natural Resources, U.S. Senate

## Why GAO Did This Study

Pub. L. No. 110-229, enacted in 2008, amended the U.S.-CNMI covenant to apply federal immigration law to the CNMI after a transition period. The law required the Department of Homeland Security (DHS) to establish a temporary work permit program for foreign workers. DHS is required to decrease the number of permits issued annually, reducing them to zero by the end of the transition period, scheduled for December 31, 2019.

To implement the law, DHS established a new work permit program in 2011. Under the program, foreign workers can obtain, through their employers, nonimmigrant CW-1 status that allows them to work in the CNMI. The law was amended in August 2017 to, among other things, restrict future permits for workers in construction and extraction occupations.

Proposed legislation—Senate bill S. 2325—would, among other things, extend the transition period through December 31, 2029; increase the number of available permits from the 2018 level; and set required decreases in the annual numerical limit for the permits. (See figure for past numerical limits established by DHS and future limits proposed by S. 2325.)

This testimony discusses (1) recent trends in the CNMI economy and (2) preliminary observations about the number of approved CW-1 permits and characteristics of permit holders, drawn from GAO's ongoing work. GAO updated information about the CNMI's economy that it reported in May 2017 (see [GAO-17-437](#)). GAO also analyzed data and documents from U.S. agencies and the CNMI government.

View [GAO-18-373T](#). For more information, contact David Gootnick at (202) 512-3149 or [gootnickd@gao.gov](mailto:gootnickd@gao.gov).

February 2018

## COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

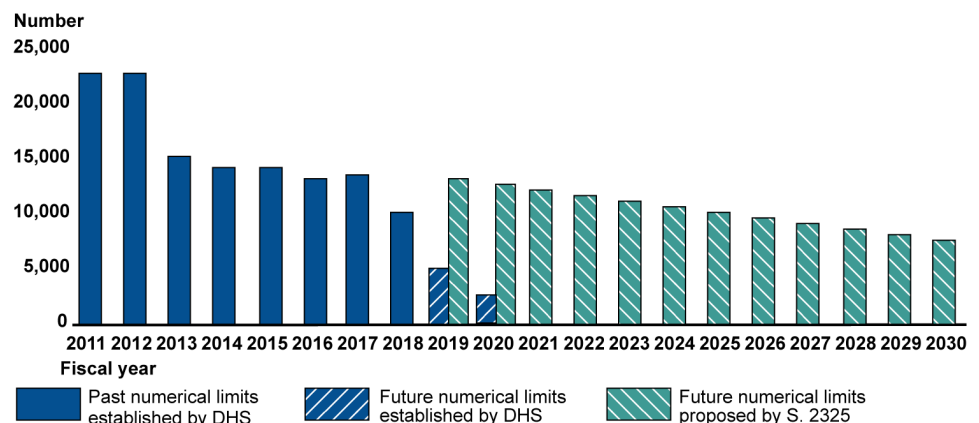
### Recent Economic Trends and Preliminary Observations on Workforce Data

## What GAO Found

The Commonwealth of the Northern Mariana Islands' (CNMI) inflation-adjusted gross domestic product (GDP) has grown each year since 2012, according to the Bureau of Economic Analysis. In 2016, the CNMI's GDP rose by 29 percent, partly as a result of construction investment. While tourism has fluctuated in recent years, visitor arrivals in the CNMI rose by nearly a third from 2016 to 2017. After nearly a decade of annual decline, the total number of workers employed in the CNMI increased from 2013 through 2016, according to the most recent available CNMI tax data. Foreign workers made up 53 percent of those employed in 2016, compared with roughly 75 percent in 2002.

GAO's preliminary analysis indicates that the number of approved CNMI-Only Transitional Worker (CW-1) permits for foreign workers in the CNMI grew from over 7,100 for fiscal year 2012 to nearly 13,000 for fiscal year 2017. In addition, GAO identified trends in the country of birth, occupation, and employment duration of foreign workers with CW-1 permits approved for fiscal years 2012 through 2018. Workers born in the Philippines received the highest number of CW-1 permits each year. As of January 2018, 750 CW-1 permits had been granted to construction workers for fiscal year 2018—a 75 percent decline from the prior fiscal year. GAO estimated that approximately 2,350 foreign workers with approved CW-1 permits maintained continuous employment in the CNMI from fiscal year 2014 through January 2018. About 80 percent of these workers were born in the Philippines.

### Numerical Limits on CNMI-Only Transitional Worker Permits Established by DHS and Proposed by Senate Bill S. 2325, Fiscal Years 2011–2030



Legend: CNMI = Commonwealth of the Northern Mariana Islands

Source: GAO analysis of numerical limits specified by the Department of Homeland Security (DHS) and Senate bill S. 2325. | GAO-18-373T

Notes: Numerical limits are set on a fiscal year basis. Under current law, a transition period is set to end on Dec. 31, 2019, or 3 months into fiscal year 2020; after this date, no permits shall be valid. In November 2017, DHS set the limit for permits for fiscal years 2018 through the end of the program. Under S. 2325, the transition period would be effective through Dec. 31, 2029, or 3 months into fiscal year 2030; after this date, no permits shall be valid. S. 2325 would require that the number of permits issued during fiscal year 2019 not exceed 13,000 and, starting in fiscal year 2020, not exceed a number 500 fewer than those issued during the immediately preceding fiscal year. The limits shown for S. 2325 assume that employers would petition for, and DHS would issue, the maximum number of available permits for fiscal year 2019 and for each subsequent year.

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Chairman Murkowski, Ranking Member Cantwell, and Members of the Committee:

Thank you for the opportunity to discuss preliminary observations from our ongoing review of workforce data on the Commonwealth of the Northern Mariana Islands (CNMI).

The 1976 covenant defining the political relationship between the CNMI and the United States exempted the CNMI from certain federal immigration laws but reserved the right of the U.S. government to apply federal law in these exempted areas without the consent of the CNMI government.<sup>1</sup>

The Consolidated Natural Resources Act of 2008 amended the U.S.–CNMI covenant to establish federal control of CNMI immigration beginning in 2009. The act required, among other things, that the U.S. Department of Homeland Security (DHS) establish a temporary work permit program for foreign workers and decrease annually the number of permits issued, reducing them to zero by the end of a transition period now set to occur on December 31, 2019.<sup>2</sup> This program enables foreign workers to obtain, through their employers, CNMI-Only Transitional Worker (CW-1) permits that allow them to work temporarily in the CNMI.<sup>3</sup> Senate bill S. 2325 would modify the law by, among other things, extending the transition period by 10 years, or through December 31,

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<sup>1</sup>Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America, Pub. L. No. 94-241 (Mar. 24, 1976), codified as amended at 48 U.S.C. § 1801 note.

<sup>2</sup>The Consolidated Natural Resources Act of 2008 and its implementing regulations established several other provisions during the transition period. Special provisions include (1) establishing a classification for certain foreign investors lawfully admitted under the CNMI's immigration system—called E-2 CNMI Investor Status (or E-2C)—and (2) providing that asylum is inapplicable to those in the CNMI during the course of the transition period. See Pub. L. No. 110-229, Title VII (May 8, 2008) and 8 C.F.R. § 214.2(e)(23).

<sup>3</sup>DHS deemed CW-1 status to be synonymous with “permit” referenced in the legislation. In this testimony statement, “permit” refers to CNMI-Only Transitional Worker, or CW-1, status except in our discussion of Senate bill S. 2325, when “permit” also refers to the proposed CW-3 permits. Dependents (spouses and minor children) of CW-1 nonimmigrants are eligible for Dependent of a CNMI-Only Transitional Worker (CW-2) status, which derives from, and depends on, the CW-1 worker's status.

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2029, and increasing the number of available permits from the fiscal year 2018 level.<sup>4</sup>

As we reported in May 2017, the CNMI's economy is dependent on foreign labor.<sup>5</sup> Although the number of foreign workers fell by nearly two thirds—from over 36,000 to fewer than 13,000—in 2001 through 2015, foreign workers represented the majority of the CNMI workforce in 2015. We found that the number of unemployed domestic workers in the CNMI, estimated at nearly 2,400 in 2016, was insufficient to replace the foreign workers who had CW-1 permits. We estimated—using the CNMI's 2015 gross domestic product (GDP) and workforce information—that removing all CW-1 workers by 2019 could reduce the CNMI's 2015 GDP by between 26 and 62 percent.<sup>6</sup>

In my statement today, I will discuss (1) recent trends in the CNMI economy and (2) preliminary observations about the number of approved CW-1 permits and characteristics of permit holders from our ongoing work for a forthcoming report.<sup>7</sup>

To identify recent trends in the CNMI economy, we analyzed data from the U.S. Department of Commerce and the CNMI government. We updated our prior analysis of CNMI GDP data for 2002 through 2015 with GDP data for 2016. We added CNMI tourism data for 2017 to our prior analysis of tourism data for 1990 through 2016. To show employment trends, we updated our prior analysis of CNMI tax records for 2001 through 2015 with tax records for 2016. We determined that the data used in our analyses were sufficiently reliable for our purposes.

To provide preliminary observations on the numbers of CW-1 permits granted for fiscal years 2012 through 2018 and characteristics of foreign workers who held them, we analyzed record-level data for fiscal years 2012 through 2018 provided by DHS's U.S. Citizenship and Immigration Services (USCIS), which administers the CNMI-Only Transitional Worker

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<sup>4</sup>Northern Mariana Islands U.S. Workforce Act, S. 2325, 115th Cong. (2018). An identical companion bill (H.R. 4869) has been introduced in the House of Representatives.

<sup>5</sup>GAO, *Commonwealth of the Northern Mariana Islands: Implementation of Federal Minimum Wage and Immigration Laws*, [GAO-17-437](#) (Washington, D.C.: May 18, 2017).

<sup>6</sup>The CNMI's 2015 GDP was the most recent available at the time of our prior review.

<sup>7</sup>We plan to issue a report examining CW-1 permit data, among other topics, later in 2018.

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program (CW program).<sup>8</sup> According to USCIS officials, as of January 26, 2018, USCIS was continuing to adjudicate CW-1 petitions for fiscal year 2018.<sup>9</sup> To determine the reliability of the data, we interviewed cognizant USCIS officials in Washington, D.C., and at the USCIS California Service Center, where petitions for CW-1 permits are adjudicated. We also discussed our methodologies and assumptions for data processing and the results of our preliminary analysis with officials in Washington, D.C., who used their own methodologies to conduct a technical review of our tables showing numbers of permits approved and permit holders' countries of birth and occupations (see tables 2, 3, and 4). We also conducted electronic testing of the data to identify and resolve inconsistencies in personally identifiable information for permit holders, to ensure accuracy in tracking these individuals over time. We determined that the USCIS CW-1 permit data were sufficiently reliable for our purposes.

We conducted the work on which this statement is based in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

Part of the Mariana Islands Archipelago, the CNMI is a chain of 14 islands in the western Pacific Ocean, just north of Guam and about 3,200 miles west of Hawaii. The CNMI has a total population of 53,890, according to the CNMI's 2016 Household, Income, and Expenditures Survey. Almost 90 percent of the population (48,200) resided on the island of Saipan, with an additional 6 percent (3,056) on the island of Tinian and 5 percent (2,635) on the island of Rota.

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<sup>8</sup>Although in 2011 DHS set the permit allocation for fiscal year 2011 and DHS granted several CW-1 permits for that fiscal year, we did not include fiscal year 2011 CW-1 permit data in our analysis.

<sup>9</sup>The CW-1 permit data were generated by the Computer Linked Application Information Management System 3 (CLAIMS 3), the case management system that USCIS uses for the CW and other programs. The CW-1 permit data we requested were provided by USCIS's Office of Performance and Quality, Performance Analysis and External Reporting Branch. Data for fiscal years 2012 to 2017 were provided on December 5, 2017. Data for fiscal year 2018—which were current as of January 17, 2018—were provided on January 23, 2018. USCIS began accepting CW-1 petitions for fiscal year 2018 on April 3, 2017.

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## Application of Federal Immigration Laws to the CNMI

The Consolidated Natural Resources Act of 2008 amended the U.S.–CNMI covenant to apply federal immigration law to the CNMI after a transition period. To provide for an orderly transition from the CNMI immigration system to the U.S. federal immigration system under the immigration laws of the United States, DHS established the CW program in 2011.<sup>10</sup> Under the program, foreign workers are able to obtain, through their employers, nonimmigrant CW-1 status that allows them to work in the CNMI for up to a year.<sup>11</sup>

The Consolidated Natural Resources Act of 2008 requires DHS to annually reduce the number of CW-1 permits until the number reaches zero by the end of the transition period. The act was amended in December 2014 to extend the transition period through December 31, 2019.<sup>12</sup> The act was further amended in August 2017 to, among other things, (1) add 350 CW-1 permits to the fiscal year 2017 cap;<sup>13</sup> (2) restrict

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<sup>10</sup>On September 7, 2011, DHS issued a final rule establishing a transitional work permit program in the CNMI for foreign workers not otherwise admissible under federal law.

<sup>11</sup>According to DHS regulations, CW-1 permits may be valid for up to 1 year. DHS deemed CW-1 status to be synonymous with “permit” referenced in the legislation. In this testimony, “permit” refers to CNMI-Only Transitional Worker (CW-1) status, except in our discussion of Senate bill S. 2325, when “permit” also refers to the proposed CW-3 permits. An employer must petition for a worker to obtain CW-1 status by submitting Form I-129CW and all necessary fees to DHS. According to USCIS, in the initial phase of the CW program, employers were able to request a “grant of status” that allowed eligible foreign workers to obtain CW status without departing the CNMI and obtaining a CW-1 visa from the Department of State at a U.S. embassy or consulate. After required security checks, if the employer’s Form I-129CW is approved, DHS will mail an approval notice to the employer who should provide a copy to the worker. The approval notice indicates whether the worker has been granted CW-1 status in the CNMI or whether the worker may apply for a CW-1 visa at a U.S. embassy or consulate abroad.

<sup>12</sup>See Consolidated and Further Continuing Appropriations Act, 2015, Pub. L. No. 113-235, § 10 (Dec. 16, 2014). In addition, the act eliminated the U.S. Secretary of Labor’s authority to provide for future extensions of the CW program. Previously, the Secretary of Labor was authorized to extend the program for up to 5 years at a time. For additional information, see GAO, *Commonwealth of the Northern Mariana Islands: Additional DHS Actions Needed on Foreign Worker Permit Program*, [GAO-12-975](#) (Washington, D.C.: Sept. 27, 2012).

<sup>13</sup>The act requires that DHS reserve no fewer than 60 of these permits for “healthcare practitioners and technical operations” and no fewer than 10 for “plant and system operators” as those terms are defined in the U.S. Department of Labor’s Standard Occupational Classification (SOC) system.

future permits for workers in construction and extraction occupations;<sup>14</sup> and (3) increase the CNMI education funding fee that employers must pay for each permit from \$150 to \$200.<sup>15</sup>

DHS determines the annual cap on CW-1 permits and the terms and conditions of the CW program. In November 2017, DHS set the cap for CW-1 permits for fiscal year 2018 through the end of the program (see table 1).

**Table 1: DHS Numerical Limits on CW-1 Permits for the Commonwealth of the Northern Mariana Islands (CNMI), Fiscal Years 2011–2020**

Fiscal year	CW-1 numerical limit
2011	22,417
2012	22,416
2013	15,000
2014	14,000
2015	13,999
2016	12,999
2017	13,348 <sup>a</sup>
2018	9,998
2019	4,999
2020 (Oct. 1–Dec. 31, 2019) <sup>b</sup>	2,499

Source: U.S. Department of Homeland Security (DHS). | GAO-18-373T

Note: On September 7, 2011, DHS issued a final rule establishing a transitional work permit program in the CNMI for foreign workers not otherwise admissible under federal law. Under the CNMI-Only Transitional Worker permit program, qualified nonimmigrant workers are able to obtain, through their employers, nonimmigrant CW-1 status that allows them to work in the CNMI.

<sup>a</sup>On August 22, 2017, Congress amended legislation to add 350 CW-1 permits to the fiscal year 2017 cap, thus raising the total number of permits that may be issued from 12,998 to 13,348, among other changes.

<sup>b</sup>Under 48 U.S.C. § 1806(d)(2), a transition period is set to end on Dec. 31, 2019, or 3 months into fiscal year 2020; after this date, no permits shall be valid.

<sup>14</sup>Under the act, a permit for construction and extraction occupations (as defined in the U.S. Department of Labor’s SOC system) may be issued only to extend a permit that was first issued before October 1, 2015. See Northern Mariana Islands Economic Expansion Act, Pub. L. No. 115-53, § 2 (Aug. 22, 2017) (amending 48 U.S.C. § 1806).

<sup>15</sup>The base filing fee for Form I-129CW is \$460. Additionally, employers filing CW-1 petitions must submit a \$200 CNMI education funding fee per worker, per year.

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Proposed Legislative  
Changes Affecting the CW  
Program

The proposed bill, the Northern Mariana Islands U.S. Workforce Act (S. 2325), includes the following provisions, among others, that would affect the CW program: (1) the number of permits to be allocated each year, (2) the distribution of the permits, and (3) a new CW-3 worker designation.<sup>16</sup>

Number of Permits Allocated

Under the terms of S. 2325, the number of permits issued may not exceed 13,000 during fiscal year 2019. Starting in fiscal year 2020, the number of permits issued may not exceed a number that is 500 fewer than the number issued during the immediately preceding fiscal year.

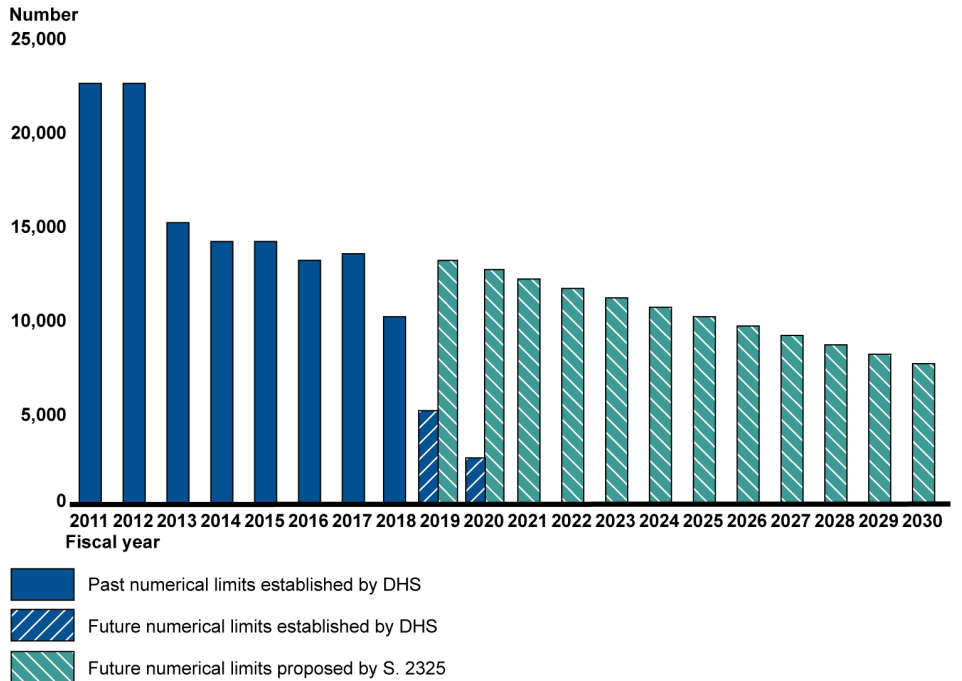
Figure 1 shows the past and future numerical limits on CNMI-Only Transitional Worker permits established by DHS and the proposed numerical limits for permits under S. 2325. The limits shown for S. 2325 in figure 1 assume that employers would petition for, and DHS would issue, the maximum number of available permits for fiscal year 2019 and for each subsequent year.

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<sup>16</sup>S. 2325 would also establish requirements for employers to receive a foreign labor certification from the U.S. Department of Labor before filing a CW-1 petition with USCIS and would establish additional minimum wage requirements for employers of CNMI-Only Transitional Workers. We found in 2008 that decisions about the number of permits allocated, the distribution of the permits, and the terms and conditions of the permit program would affect CNMI employers' access to foreign workers, among other decisions. See GAO, *Commonwealth of the Northern Mariana Islands: Managing Potential Economic Impact of Applying U.S. Immigration Law Requires Coordinated Federal Decisions and Additional Data*, [GAO-08-791](#) (Washington, D.C.: Aug 4, 2008).



**Figure 1: Numerical Limits on CNMI-Only Transitional Worker Permits Established by DHS and Proposed by Senate Bill S. 2325, Fiscal Years 2011–2030**



Legend: CNMI = Commonwealth of the Northern Mariana Islands  
 Source: GAO analysis of numerical limits specified by the Department of Homeland Security (DHS) and Senate bill S. 2325. | GAO-18-373T

Notes: Numerical limits are set on a fiscal year basis. Under current law, a transition period is set to end on Dec. 31, 2019, or 3 months into fiscal year 2020; after this date, no permits shall be valid. Also, current law requires DHS to decrease the number of permits issued annually, reducing them to zero by the end of the transition period. In November 2017, DHS set the CW-1 cap for fiscal years 2018 through the end of the current transition period.

Under S. 2325, the transition period would be effective through Dec. 31, 2029, or 3 months into fiscal year 2030. Starting in fiscal year 2020, the number of permits issued under S. 2325 may not exceed a number that is 500 fewer than the number issued during the immediately preceding fiscal year. The limits shown for S. 2325 assume that employers would petition for, and DHS would issue, the maximum number of available permits for fiscal year 2019 and for each subsequent year.

## Distribution of Permits

Under S. 2325, as under the current law, a permit for construction and extraction occupations would be issued only to extend a permit that was first issued before October 1, 2015. Also, S. 2325 would require the Secretary of Homeland Security to consider, in good faith, any comments or advice submitted by the CNMI governor, including any recommendation to reserve a number of permits each year for

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occupational categories necessary to maintain public health or safety in the commonwealth.<sup>17</sup>

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## CW-3 Permits

S. 2325 proposes a new CW-3 worker designation. Foreign workers who are otherwise admissible would be eligible for CW-3 permits if they were admitted to the CNMI as CW-1 workers during fiscal year 2014 and every subsequent fiscal year beginning before the date of the enactment of S. 2325. These workers would receive a permit to remain in the CNMI for a 3-year period beginning on the date of S. 2325's enactment. CW-3 permits could be renewed in 3-year increments during the transition period for workers who remain outside the United States for a continuous period of not less than 30 days during the 180-day period immediately preceding each such renewal. CW-3 permits would count against the numerical caps specified in S. 2325.

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## Recent Trends in the the CNMI Economy

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### CNMI GDP

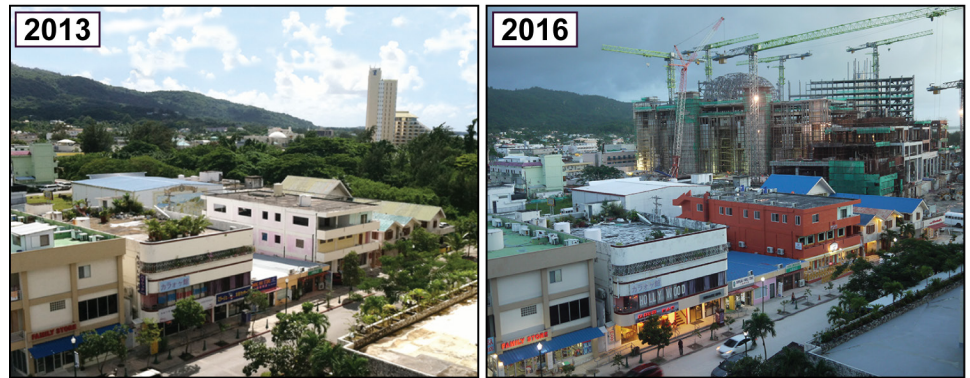
The CNMI's inflation-adjusted gross domestic product (GDP) has grown each year since 2012. The U.S. Department of Commerce's Bureau of Economic Analysis (BEA) estimates that the CNMI's GDP increased by almost 29 percent in 2016 after increasing by about 4 percent in 2015.<sup>18</sup> BEA attributes this economic growth to a significant increase in visitor spending, particularly for casino gambling, and investment in the construction of a casino resort in Saipan and other hotel construction. Figure 2 shows the casino's development site in Saipan before and during construction. The new casino opened for business on July 6, 2017.

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<sup>17</sup>Our 2008 report discusses four examples of permit distribution methods available to DHS: (1) by lottery; (2) among certain industries based on some measure of those industries' importance to the CNMI economy; (3) through a combination of permits reserved for priority businesses and a lottery; and (4) a market-based approach of permit trading, predetermining the number of permits to be allocated annually but allowing employers to trade permits depending on their need for foreign workers. See [GAO-08-791](#).

<sup>18</sup>By comparison, the United States' inflation-adjusted GDP (excluding the territories) increased by less than 2 percent in 2016 after increasing by almost 3 percent in 2015.

**Figure 2: Construction of New Casino in Saipan, Commonwealth of the Northern Mariana Islands**

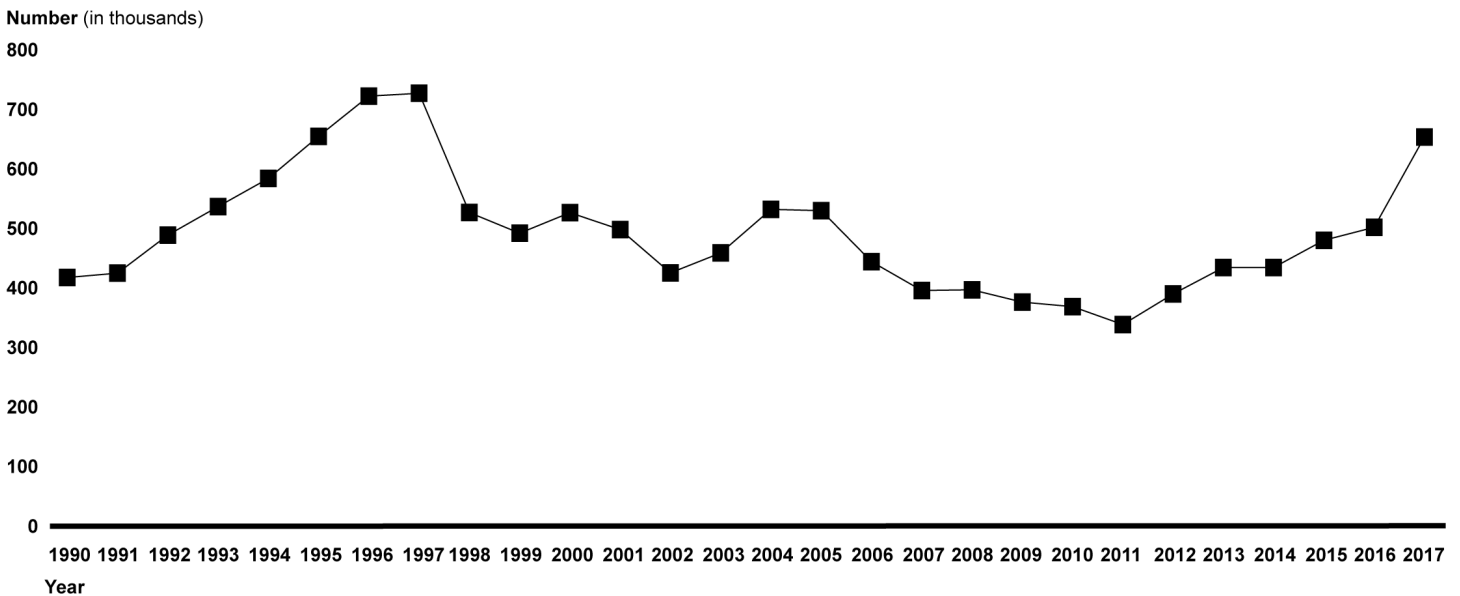


Source: GAO. | GAO-18-373T

## CNMI Tourism Trends

Since 1990, the CNMI's tourism market has experienced considerable fluctuation, as evidenced by total annual visitor arrivals (see fig. 3). Visitor arrivals to the CNMI declined from a peak of 726,690 in fiscal year 1997 to a low of 338,106 in fiscal year 2011, or by 53 percent. However, since 2011, visitor arrivals have nearly doubled, reaching 653,150 in fiscal year 2017, and increased by 30 percent from 2016 to 2017.

**Figure 3: Annual Visitor Arrivals in the Commonwealth of the Northern Mariana Islands, Fiscal Years 1990–2017**



Source: GAO analysis of Marianas Visitors Authority data. | GAO-18-373T

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Data from the Marianas Visitors Authority show that the downward trend in Japanese arrivals from 2013 to 2017 was offset by the growth in arrivals from China and South Korea. While eligible Japanese and South Korean visitors enter the CNMI under the U.S. visa waiver program,<sup>19</sup> Chinese visitors are not eligible for the program and are allowed to be temporarily present in the CNMI under DHS's discretionary parole authority, according to DHS officials. DHS exercises parole authority to allow, on a case-by-case basis, eligible nationals of China to enter the CNMI temporarily as tourists when there is significant public benefit, according to DHS.<sup>20</sup>

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## CNMI Labor Market

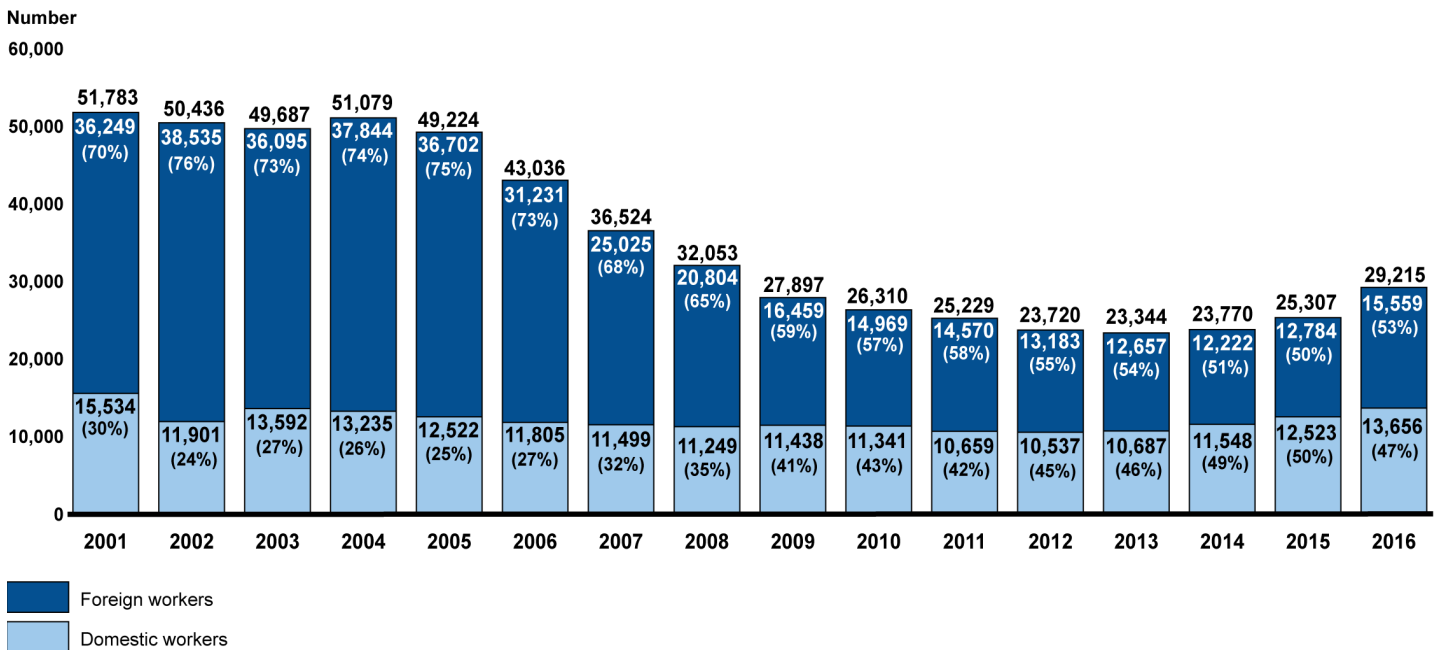
Following consecutive annual decreases in the total number of employed workers from 2005 through 2013, employment has increased annually since 2014, according to CNMI tax data. Figure 4 shows the numbers of employed workers, both foreign and domestic, in the CNMI from 2001 through 2016. From 2013 to 2016, the number of employed workers increased by approximately 25 percent, from 23,344 to 29,215.

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<sup>19</sup>Eligible citizens or nationals of the 38 countries included in the general U.S. Visa Waiver Program may stay for up to 90 days for business or pleasure in the United States without obtaining a nonimmigrant visa. These countries are Andorra, Australia, Austria, Belgium, Brunei, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Monaco, the Netherlands, New Zealand, Norway, Portugal, San Marino, Singapore, Slovakia, Slovenia, South Korea, Spain, Sweden, Switzerland, Taiwan, and the United Kingdom.

<sup>20</sup>In fiscal years 2013 through 2017, the number of visitors to the CNMI from Japan dropped by 65 percent from 148,423 to 52,227. Meanwhile, the number of Chinese visitors rose by 104 percent (from 112,570 to 229,389) and the number of South Korean visitors rose by 146 percent (from 135,458 to 333,069).

**Figure 4: Employed Workers in the Commonwealth of the Northern Mariana Islands (CNMI), Calendar Years 2001–2016**



Source: GAO analysis of Commonwealth of the Northern Mariana Islands (CNMI) tax data. | GAO-18-373T

Notes: Domestic workers include U.S. citizens and citizens of the freely associated states—the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau, as reported by CNMI employers on employee W-2 forms.

Reductions in the number of employed workers from 2007 through 2013 were likely a result of many factors, such as the disappearance of the garment industry and decline of the tourism industry.

As figure 4 shows, while the number and percentage of foreign workers fell between 2001 and 2016, foreign workers still constitute the majority of the CNMI workforce. Of the nearly 30,000 employed workers in the CNMI in 2016, more than half were foreign workers, according to CNMI tax data. The number of foreign workers fell from a peak of over 38,000 in 2002—roughly 75 percent of employed workers—to fewer than 16,000 in

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2016.<sup>21</sup> In contrast, since 2002, the number of domestic workers has fluctuated from year to year, ranging from about 10,500 to almost 13,700, but increased by 28 percent from 2013 to 2016.

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## Preliminary Observations on CW- 1 Permits for Fiscal Years 2012-2018

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### Numbers of CW-1 Permits

The CNMI economy continues to experience growing demand for workers. In fiscal years 2012 through 2016, the number of CW-1 permits almost doubled, and since fiscal year 2016, the number of permits has approached the numerical limits on permits for those years.<sup>22</sup> Our preliminary analysis indicates that the number of approved CW-1 permits grew from 7,127 in fiscal year 2012 to more than 13,000 in fiscal year 2016. On October 14, 2016—2 weeks into fiscal year 2017—USCIS announced that it had received enough petitions to reach the CW-1 cap for fiscal year 2017 and would not accept requests for new permits for that year during the remaining 11 months. In May 2017, USCIS announced that it had received a sufficient number of petitions to reach the CW-1 cap for fiscal year 2018.<sup>23</sup> Table 2 shows the CW-1 permit caps and numbers of permits approved for fiscal years 2012 through 2018.

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<sup>21</sup>The decline in the number of foreign workers from 2002 through 2016 is likely a result of the declining garment industry, which dominated the CNMI's manufacturing sector from 2002 through 2009. Although the garment industry was able to flourish in the CNMI by exporting products to other parts of the United States largely unconstrained by import quotas and duties, several developments in international trade caused the industry to decline dramatically. In January 2005, in accordance with a World Trade Organization 10-year phase-out agreement, the United States eliminated quotas on textile and apparel imports from other textile-producing countries, exposing the CNMI apparel industry's shipments to the United States to greater competition. Subsequently, the value of CNMI textile exports to the United States dropped from a peak of \$1.1 billion in 1998 to \$677 million in 2005 and to close to zero in 2010.

<sup>22</sup>The number of CW-1 permits exceeded the cap in 2016 because USCIS made allowances for foreign workers requesting consular processing whose visas would be refused or otherwise unused.

<sup>23</sup>USCIS began accepting CW-1 petitions for fiscal year 2018 on April 3, 2017, and received a sufficient number of petitions to reach the fiscal year cap on April 11, 2017.

According to USCIS officials, as of January 26, 2018, fiscal year 2018 petitions were still being adjudicated.

**Table 2: DHS Numerical Limits on CW-1 Permits for the Commonwealth of the Northern Mariana Islands and Estimated Numbers of Permits Approved for Fiscal Years 2012–2018**

Fiscal year	Numerical limit on CW-1 permits	Approved CW-1 permits
2012	22,416	7,127
2013	15,000	9,035
2014	14,000	8,537
2015	13,999	9,681
2016	12,999	13,417 <sup>a</sup>
2017	13,348	12,862
2018	9,998	8,228 <sup>b</sup>

Legend: CNMI = Commonwealth of the Northern Mariana Islands; CW-1 = CNMI-Only Transitional Worker classification.

Source: Preliminary GAO analysis of U.S. Department of Homeland Security (DHS) data. | GAO-18-373T

Notes: On September 7, 2011, DHS issued a final rule establishing a transitional work permit program in the CNMI for foreign workers not otherwise admissible under federal law. Under the CNMI-Only Transitional Worker program, which is administered by U.S. Citizenship and Immigration Services (USCIS), qualified nonimmigrant workers are able to obtain nonimmigrant CW-1 status through their employers that allows them to work in the CNMI.

The numbers of approved permits shown differ from the USCIS data we reported in 2017 (see [GAO-17-437](#)). According to USCIS officials, in its reporting for fiscal years 2015 through 2017, USCIS assigned permits to fiscal years based on the employment start date; in its reporting for prior years, USCIS assigned permits to fiscal years based on the permit’s approval date. In our analysis, we assigned permits to fiscal years based on the employment start date. Other data differences reflect revocations of permits over time and different methods for addressing missing or duplicate observations.

In our analysis, each foreign worker counts only once toward the cap on CW-1 permits that USCIS sets for each fiscal year.

<sup>a</sup>In 2016, USCIS approved several CW-1 permits in excess of the numerical limit to compensate for the expected number of visa denials by the Department of State.

<sup>b</sup>According to USCIS officials, as of January 26, 2018, USCIS had not yet adjudicated all CW-1 petitions for fiscal year 2018.

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**Characteristics of Foreign Workers with CW-1 Permits**

Our preliminary analysis of USCIS CW-1 permit data for fiscal years 2012 through 2018 identified trends in CW-1 workers' country of birth, occupation, and duration of employment.<sup>24</sup>

**Country of Birth**

USCIS data showed a decline in the numbers of CW-1 permits for fiscal years 2017 through 2018 for workers born in each of the five countries listed most frequently on the petitions—the Philippines, China, South Korea, Bangladesh, and Japan (see table 3). As of January 17, 2018, the number of permits approved for workers born in the Philippines, who received the most permits for all 7 years of the CW program, had declined by 13 percent from fiscal year 2017 to fiscal year 2018 and by 26 percent from fiscal year 2015 to fiscal year 2018. Concurrent with construction of the casino and other tourism infrastructure, the number of CW-1 permits for workers born in China increased by almost 3,800 from fiscal year 2015 to fiscal year 2016 and declined by about 3,500 from fiscal year 2017 to fiscal year 2018.

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<sup>24</sup>According to USCIS officials, as of January 26, 2018, DHS had not yet adjudicated all CW-1 petitions for fiscal year 2018.



**Table 3: Estimated Numbers of Approved CW-1 Permits, by Workers' Country of Birth, Fiscal Years 2012–2018**

Country of birth	2012	2013	2014	2015	2016	2017	2018 <sup>a</sup>
Philippines	5,367	6,889	6,407	7,180	7,035	6,146	5,322
China	828	1,032	1,006	1,229	5,023	5,039	1,591
South Korea	346	400	442	487	433	372	369
Bangladesh	155	211	234	330	480	340	180
Japan	218	229	203	195	141	129	93
All others	213	274	245	260	305	836	673
<b>Total</b>	<b>7,127</b>	<b>9,035</b>	<b>8,537</b>	<b>9,681</b>	<b>13,417</b>	<b>12,862</b>	<b>8,228</b>

Legend: CNMI = Commonwealth of the Northern Mariana Islands; CW-1 = CNMI-Only Transitional Worker classification.

Source: Preliminary GAO preliminary analysis of U.S. Department of Homeland Security (DHS) data. | GAO-18-373T

Notes: On September 7, 2011, DHS issued a final rule establishing a transitional work permit program in the CNMI for foreign workers not otherwise admissible under federal law. Under the CNMI-Only Transitional Worker program, which is administered by U.S. Citizenship and Immigration Services (USCIS), qualified nonimmigrant workers are able to obtain nonimmigrant CW-1 status through their employers that allows them to work in the CNMI.

The numbers of approved permits shown differ from the USCIS data we reported in 2017 (see [GAO-17-437](#)). According to USCIS officials, in its reporting for fiscal years 2015 through 2017, USCIS assigned permits to fiscal years based on the employment start date; in its reporting for prior years, USCIS assigned permits to fiscal years based on the permit's approval date. In our analysis, we assigned permits to fiscal years based on the employment start date. Other data differences reflect revocations of permits over time and different methods for addressing missing or duplicate observations.

In our analysis, each foreign worker counts only once toward the cap on CW-1 permits that USCIS sets for each fiscal year.

<sup>a</sup>According to USCIS officials, as of January 26, 2018, USCIS had not yet adjudicated all CW-1 petitions for fiscal year 2018.

## Occupation

Our preliminary analysis indicates that as of January 17, 2018, USCIS had approved 750 CW-1 permits for construction workers for fiscal year 2018.<sup>25</sup> This number represents a 75 percent decline from the nearly 3,000 permits approved for fiscal year 2017 (see table 4). This decline

<sup>25</sup>According to USCIS officials, as of January 26, 2018, USCIS had not yet adjudicated all CW-1 petitions for fiscal year 2018. In implementing the Northern Mariana Islands Economic Expansion Act, Pub. L. No. 115-53 (Aug. 22, 2017), USCIS applied the restriction to petitions for construction permits that were pending and those filed on or after August 22, 2017. According to USCIS, previously approved petitions for CW-1 construction workers were not to be reopened or revoked.

reflects new restrictions on future permits for workers in construction occupations.<sup>26</sup>

**Table 4: Estimated Number of CW-1 Permits for Construction and Other Occupations, Fiscal Years 2015–2018**

Occupation	2015 <sup>a</sup>	2016	2017	2018 <sup>b</sup>
Construction <sup>c</sup>	1,057	3,486	2,987	750
Other	8,624	9,931	9,875	7,478
<b>Total</b>	<b>9,681</b>	<b>13,417</b>	<b>12,862</b>	<b>8,228</b>

Legend: CNMI = Commonwealth of the Northern Mariana Islands; CW-1 = CNMI-Only Transitional Worker classification.

Source: Preliminary GAO analysis of U.S. Department of Homeland Security (DHS) data. | GAO-18-373T

Notes: On September 7, 2011, DHS issued a final rule establishing a transitional work permit program in the CNMI for foreign workers not otherwise admissible under federal law. Under the CNMI-Only Transitional Worker program, which is administered by the U.S. Citizenship and Immigration Services (USCIS), qualified nonimmigrant workers are able to obtain nonimmigrant CW-1 status through their employers that allows them to work in the CNMI.

The numbers of approved permits shown differ from the USCIS data we reported in 2017 (see [GAO-17-437](#)). According to USCIS officials, in its reporting for fiscal years 2015 through 2017, USCIS assigned permits to fiscal years based on the employment start date; in its reporting for prior years, USCIS assigned permits to fiscal years based on the permit’s approval date. In our analysis, we assigned permits to fiscal years based on the employment start date. Other data differences reflect revocations of permits over time and different methods for addressing missing or duplicate observations.

In our analysis, each foreign worker counts only once toward the cap on CW-1 permits that USCIS sets for each fiscal year.

<sup>a</sup>Occupation is listed as “unknown” for about 11 percent of permits approved for fiscal year 2015 in the data we analyzed. We included these in our total for “other” occupations. According to USCIS, CW-1 occupation information was not consistently captured until October 2014.

<sup>b</sup>According to USCIS officials, as of January 26, 2018, USCIS had not yet adjudicated all CW-1 petitions for fiscal year 2018.

<sup>c</sup>“Construction” refers to the occupational category “construction trade.” When adjudicating CW-1 petitions, USCIS assigns occupational categories on the basis of information that employers provide in the petitions.

## Duration of Employment

Of the 8,228 foreign workers who had been granted fiscal year 2018 permits as of January 17, 2018,<sup>27</sup> 2,352 had maintained continuous employment in the CNMI since fiscal year 2014 (see table 5).<sup>28</sup>

<sup>26</sup>A permit for construction and extraction occupations (as defined in the U.S. Department of Labor’s SOC system) may be issued only to extend a permit that was first issued before October 1, 2015. See Northern Mariana Islands Economic Expansion Act, Pub. L. No. 115-53, § 2 (Aug. 22, 2017) (amending 48 U.S.C. § 1806).

<sup>27</sup>According to USCIS officials, as of January 26, 2018, USCIS had not yet adjudicated all CW-1 petitions for fiscal year 2018.

**Table 5: Estimated Numbers of Foreign Workers with CW-1 Permits for Fiscal Year 2018 Who Maintained Continuous Employment in the CNMI in Prior Fiscal Years**

<b>Continuous employment since:</b>	<b>Foreign workers</b>
2018 <sup>a</sup>	8,228
2017	4,961
2016	3,298
2015	2,668
2014	2,352
2013	2,118
2012	1,385

Legend: CNMI = Commonwealth of the Northern Mariana Islands; CW-1 = CNMI-Only Transitional Worker classification.

Source: Preliminary GAO analysis of U.S. Department of Homeland Security (DHS) data. | GAO-18-373T.

Notes: On September 7, 2011, DHS issued a final rule establishing a transitional work permit program in the CNMI for foreign workers not otherwise admissible under federal law. Under the CNMI-Only Transitional Worker program, which is administered by U.S. Citizenship and Immigration Services (USCIS), qualified nonimmigrant workers are able to obtain nonimmigrant CW-1 status through their employers that allows them to work in the CNMI.

In January 2018, Senate bill S. 2325 proposed a new designation, CW-3, for foreign workers in the CNMI. Under S. 2325, CW-3 permits would be issued to otherwise admissible workers admitted to the CNMI through the CW-1 program during fiscal years 2014 and every subsequent fiscal year beginning before the date of enactment.

<sup>a</sup>According to USCIS officials, as of January 26, 2018, USCIS had not yet adjudicated all CW-1 petitions for fiscal year 2018. If the number of foreign workers with fiscal year 2018 CW-1 permits increases, the numbers shown for other years could also change.

Of the 2,352 workers with continuous employment in fiscal years 2014 through 2018, 1,905 workers (81 percent) were born in the Philippines.

Chairman Murkowski, Ranking Member Cantwell, and Members of the Committee, this concludes my prepared statement. I would be pleased to respond to any questions you may have at this time.

<sup>28</sup>Under S. 2325, foreign workers who are otherwise admissible would be eligible for CW-3 permits if they were admitted to the CNMI as CW-1 workers during fiscal year 2014 and every subsequent fiscal year beginning before the date of the enactment of S. 2325. These workers would receive a permit to remain in the CNMI for a 3-year period beginning on the date of S. 2325's enactment.

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## GAO Contacts and Staff Acknowledgments

For further information regarding this statement, please contact David Gootnick, Director, International Affairs and Trade at (202) 512-3149 or [gootnickd@gao.gov](mailto:gootnickd@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals making key contributions to this testimony included Emil Friberg (Assistant Director), Julia Ann Roberts (Analyst-in-Charge), Sada Aksartova, Andrew Kurtzman, Reid Lowe, Moon Parks, and John Yee. Technical support was provided by Chris Keblitis, Mary Moutsos, and Alexander Welsh.

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