



February 2022

# COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

## Recent Workforce Trends and Wage Distribution

# GAO Highlights

Highlights of [GAO-22-105271](#), a report to Congressional Committees

## Why GAO Did This Study

The Consolidated Natural Resources Act of 2008, which amended the 1976 Covenant between the U.S. and the CNMI, established federal control of CNMI immigration beginning in 2009. Under the act, the Department of Homeland Security began implementing a foreign worker permit program that was specific to the CNMI. The Northern Mariana Islands U.S. Workforce Act of 2018 extended the CW-1 program for 10 additional years, through the end of 2029. In addition, as required by a 2007 law, the CNMI minimum wage was increased over time to match the current federal minimum wage of \$7.25 by 2018.

The Northern Mariana Islands U.S. Workforce Act of 2018 included a provision for GAO to biennially examine the ratio of United States workers to other workers in the CNMI over the 5 previous calendar years. GAO was also asked to examine the structure of wages for workers in the CNMI. This report examines (1) recent trends in composition of the CNMI workforce, including the ratio of U.S. workers to foreign workers in the CNMI during the previous 5 calendar years, and (2) the distribution of wages for workers in the CNMI from 2019 through 2021. GAO analyzed CNMI government and U.S. agency data and prior GAO reports, and interviewed officials from the CNMI government and the U.S. Departments of Commerce, Homeland Security, and the Interior.

View [GAO-22-105271](#). For more information, contact Latesha Love at (202) 512-4409 or [lovel@gao.gov](mailto:lovel@gao.gov)

February 2022

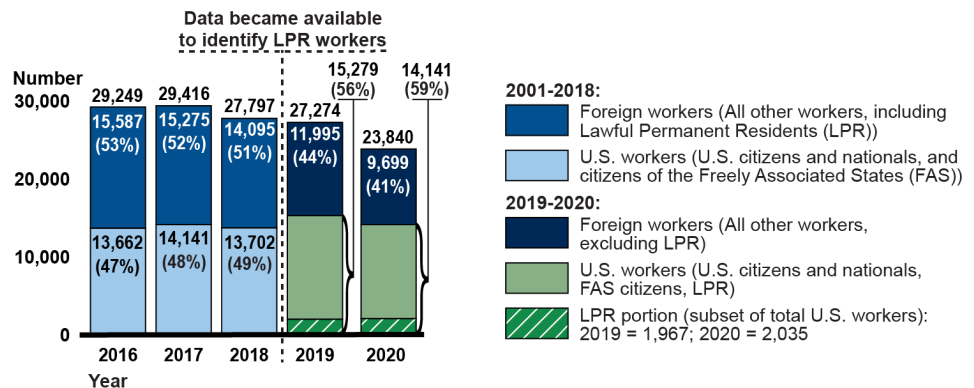
# COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

## Recent Workforce Trends and Wage Distribution

### What GAO Found

The federal government controls immigration for the Commonwealth of the Northern Mariana Islands (CNMI), including administration of a foreign worker permit program that is specific to the CNMI. Under this program, the ratio of U.S. to foreign workers in the CNMI remained close to 50 percent from 2016 through 2018. U.S. workers increased to 56 percent in 2019 and 59 percent in 2020, partly because the CNMI government identified persons lawfully admitted for permanent residence (LPRs) in the total of U.S. workers. The size of the overall workforce grew from 2016 to 2017 before contracting by about 2,000 workers in 2018, and dropped by more than 5,000 workers from 2016 to 2020. The Department of Homeland Security approved about 11,600 CNMI-Only Transitional Worker (CW-1) foreign worker permits for 2019 and about 5,400 for 2021, dropping from a high of 13,685 in fiscal year 2017.

**Employed Workers in the Commonwealth of the Northern Mariana Islands (CNMI), Calendar Years 2016–2020**



Source: GAO analysis of CNMI summary-level tax data. | GAO-22-105271

Notes: For 2016 to 2018, U.S. workers include U.S. citizens and nationals, and citizens of the FAS—the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau. Foreign workers include all other workers, potentially including LPRs because the data provided to GAO did not identify LPR workers. For 2019 and 2020, U.S. workers include LPRs identified by the CNMI. Foreign workers include all other workers who are not U.S. workers.

According to the Prevailing Wage Study (PWS), an annual study of employers in the CNMI, the reported number of employees earning less than \$8 per hour declined by 68 percent from 2019 to 2021. The decline is largely due to economic hardship during the COVID-19 pandemic and to lower study participation by private businesses. Because of the decline in the number of low-wage workers, 94 percent of CNMI workers in the PWS currently earn above the federal minimum wage of \$7.25 per hour, an increase from 73 percent in 2019. GAO also illustrated how various hypothetical minimum wage levels would affect workers. For example, at current wage levels, a minimum wage increase to \$10 per hour could directly affect 50 percent of workers included in the PWS.

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# Contents

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Letter		1
	Background	4
	Trends in the CNMI Workforce	12
	Information on the Structure of the Workforce and Wages from 2019 to 2021	18
	Agency Comments	23
Appendix I	Objectives, Scope, and Methodology	24
Appendix II	Selected Laws Amending the Consolidated Natural Resources Act of 2008	28
Appendix III	Distribution of CNMI Wages, 2019-2021	30
Appendix IV	Impact of Hypothetical Minimum Wage Increases in CNMI by Industry	32
Appendix V	Comments from the Commonwealth of the Northern Mariana Islands	35
Appendix VI	GAO Staff Acknowledgments	38
Tables		
	Table 1: Selected Laws Amending the Consolidated Natural Resources Act of 2008 Affecting the CW-1 Program or Resident Status of Long-term Foreign Nationals in the CNMI	28
	Table 2: Number and Percent of CNMI Workers in Each Wage Band in the Prevailing Wage Study, 2019-2021	30

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Table 3: Number and Percent of CNMI Workers Earning Below Hypothetical Increased Minimum Wage Levels in the Prevailing Wage Study, 2019-2021	31
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Figures

Figure 1: Map of the Commonwealth of the Northern Mariana Islands	4
Figure 2: Numerical Limits Established by the Department of Homeland Security (DHS) and in Public Law 115-218 for CNMI-Only Transitional Worker (CW-1) Permits for Fiscal Years 2011–2030	8
Figure 3: Commonwealth of the Northern Mariana Islands (CNMI) Annual Visitor Arrivals, Fiscal Years 2017–2021	9
Figure 4: Closed and Unfinished Commonwealth of the Northern Mariana Islands (CNMI) Casino and Hotel	11
Figure 5: Employed Workers in the Commonwealth of the Northern Mariana Islands (CNMI), Calendar Years 2001–2020	13
Figure 6: Number of Approved Commonwealth of the Northern Mariana Islands (CNMI)-Only Transitional Worker (CW-1) Permits and Numerical Limits on CW-1 Permits, for Fiscal Years 2012–2021	16
Figure 7: Number of Workers in Each Wage Band in the CNMI Prevailing Wage Study, 2019–2021	19
Figure 8: Closed Businesses Resulting from the Impact of COVID-19 on the Commonwealth of the Northern Mariana Islands (CNMI)	20
Figure 9: Percentage of Workers in CNMI Prevailing Wage Study Earning below Hypothetical Increased Minimum Wage Levels, 2019-2021	22
Figure 10: Industry Composition of CNMI Total Workforce and Low-Wage Workforce in the Prevailing Wage Study, 2019 and 2021	33

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## Abbreviations

BEA	U.S. Department of Commerce's Bureau of Economic Analysis
CNMI	Commonwealth of the Northern Mariana Islands
COVID-19	Coronavirus Disease 2019
CNRA	Consolidated Natural Resources Act of 2008
CW-1	CNMI-Only Transitional Worker
DHS	U.S. Department of Homeland Security
EDA	U.S. Department of Commerce's Economic Development Administration
FAS	Freely Associated States
GDP	Gross Domestic Product
LPR	Lawful Permanent Resident
OIA	U.S. Department of Interior Office of Insular Affairs
PWS	Prevailing Wage Study
USCIS	DHS's U.S. Citizenship and Immigration Services

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February 8, 2022

The Honorable Joe Manchin  
Chairman  
The Honorable John Barrasso  
Ranking Member  
Committee on Energy and Natural Resources  
United States Senate

The Honorable Patty Murray  
Chair  
The Honorable Richard Burr  
Ranking Member  
Committee on Health, Education, Labor, and Pensions  
United States Senate

The Honorable Bobby Scott  
Chairman  
The Honorable Virginia Foxx  
Republican Leader  
Committee on Education and Labor  
House of Representatives

The Honorable Raúl M. Grijalva  
Chairman  
The Honorable Bruce Westerman  
Ranking Member  
Committee on Natural Resources  
House of Representatives

The 1976 Covenant defining the political relationship between the United States and the Commonwealth of the Northern Mariana Islands (CNMI) exempted the CNMI from certain federal minimum wage provisions and 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> In accordance with the Covenant, the CNMI government

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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, 90 Stat. 263 (Mar. 24, 1976) (codified as amended at 48 U.S.C. § 1801 note). In this report, we refer to the 1976 Covenant between the United States and the CNMI as the Covenant.

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maintained a minimum wage until 2007 when it applied the federal minimum wage with a phase-in period. It also operated an immigration system that included foreign worker permits until the federal government assumed control of immigration in 2009. The Consolidated Natural Resources Act of 2008 (CNRA)<sup>2</sup> amended the Covenant to establish federal control of CNMI immigration beginning in 2009.<sup>3</sup>

Under the CNRA, the U.S. Department of Homeland Security (DHS) established the CNMI-Only Transitional Worker (CW-1) program in fiscal year 2011 to provide for an orderly transition from the CNMI immigration system to the U.S. immigration system during a transition period. The Northern Mariana Islands U.S. Workforce Act of 2018 (the Act) later amended the CNRA to, among other things, extend the transition period through December 31, 2029.<sup>4</sup>

The Act also included a provision for GAO to biennially report on the ratio between United States and other workers in the CNMI workforce during each of the 5 calendar years preceding the provision's stipulated report date.<sup>5</sup> The Act defines United States workers as "any worker who is: a U.S. citizen or national; a citizen of the Freely Associated States (FAS)—the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau—who has been lawfully admitted to the United

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<sup>2</sup>Pub. L. No. 110-229, Title VII, 122 Stat. 853-69 (May 8, 2008). The legislation's stated intent is to ensure effective border control procedures and to address national and homeland security issues while minimizing, to the greatest extent practicable, the potential adverse economic and fiscal effects of phasing out the CNMI's nonresident contract worker program and maximizing the CNMI's potential for economic and business growth.

<sup>3</sup>Section 702 of the CNRA added section 6 to the "Joint Resolution to approve the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America, and for other purposes," Pub. L. No. 94-241. The CNRA created a nonvoting delegate seat in the U.S. House of Representatives for the CNMI. 48 U.S.C. § 1751. In November 2008, the CNMI elected its first representative to the U.S. Congress, who was sworn into office in January 2009.

<sup>4</sup>Pub. L. No. 115-218, § 3, 132 Stat. 1547-55 (July 24, 2018).

<sup>5</sup>The same act includes a requirement for the Governor of the CNMI to report on the ratio of United States to other workers to the U.S. Secretary of Homeland Security on an annual basis.

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States pursuant to their respective compacts of free association; or an alien who has been lawfully admitted for permanent residence”.<sup>6</sup>

In 2020, we reported that the CNMI labor market continues to rely on foreign workers, as the ratio of United States to foreign workers in the CNMI remained close to 50 percent from 2014 to 2018, with United States workers (U.S. citizens and nationals, and FAS workers) making up 49 percent of the workforce in 2018.<sup>7</sup> This report examines (1) recent trends in composition of the CNMI workforce, including the ratio of United States workers to foreign workers in the CNMI during the previous 5 calendar years and (2) the distribution of wages for workers in the CNMI from 2019 through 2021.

To determine the ratio of United States workers to foreign workers in the CNMI workforce, we collected and analyzed workforce tax data from the CNMI government and interviewed knowledgeable officials about changes in data collection. We also collected data from DHS on CW-1 worker permits to compare approved permit numbers against established numerical caps, and interviewed knowledgeable officials about these data. To summarize the distribution of wages in the CNMI, we used data from the CNMI Prevailing Wage Study (PWS), an annual study of employers in the CNMI, conducted by the CNMI Department of Commerce. We used these data to present the distribution of wages in the CNMI from 2019 to 2021. To understand the number of workers that hypothetical minimum wage increases would affect, we presented the percentage of workers in the PWS data who currently earn less than hypothetical increased minimum wage levels. We determined that these data were sufficiently reliable for the purposes of our reporting objectives. For more information on our scope and methodology, see appendix I.

We conducted this performance audit from June 2021 to February 2022 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

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<sup>6</sup>In this report, we refer to “alien[s] who ha[ve] been admitted for lawful permanent residence” under the Act as Lawful Permanent Residents (LPRs). We also refer to workers other than those who constitute United States workers under the Act as foreign workers.

<sup>7</sup>GAO, *Commonwealth of the Northern Mariana Islands: Recent Economic and Workforce Trends*, [GAO-20-305](#) (Washington, D.C.: Feb. 13, 2020). In this report, we were unable to count LPRs among United States workers per the Act because the CNMI Department of Finance did not include this information in the data provided to us.



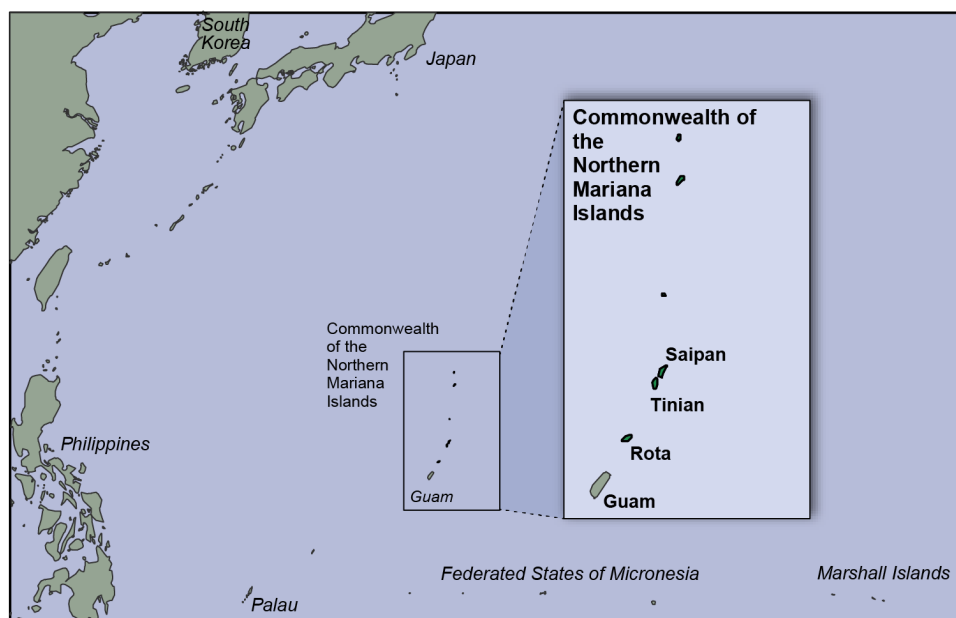
findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Background

### CNMI Geography and Population

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**Figure 1: Map of the Commonwealth of the Northern Mariana Islands**



Source: GAO (data); Map Resources (map). | GAO-22-105271

According to the 2020 Census, the total population of the CNMI in 2020 was 47,329.<sup>9</sup> The CNMI's population resides primarily on the island of

<sup>8</sup>The other U.S. territories are American Samoa, Guam, Puerto Rico, and the U.S. Virgin Islands.

<sup>9</sup>CNMI's 2020 population of 47,329 represented a decrease of 6,554 or 12.2 percent from the 2010 population of 53,883.

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Saipan (43,385), with additional residents on the islands of Rota (1,893), Tinian (2,044), and the Northern Islands (7).

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## U.S.-CNMI Relations

The United States took control over the Northern Mariana Islands from Japan during the latter part of World War II. After the war, the U.S. Congress approved a trusteeship agreement making the United States responsible to the United Nations for the administration of the islands.<sup>10</sup> In 1976, the District of the Mariana Islands entered into the Covenant with the United States establishing the island territory's status as a self-governing commonwealth in political union with the United States.<sup>11</sup> This Covenant grants the CNMI the right of self-governance over internal affairs and the United States complete responsibility and authority for matters relating to foreign affairs and defense affecting the CNMI.<sup>12</sup>

The Covenant initially made many federal laws applicable to the CNMI, including laws that provide federal services and financial assistance programs. Under the terms of the Covenant, the federal government has the right to apply federal law in exempted areas without the consent of the

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<sup>10</sup>In 1947, the United Nations gave the United States authority to administer the Trust Territory of the Pacific Islands, which included the Northern Mariana Islands. The trusteeship over the Northern Mariana Islands was formally dissolved in 1986.

<sup>11</sup>While some provisions of the Covenant went into effect in 1976 and 1978, the full Covenant became effective in November 1986.

<sup>12</sup>Under the Covenant, the U.S. government may enact legislation in accordance with its constitutional processes that will be applicable to the CNMI. To respect the right of self-government under the Covenant, the federal government and the CNMI government may modify certain provisions of the Covenant only with the consent of both parties. These provisions include those relating to the political relationship between the United States and the CNMI; the CNMI constitution, citizenship, and nationality; the application of the U.S. constitution to the CNMI; and the land ownership rights of CNMI citizens. The federal government may modify most other provisions of the Covenant without the consent of the CNMI government. Local CNMI laws remained in effect if they were not inconsistent with federal laws or treaties of the United States when the Covenant was enacted. In addition, international treaty obligations between the United States and other countries apply to the CNMI through the Covenant.

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CNMI government, including certain federal minimum wage provisions and immigration laws, with some limited exceptions.<sup>13</sup>

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## Application of Federal Immigration Law to the CNMI

In 2008, the CNRA amended the Covenant to apply federal immigration law to the CNMI, with a transition period to provide for an orderly transition from the CNMI immigration system to the U.S. immigration system for foreign workers that would end on December 31, 2014, unless extended by the U.S. Secretary of Labor.<sup>14</sup>

To provide for an orderly transition from the CNMI immigration system to the U.S. immigration system, DHS's U.S. Citizenship and Immigration Services (USCIS) established the CW-1 program in 2011. Through the program, employers petition for nonimmigrant CW-1 permits that allow foreign workers who meet certain requirements to work temporarily in the CNMI. In 2014, the transition period for the CW-1 program was extended through December 31, 2019.<sup>15</sup>

The CNRA, as amended by the Northern Mariana Islands U.S. Workforce Act of 2018, extends the CW-1 program through December 31, 2029, defines the number of permits DHS may issue annually, and reduces that number each year until the end of the transition period. In addition, the Northern Mariana Islands Long-Term Legal Residents Relief Act of June 2019 established a new category of long-term residents in the CNMI, assuming they met certain qualifications. These qualifications included that applicants must have been lawfully present in the CNMI at the passage of this act or on December 31, 2018, and have resided continuously in the CNMI from November 28, 2009 through the date of

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<sup>13</sup>There are several examples of federal laws applied in these exempted areas, which do not require the consent of the CNMI government. The Fair Minimum Wage Act of 2007, Pub. L. No. 110-28, 121 Stat. 188 (May 25, 2007), included a provision to apply U.S. minimum wage to the CNMI, increasing the CNMI's minimum wage in periodic increments until it reached the federal minimum wage of \$7.25, which it did on September 30, 2018. We reported on this in [GAO-17-437](#). Prior to November 2009, Section 506 of the Covenant applied to the CNMI certain provisions of the Immigration and Nationality Act of 1952 relating to citizenship and family-based permanent immigration. Certain other nonimmigrant provisions of the act, related to victims of human trafficking and other crimes, also applied to the CNMI. See 8 U.S.C. § 1101(a)(15)(T)-(U). In addition, the Covenant provided U.S. citizenship to legally qualified CNMI residents.

<sup>14</sup>Pub. L. No. 110-229, Title VII.

<sup>15</sup>Consolidated and Further Continuing Appropriations Act, 2015, Pub. L. No. 113-235, Sec. 10, 128 Stat. 2134 (Dec. 16, 2014).

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the enactment of the act.<sup>16</sup> In addition, the Disaster Recovery Workforce Act temporarily increased the CW-1 program caps for construction and extraction occupations by 3,000 for fiscal years 2020, 2021, and 2022 for certain eligible individuals. These permits were only to be made available for workers performing service or labor pursuant to a contract or subcontract for construction, repairs, renovations, or facility services directly connected to, or associated with recovery from a presidentially declared major disaster or emergency, or for preparation for a future disaster or emergency.<sup>17</sup> For a list of selected amendments to the CNRA, see appendix II.

Figure 2 shows the numerical limits on CW-1 permits established by DHS and the numerical limits for permits specified in the Northern Mariana Islands U.S. Workforce Act of 2018.<sup>18</sup> The limits shown are the maximum number of permits available for each fiscal year through the end of the transition period and may not reflect the number of permits for which employers would petition and that USCIS would approve.

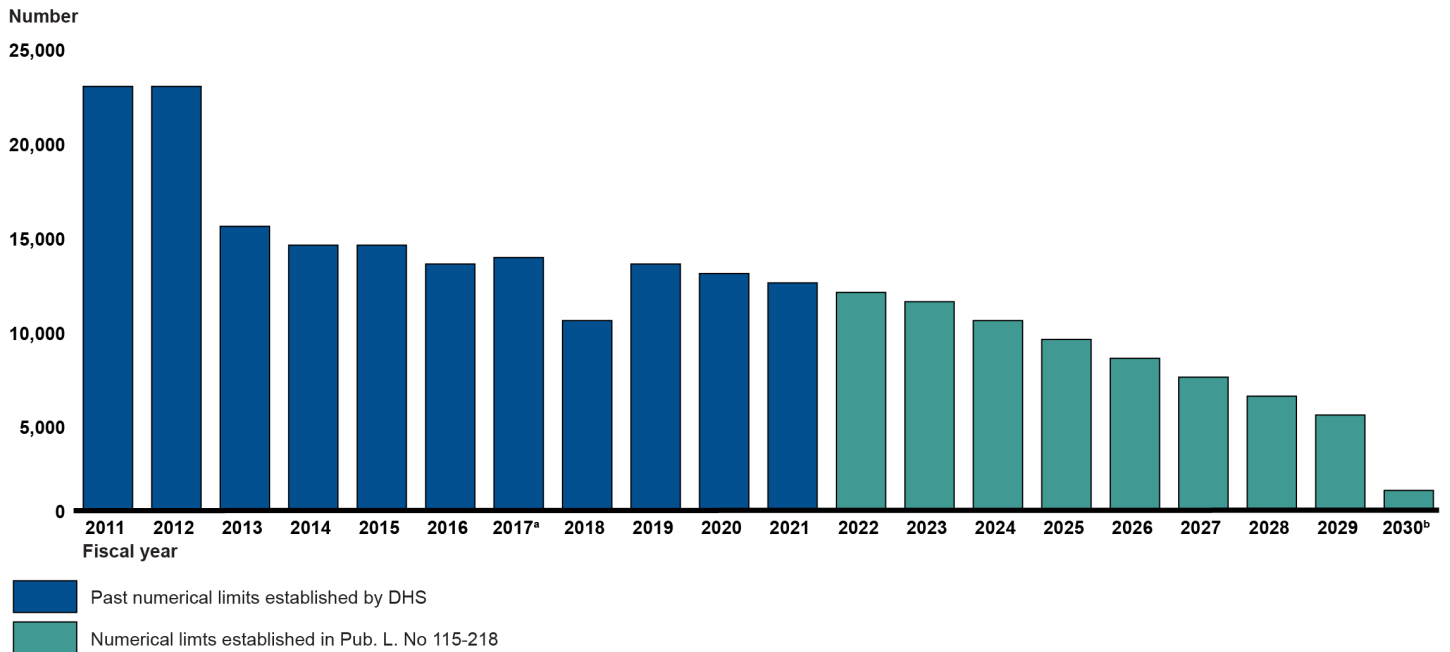
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<sup>16</sup>Pub. L. No. 116-24, § 2, 133 Stat. 977-9 (June 25, 2019).

<sup>17</sup>Pub. L. No. 116-94, Div. P, Title IX, § 902, 133 Stat. 3197-8 (Dec. 20, 2019).

<sup>18</sup>Pub. L. No. 115-218. The act also established new requirements for employers petitioning for CW-1 workers. Beginning with petitions filed with employment start dates in fiscal year 2020, employers submitting petitions must receive a temporary labor certification from the U.S. Department of Labor. This certification must show there are not sufficient United States workers in the CNMI who are able, willing, qualified, and available at the time and place needed to perform the services or labor involved and that the employment of the foreign worker will not adversely affect the wages and working conditions of similarly employed United States workers. In addition, the act required the Secretary of Labor and the Secretary of Homeland Security to publish regulations specifying how each intends to implement certain provisions of the act no later than 180 days after the date of enactment. The U.S. Department of Labor published an interim final rule on April 1, 2019, implementing provisions of the act. This rule became effective on April 4, 2019. The U.S. Department of Homeland Security published an interim final rule May 14, 2020, implementing provisions of the act. This rule became effective on June 18, 2020.

**Figure 2: Numerical Limits Established by the Department of Homeland Security (DHS) and in Public Law 115-218 for CNMI-Only Transitional Worker (CW-1) Permits for Fiscal Years 2011–2030**



Source: GAO analysis of numerical limits specified by the DHS and Pub. L. No. 115-218. | GAO-22-105271

Notes: On September 7, 2011, DHS’s U.S. Citizenship and Immigration Services (USCIS) issued a final rule establishing a transitional worker permit program in the Commonwealth of the Northern Mariana Islands (CNMI) for foreign workers not otherwise admissible under federal law. Through the CNMI-Only Transitional Worker program, which USCIS administers, CW-1 permits are available to qualified nonimmigrant workers to allow them to work in the CNMI.

The CW-1 numerical limits shown for fiscal years 2020, 2021, and 2022 do not take into account the 3,000 permits made available pursuant to the Disaster Recovery Workforce Act. Pub. L. No. 116-94, Div. P, Title IX, § 902, 133 Stat. 3197-8 (Dec. 20, 2019). These permits were only to be made available for eligible workers performing service or labor pursuant to a contract or subcontract for construction, repairs, renovations, or facility services directly connected to, or associated with recovery from a presidentially declared major disaster or emergency, or for preparation for a future disaster or emergency.

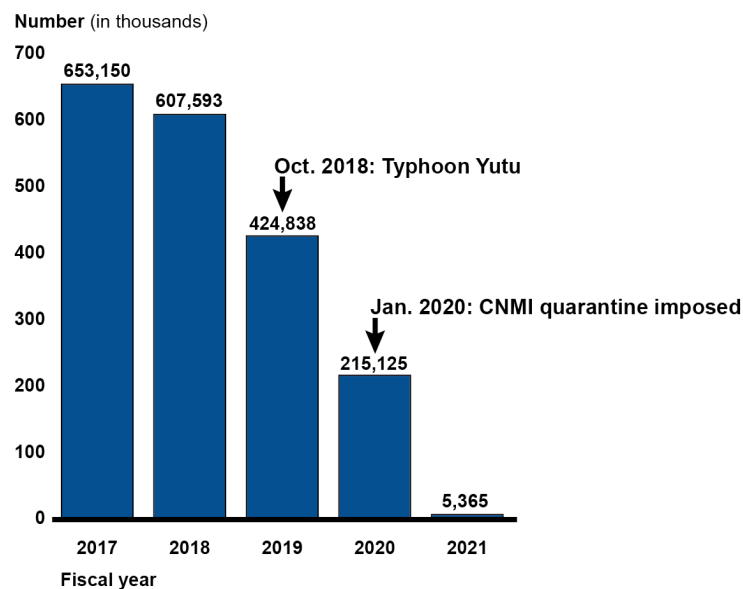
<sup>a</sup>Under the Northern Mariana Islands Economic Expansion Act, 350 CW-1 permits were added to the numerical limit for fiscal year 2017 for extensions of existing permits, thus raising the total number of permits that may be issued from 12,998 to 13,348, among other changes. Pub. L. No. 115-53, 131 Stat. 1091 (Aug. 22, 2017).

<sup>b</sup>Under the Northern Mariana Islands U.S. Workforce Act of 2018, a transition period, during which CNMI-only transitional workers may be admitted to perform work, is set to end on December 31, 2029, or 3 months into fiscal year 2030. After this date, no CW-1 permits shall be valid. Pub. L. No. 115-218, 132 Stat. 1547 (July 24, 2018).

## The Impact of the COVID-19 Pandemic in the CNMI

The COVID-19 pandemic has had a significant effect on tourism, which is the CNMI's primary industry. Tourism from Asia declined significantly beginning at the onset of the pandemic in January 2020.<sup>19</sup> According to tourism data provided by the government, visitor arrivals declined by about 85 percent in March 2020 compared with March 2019 in the prior year. The number of visitor arrivals declined every year between fiscal years 2017 and 2021, as described below, and sharply following the beginning of the pandemic, from 653,150 in fiscal year 2017 to 5,365 in fiscal year 2021<sup>20</sup> (see fig 3).

**Figure 3: Commonwealth of the Northern Mariana Islands (CNMI) Annual Visitor Arrivals, Fiscal Years 2017–2021**



Source: GAO analysis of CNMI Marianas Visitors Authority data. | GAO-22-105271

To offset the decline in visitor arrivals and its anticipated impact on revenue, in March 2020 the Governor of the CNMI took executive action to adopt austerity measures, such as furloughing government employees and reducing their hours, which the governor rescinded in March 2021. To increase tourism without spreading COVID-19, the CNMI in July 2021

<sup>19</sup>According to a CNMI Governor's Executive Order, CNMI instituted a strict quarantine procedure for travelers in and out of the islands beginning on January 29, 2020, and has had 395 COVID-19 cases and three COVID-19 deaths, as of November 30, 2021.

<sup>20</sup>The Marianas Visitors Authority reports data on visitor arrivals on a fiscal year basis.

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also introduced a “travel bubble” with South Korea, whereby individuals from South Korea can travel to the CNMI and quarantine at a resort for the first 5 days of their trip, according to officials from the Marianas Visitor Authority and Saipan Chamber of Commerce. While visitor arrivals have increased since the introduction of the travel bubble, they remain very low.<sup>21</sup> According to the Marianas Visitors Authority, the CNMI government is considering establishing similar travel bubbles with Japan and Australia.

The CNMI economy faced challenges prior to the pandemic. It was still recovering from the effects of Super Typhoon Yutu, which devastated the CNMI in October 2018, causing extensive damage to homes, businesses, and infrastructure, including to the Saipan International Airport. The U.S. Department of Commerce’s Bureau of Economic Analysis (BEA) said that CNMI’s inflation-adjusted Gross Domestic Product (GDP) fell by 19.3 percent in 2018 and another 11.2 percent in 2019 with sharp declines in tourist spending, casino gambling revenue, and private fixed investment.<sup>22</sup> Revenues from casino gambling dropped over 80 percent in 2019, according to BEA.<sup>23</sup> The Imperial Pacific International Casino located in Saipan temporarily closed in March 2020 due to the adverse impact of COVID-19. The Commonwealth Casino Commission also suspended the casino’s gaming license in April 2020 due to the casino licensee’s failure to pay the casino regulatory fee and annual casino license fee, among other things (see fig 4 below).<sup>24</sup>

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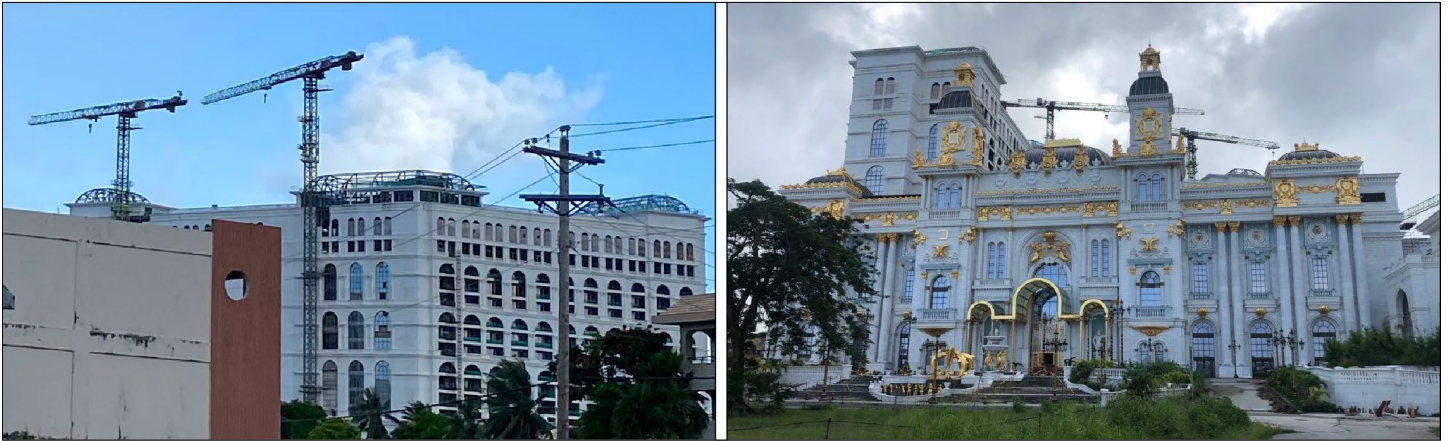
<sup>21</sup>From July to September 2021, there were 952 monthly visitors on average, up from an average of 445 visitors over the 3 months prior.

<sup>22</sup>BEA reports CNMI GDP on a calendar years basis.

<sup>23</sup>GAO previously addressed the challenges the CNMI faced in developing licensed casinos on Tinian and Saipan. See GAO, *Commonwealth of the Northern Mariana Islands: Recent Economic and Workforce Trends*, [GAO-20-305](#) (Washington, D.C.: Feb. 13, 2020).

<sup>24</sup>In November 2020, the U.S. Department of Labor debarred the Imperial Pacific International Casino from the H-2B visa program for 5 years. The H-2B visa program allows employers to use temporary visas for nonagricultural workers. This action would also affect the Imperial Pacific International Casino’s eligibility as a CW-1 employer based on program requirements, according to DHS officials.

**Figure 4: Closed and Unfinished Commonwealth of the Northern Mariana Islands (CNMI) Casino and Hotel**



Sources: CNMI Department of Labor (left); Department of the Interior, Office of Insular Affairs (right). | GAO-22-105271

A 2020 report by the Governor’s Fiscal Task Force noted that the CNMI entered the pandemic period from a position of financial weakness due to a variety of factors, including rapid growth in expenses, “a dated tax and revenue system that relied on volatile tourism and casino sources to support ever-growing government services,” and pension liabilities.<sup>25</sup> In recent years, the U.S. government has devoted federal funding for disaster response and recovery activities. For example, we reported that the Federal Emergency Management Agency, as of October 2020, had obligated approximately \$664 million for disaster response and recovery programs in the CNMI through the Disaster Relief Fund. These programs were in such areas as temporary housing, home repair, emergency debris removal, and restoration of public utilities.<sup>26</sup>

In fiscal year 2021, the U.S. Department of Commerce’s Economic Development Administration (EDA) provided grants to support the CNMI. According to EDA press releases, these grants included \$13.2 million to construct a college research facility to replace facilities damaged or

<sup>25</sup>For more information on CNMI public debt see CNMI Fiscal Response Task Force, *Facing the Challenge: Addressing the CNMI’s Fiscal Crisis*, (CNMI: March 2020); and GAO, *U.S. Territories: Public Debt Outlook—2021 Update*, [GAO-21-508](#) (Washington, DC: June 2021).

<sup>26</sup>GAO, *2018 Pacific Island Disasters: Federal Actions Helped Facilitate the Response, but FEMA Needs to Address Long-Term Recovery Challenges*, [GAO-21-91](#) (Washington, DC: February 2021).



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destroyed by Typhoon Yutu; \$11.2 million to rehabilitate roadway infrastructure; \$21.2 million to support growth of the tourism economy; and \$19.6 million to build disaster resilient infrastructure. In addition, according to the CNMI government, the American Rescue Plan Act of 2021 allocated about \$482 million to the CNMI, which it received in May 2021.<sup>27</sup> The U.S. Department of the Interior Office of Insular Affairs (OIA) also reported that it used funds from the Coronavirus Aid, Relief, and Economic Security Act<sup>28</sup> to provide technical assistance grants of \$7.2 million to CNMI for fiscal years 2020 and 2021. According to OIA, these grants were for such items as \$1.2 million for a COVID-19 mobile biosafety lab; \$1.1 million for medical equipment for the CNMI Commonwealth Health Center; and \$366,900 to purchase personal protective equipment and hygienic supplies for government workers.

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## Trends in the CNMI Workforce

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### The Ratio of United States to Foreign Workers in the CNMI Remained About 50 Percent or Higher from 2016 to 2020

The ratio of United States to foreign workers in the CNMI remained relatively close to 50 percent between 2016 and 2018, but increased in 2019 and 2020 in part because CNMI tax data for these years enabled the identification and inclusion of LPRs in the total of United States workers. With the addition of these individuals to the counts of United States workers, the percentage of United States workers increased to 56 percent in 2019 and to 59 percent in 2020. Figure 5 illustrates the number

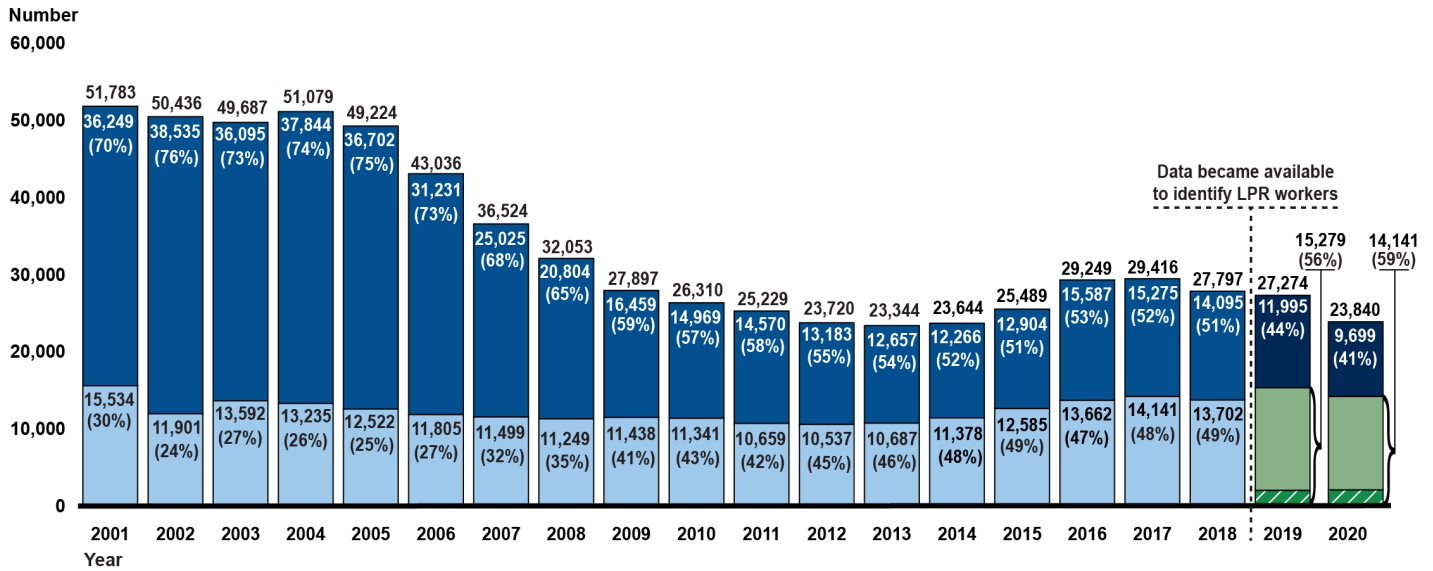
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<sup>27</sup>Pub. L. No. 117-2, 135 Stat. 4 (March 11, 2021).

<sup>28</sup>The Coronavirus Aid, Relief, and Economic Security Act or the CARES Act was passed in response to the COVID-19 outbreak and its impact on the economy, public health, state and local governments, individuals, and businesses. Pub. L. No. 116-136, 134 Stat. 281 (March 27, 2020).

of employed workers in the CNMI for calendar years 2001 through 2020.<sup>29</sup>

**Figure 5: Employed Workers in the Commonwealth of the Northern Mariana Islands (CNMI), Calendar Years 2001–2020**



- 2001-2018:**
- Foreign workers (All other workers, including Lawful Permanent Residents (LPR))
  - U.S. workers (U.S. citizens and nationals, and citizens of the Freely Associated States (FAS))
- 2019-2020:**
- Foreign workers (All other workers, excluding LPR)
  - U.S. workers (U.S. citizens and nationals, FAS citizens, LPR)
  - LPR portion (subset of total U.S. workers): 2019 = 1,967; 2020 = 2,035

Source: GAO analysis of CNMI summary-level tax data. | GAO-22-105271

Notes: For 2001 to 2018, United States workers include U.S. citizens and nationals, and citizens of FAS—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. Foreign workers include all other

<sup>29</sup>For 2001 to 2018, United States workers include U.S. citizens and nationals, and citizens of the FAS—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. Foreign workers include all other workers, potentially including LPRs, because the tax data provided to us included information on workers’ country of citizenship, but did not include information to identify LPR workers. The government of the CNMI began collecting information on these data in 2018. For 2019 and 2020, the count for United States workers also includes LPRs identified by the CNMI government. The Northern Mariana Islands U.S. Workforce Act of 2018 defines United States workers to include “alien[s] who ha[ve] been admitted for lawful permanent residence”, which we refer to as LPRs for purposes of this report. Foreign workers include all other workers who are not United States workers.

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workers, potentially including LPRs, because the tax data provided to us included information on workers' country of citizenship, but did not include information to identify LPR workers. The government of the CNMI began collecting information on these data in 2018. For 2019 and 2020, the count for United States workers includes LPRs identified by the CNMI government. The Northern Mariana Islands U.S. Workforce Act of 2018 defines United States workers to include "alien[s] who ha[ve] been admitted for lawful permanent residence", which we refer to as LPRs for the purposes of this figure. Foreign workers include all other workers who are not United States workers.

The size of the CNMI workforce grew from 2014 to 2017 before contracting by about 2,000 workers (5.6 percent) in 2018, according to CNMI tax data. By 2020, the CNMI workforce had dropped by 5,400 (19 percent) workers from the 2016 level. The overall number and share of foreign workers in the CNMI workforce fell significantly over the last 20 years, from about 36,300 workers in 2001, to about 9,700 workers in 2020, representing about a 73 percent decline.<sup>30</sup> The number of United States workers remained more stable than the number of foreign workers, dropping from about 15,500 workers in 2001, to about 14,000 workers in 2020, about a 9 percent decline.<sup>31</sup> Overall, the share of United States workers has increased over those 20 years, representing 30 percent of the workforce in 2001 and 59 percent in 2020. This trend could continue as CNMI tax data is expected to increasingly enable the identification of LPRs, shifting workers previously counted as foreign workers to United States workers, thereby increasing the percentage of United States workers. For example, prior to the CNMI Department of Finance identifying LPRs, the LPR portion of 2,035 United States workers in 2020 shown in figure 5 above would have been counted as foreign workers, dropping the ratio of U.S. workers from 59 percent to 51 percent.

On 2018 tax forms, the CNMI government started collecting information from employers on worker's visa type, in response to the Northern Mariana Islands U.S. Workforce Act of 2018. According to a CNMI government report, the new information will help identify workers lawfully

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<sup>30</sup>As we previously reported, the CNMI economy's dependence on foreign labor has changed over time largely due to changes in key industries. In particular, following a period of expansion that led to an increase in the number of foreign workers, the CNMI's garment industry substantially contracted following international trade developments in the mid-2000s. For more information, see GAO, *Commonwealth of the Northern Mariana Islands: Implementation of Federal Minimum Wage and Immigration Laws*, [GAO-17-437](#) (Washington, D.C.: May 2017).

<sup>31</sup>The FAS contributed 1,561 workers in 2001 and 722 workers in 2020 to the number of United States workers. These numbers represented a 54 percent decline in the number of workers from the FAS over that period.

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admitted for permanent residence.<sup>32</sup> However, about one-third of the 2018 CNMI tax forms collected did not include information on worker's visa type, and we were therefore unable to include these data in our prior report on this topic. According to the CNMI government report, the missing data may have resulted from the government's inability to sufficiently explain the new reporting procedure to employers. The report indicated that, after Super Typhoon Yutu devastated the islands of Saipan and Tinian, the government had very little time to adequately inform and prepare employers of this new procedure for the tax form before the end of tax year 2018. In 2019 and 2020, the completeness of available data improved, and the CNMI government included these data in its annual workforce ratio reports to provide a breakdown of United States workers as defined under the Northern Mariana Islands U.S. Workforce Act of 2018.<sup>33</sup> While these data were improved enough to be included in our reporting, it is important to note that close to 14 percent of the 2019 and 2020 CNMI tax forms collected still did not include information on worker's visa type. According to CNMI officials, during the pandemic the CNMI government was unable to continue training employers on the new reporting procedure of capturing visa type on tax forms. As a result, the process may remain unclear to some employers and these numbers could change in future reporting.

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## Approved CW-1 Permits Fell for Fiscal Years 2020 and 2021

The overall number of CW-1 permits approved by USCIS fell from a high of 13,685 for fiscal year 2017 to 5,365 for fiscal year 2021 (see fig. 6). The number of approved CW-1 permits for fiscal year 2021 was over 6,000 below the updated 2021 cap established in 2018. The number of CW-1 permits for fiscal years 2012 to 2015 remained well below the annual numerical limits and exceeded or neared those limits for fiscal

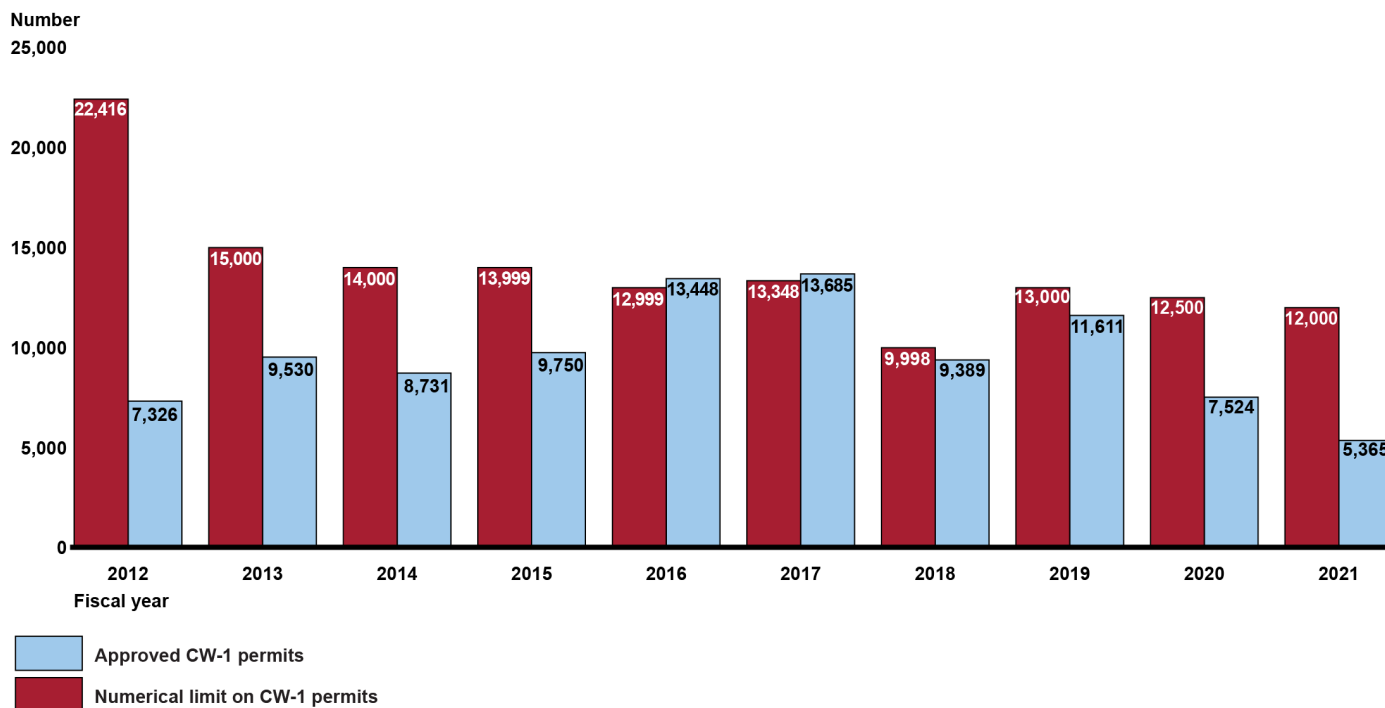
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<sup>32</sup>CNMI Department of Labor, Office of the Secretary, *Ratio of United States Workers to Other Workers in the Commonwealth of the Northern Mariana Islands for Tax Year 2018 Revised*, (Saipan, MP: January 28, 2020).

<sup>33</sup>CNMI Department of Labor, Office of the Secretary, *Ratio of United States Workers to Other Workers in the Commonwealth of the Northern Mariana Islands for Tax Year 2019*, (Saipan, MP: June 29, 2021), and CNMI Department of Labor, Office of the Secretary, *Ratio of United States Workers to Other Workers in the Commonwealth of the Northern Mariana Islands for Tax Year 2020*, (Saipan, MP: November 1, 2021).

years 2016 through 2018, while dropping again for fiscal years 2019 to 2021.<sup>34</sup>

**Figure 6: Number of Approved Commonwealth of the Northern Mariana Islands (CNMI)-Only Transitional Worker (CW-1) Permits and Numerical Limits on CW-1 Permits, for Fiscal Years 2012–2021**



Source: U.S. Citizenship and Immigration Services data. | GAO-22-105271

Notes: On September 7, 2011, the Department of Homeland Security’s (DHS) U.S. Citizenship and Immigration Services (USCIS) issued a final rule establishing a transitional work permit program in the CNMI for foreign workers not otherwise admissible under federal law. Through this program, which USCIS administers, annually decreasing numbers of CW-1 permits are available to qualified nonimmigrant workers to allow them to work in the CNMI.

The CW-1 numerical limits shown for fiscal years 2020 and 2021 do not take into account the 3,000 permits made available pursuant to the Disaster Recovery Workforce Act, Pub. L. No. 116-94, Div. P,

<sup>34</sup>For more information on the CNMI economy and workforce prior to 2019, see GAO, *Commonwealth of the Northern Mariana Islands: Implementation of Federal Minimum Wage and Immigration Laws*, GAO-17-437 (Washington, D.C. May 18, 2017); *Commonwealth of the Northern Mariana Islands: Recent Economic Trends and Preliminary Observations on Workforce Data*, GAO-18-373T (Washington, D.C.: Feb. 6, 2018); *Commonwealth of the Northern Mariana Islands: DHS Implementation of U.S. Immigration Laws*, GAO-19-376T (Washington, D.C.: Feb. 27, 2019); *Commonwealth of the Northern Mariana Islands: Review of Transitional Worker Permit and Visa Data*, GAO-19-334SU (Washington, D.C.: June 2019); and *Commonwealth of the Northern Mariana Islands: Recent Economic and Workforce Trends*, GAO-20-305 (Washington, D.C: Feb. 13, 2020).

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Title IX, § 902, 133 Stat. 3197-8 (Dec. 20, 2019). These permits were only to be made available for eligible workers performing service or labor pursuant to a contract or subcontract for construction, repairs, renovations, or facility services directly connected to, or associated with recovery from a presidentially declared major disaster or emergency, or for preparation for a future disaster or emergency.

The numbers of approved permits shown slightly differ from the numbers we previously reported because we are presenting DHS counts for this report. Previously we had presented counts based on our analysis of data. The data differences reflect revocations of permits over time and different methods for addressing missing or duplicate information.

USCIS approved CW-1 permits in excess of the numerical limits for fiscal years 2016 and 2017 to compensate for the expected number of visa denials by the Department of State. The number of approved CW-1 permits shown was current as of November 2021.

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## Information on the Structure of the Workforce and Wages from 2019 to 2021

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### The Number of Low-Wage Workers Counted in an Annual Study Dropped Sharply from 2019 to 2021

The COVID-19 pandemic led to large declines in the number of employees in the CNMI. According to tax data from the CNMI Department of Finance, the number of workers in the CNMI dropped by 13 percent from 2019 to 2020. This decline in workers is largely due to economic hardship during the pandemic, primarily in the tourism industry.

To understand the impact of the pandemic on wages and employment by industry, we used the Prevailing Wage Study (PWS), an annual study of employers in the CNMI.<sup>35</sup> According to the PWS, tourism-related industries experienced some of the strongest workforce declines during the pandemic. For example, the workforce for the accommodation and food services industry declined by 67 percent between 2019 and 2021. Other industries' workforces also declined, by an average of 32 percent, according to the PWS. These workforce reductions are on top of previous economic declines following Super Typhoon Yutu in 2018.

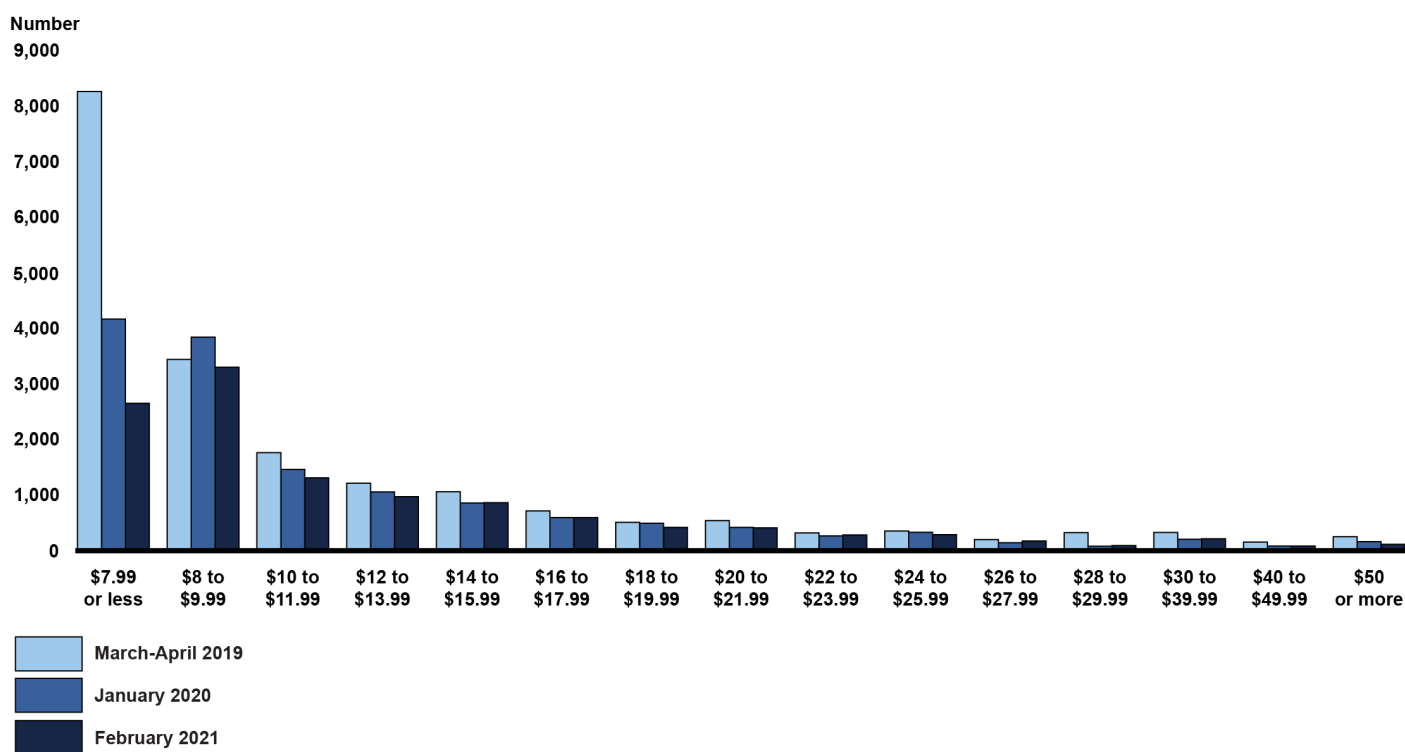
The PWS data indicate that most of the CNMI employees who lost their jobs during the pandemic were low-wage employees (see fig. 7). The number of employees in the PWS earning less than \$8 per hour declined by 68 percent from 2019 to 2021. The number of employees in other wage groups in the PWS also declined, but typically by much smaller

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<sup>35</sup>The Prevailing Wage Study (PWS) is an annual study of CNMI employers and the wages they pay, conducted by the CNMI Department of Commerce. The study provides a snapshot of wages paid in a single month or pay period of each year, specifically March-April 2019, January 2020, and February 2021. Due to nonresponse from some employers, and because the PWS only records workers employed in 1 month or pay period of each year, the PWS does not capture every worker in the CNMI economy. The number of employers responding to the study dropped from 946 in 2019 to 631 in 2020, and 550 in 2021. We use the PWS data in this report because they are the best available data on CNMI wages. However, the numbers reported in the PWS reports and included in this report should be interpreted with caution, as it is not clear whether the employers that did not respond to the study are systematically different from those that did. See appendix I for more information on PWS data reliability.

amounts.<sup>36</sup> This decline is partly due to tourism, the sector hit hardest by the pandemic, also being one of the lowest-paying sectors in the CNMI. According to the PWS, in 2019 the median hourly wage was \$8.65 in the CNMI, but it was \$7.55 per hour or less in tourism-related industries, such as arts and entertainment and accommodation and food services.<sup>37</sup>

**Figure 7: Number of Workers in Each Wage Band in the CNMI Prevailing Wage Study, 2019–2021**



Source: GAO analysis of Commonwealth of the Northern Mariana Islands (CNMI) Prevailing Wage Study data. | GAO-22-105271

Note: The Prevailing Wage Study (PWS) is an annual study of CNMI employers and the wages they pay, conducted by the CNMI Department of Commerce. The study provides a snapshot of wages paid in a single month or pay period of each year, specifically March-April 2019, January 2020, and February 2021. Due to nonresponse from some employers, and because the PWS only records workers employed in 1 month or pay period of each year, the PWS does not capture every worker in the CNMI economy. The number of employers responding to the study dropped from 946 in 2019 to 631 in 2020 and to 550 in 2021. We use the PWS data in this report because they are the best available data on CNMI wages. However, the numbers reported in the PWS reports and in this figure

<sup>36</sup>For more information on the number and percent of workers in each wage group in the PWS, see appendix III.

<sup>37</sup>The median wage is the 50th percentile of wages in the PWS. In 2019, the median wage in the Accommodation and Food Services industry was \$7.55, and the median wage in the Arts, Entertainment, and Recreation industry was \$7.30.



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should be interpreted with caution, as it is not clear whether the employers that did not respond to the study are systematically different from those that did.

According to the PWS data, other low-wage industries, such as the retail sector, also experienced disproportionately large workforce declines during the pandemic. In general, the industries in the CNMI with the largest workforce declines in the PWS from 2019 to 2021 also had the lowest wages prior to the pandemic. According to CNMI business representatives, unemployment payments during the pandemic made it more difficult to hire workers, which may have also contributed to the decline in employment of low-wage workers between 2019 and 2021. Figure 8 shows examples of businesses that closed due to the pandemic, according to CNMI business representatives.

**Figure 8: Closed Businesses Resulting from the Impact of COVID-19 on the Commonwealth of the Northern Mariana Islands (CNMI)**



Source: Hotel Association of the Northern Mariana Islands. | GAO-22-105271

Note: The businesses depicted closed due to the impact of COVID-19 on the CNMI, according to business representatives.

The wages in the PWS for 2019 to 2021 do not necessarily represent future wages in the CNMI. As previously discussed, Typhoon Yutu and COVID-19 led to economic declines and a reduction in visitor arrivals to the CNMI. It is not clear how the distribution of wages in the CNMI will change if the tourism industry recovers and low-wage workers return to the workforce.

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Due to Loss of Low-Wage Jobs, Almost All CNMI Employees Counted in Annual Study Earn above the Minimum Wage

Due to a decline in low-wage employment, nearly all workers currently employed in the CNMI earn above the minimum wage, although few workers earn high wages, according to the PWS. In 2021, 94 percent of workers in the PWS earned more than the minimum wage of \$7.25 per hour, an increase from 73 percent in 2019.<sup>38</sup> However, even with the reduction in low-wage employment, 73 percent of workers counted in the 2021 PWS earned less than \$15 per hour.

To understand how any future changes to the minimum wage might affect the CNMI workforce, we illustrated the percentage of workers included in the PWS who would be directly affected by various hypothetical minimum wage increases, all else remaining equal, at gradually escalating hypothetical minimum wage levels (see fig. 9).<sup>39</sup> For example, 22 percent of workers included in the 2021 PWS earned less than \$8 per hour, indicating that, at current wage levels, a minimum wage increase to \$8 per hour would directly affect 22 percent of workers in 2021.<sup>40</sup> Over 50 percent of workers included in the 2021 PWS earned less than \$10 per hour, indicating that a minimum wage increase to \$10 per hour would directly affect a majority of workers in 2021.<sup>41</sup>

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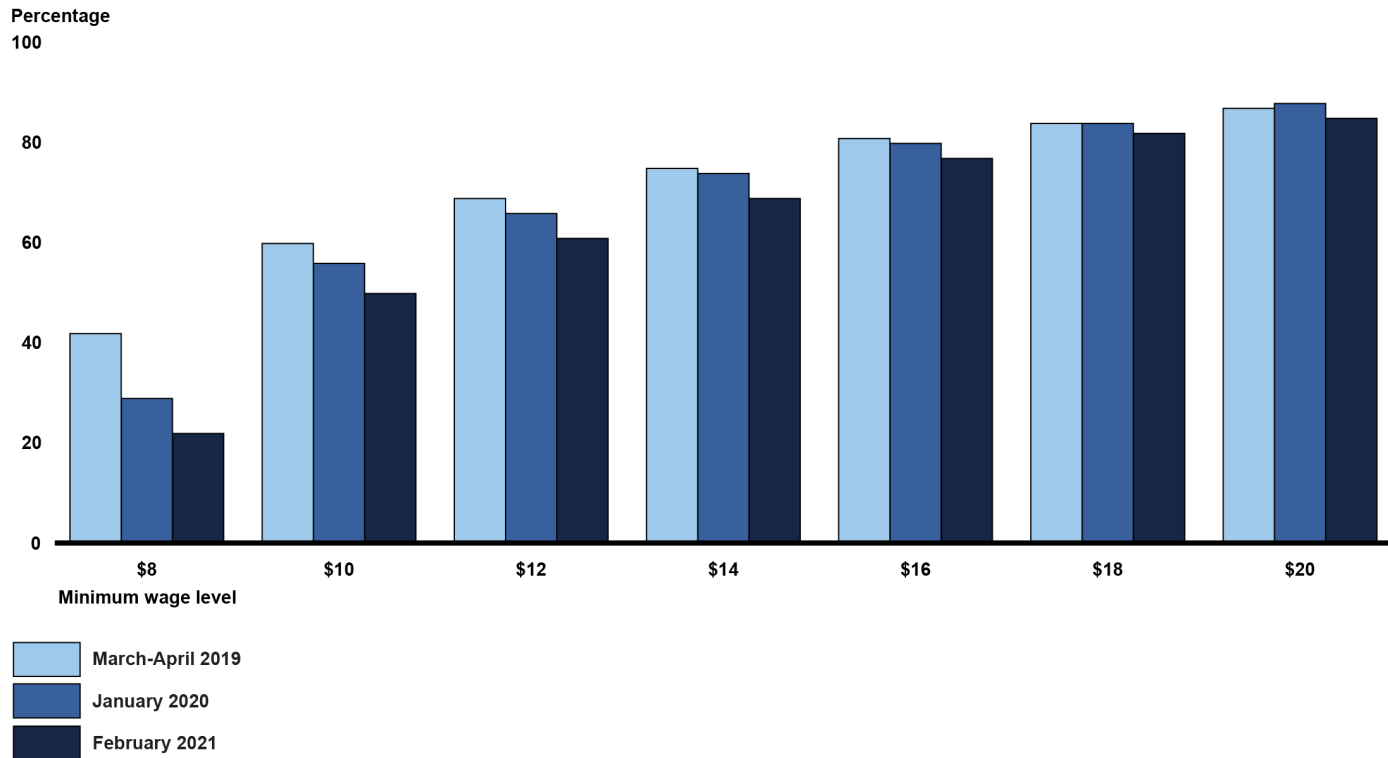
<sup>38</sup>The number of workers in the PWS earning \$7.25 per hour or less declined from 5,309 in 2019 to 723 in 2021.

<sup>39</sup>The current minimum wage in the CNMI is \$7.25 per hour, which is also the federal minimum wage across the United States. Several bills have been introduced in Congress over the last 5 years that proposed to raise the federal minimum wage by various amounts. See e.g. S. 5065, 116th Cong. § 11112(a) (2020); H.R. 3728, 116th Cong. § 2(a) (2019); H.R. 4508, 114th Cong. § 2(a) (2016). For illustrative purposes, we selected multiple hypothetical minimum wage levels, including a slight increase to \$8 and more substantial increases to \$10 and \$20. The illustration does not recommend or endorse any particular federal minimum wage or minimum wage level for the CNMI.

<sup>40</sup>If workers with wages over the minimum wage also received pay increases as the minimum wage increased, then the percentage of workers affected would be greater.

<sup>41</sup>See appendix III for more information on the number and the percent of workers recorded in the PWS who a minimum wage increase, at current wage levels, would directly affect.

**Figure 9: Percentage of Workers in CNMI Prevailing Wage Study Earning below Hypothetical Increased Minimum Wage Levels, 2019-2021**



Source: GAO analysis of Commonwealth of the Northern Mariana Islands (CNMI) Prevailing Wage Study data. | GAO-22-105271

Note: The Prevailing Wage Study (PWS) is an annual study of CNMI employers and the wages they pay, conducted by the CNMI Department of Commerce. The study provides a snapshot of wages paid in a single month or pay period of each year, specifically March-April 2019, January 2020, and February 2021. Due to nonresponse from some employers, and because the PWS only records workers employed in 1 month or pay period of each year, the PWS does not capture every worker in the CNMI economy. The number of employers responding to the study dropped from 946 in 2019 to 631 in 2020 and 550 in 2021. We use the PWS data in this report because they are the best available data on CNMI wages. However, the numbers reported in the PWS reports and in this figure should be interpreted with caution, as it is not clear whether the employers that did not respond to the study are systematically different from those that did.

At current wage levels reported in the PWS, the impacts of minimum wage increases would differ by industry. Some large industries in the CNMI pay relatively low wages. For example, according to the PWS, a minimum wage increase to \$10 per hour would directly affect 79 percent of workers in 2021 in the accommodation and food services industry and 77 percent of workers in the retail trade industry. Other large industries pay relatively high wages. For example, the same increase would directly affect only 29 percent of workers in 2021 in the public administration

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industry, according to PWS data. Appendix IV has more information on which industries would be most affected by a minimum wage increase.

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## Agency Comments

We provided a draft of this product to the CNMI government, and the U.S. Departments of Commerce, Homeland Security, and the Interior for comment. The Department of Commerce had no comments on the draft report. The Departments of Homeland Security and Interior provided technical comments, which we incorporated as appropriate. We also received written comments from the CNMI Governor. In his letter, the Governor stated that the report provides analysis on the CNMI's growth in the percentage of U.S. workers in the labor force. The letter also states that the report provides important information on the economic conditions the CNMI is facing and the progress the CNMI government and the private sector have made to fulfill the intents of the Northern Mariana Islands U.S. Workforce Act of 2018. The Governor's letter is reprinted in the format that it was provided in appendix V.<sup>42</sup>

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We are sending copies of this report to the appropriate congressional committees, the Governor of the CNMI, the Secretary of Commerce, the Secretary of Homeland Security, the Secretary of the Interior, and other interested parties. In addition, the report is available at no charge on the GAO website at <https://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-4409 or [LoveL@gao.gov](mailto:LoveL@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix VI.



Latesha Love  
Director, International Affairs and Trade

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<sup>42</sup>We contacted CNMI officials in order to obtain adjustments to the format of their formal letter. However, CNMI officials were unable to respond to the request, due to the temporary closure of the Office of the Governor.

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# Appendix I: Objectives, Scope, and Methodology

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The Northern Mariana Islands U.S. Workforce Act of 2018 (the Act) included a provision for GAO to biennially report on the ratio between United States workers and other workers in the Commonwealth of the Northern Mariana Islands (CNMI) workforce during each of the previous 5 calendar years.<sup>1</sup> This report examines (1) recent trends in composition of the CNMI workforce, including the ratio of United States workers to foreign workers in the CNMI during the previous 5 calendar years and (2) the distribution of wages for workers in the CNMI from 2019 through 2021.

To examine the trends in the CNMI workforce, we obtained and analyzed data from the CNMI government and the Department of Homeland Security (DHS). Specifically,

- For 2001 to 2018, we present data we previously reported on the ratio between United States and foreign workers. For 2019 and 2020, we collected similar data. These data are based on summary level tax data from the CNMI Department of Finance, which included information on the number of workers in the CNMI and their citizenship, to examine the ratio between United States and foreign workers in the CNMI workforce.<sup>2</sup> We have used the summary-level citizenship data in prior GAO reports. We reviewed those reports to ensure that these data were being collected using the same procedures as in the past, and we are using these data in the same manner. However, these data do not match the definition of a United States worker established in the 2018 Act. The Act defines a United States worker as “any worker who is: a citizen or national of the United States; an alien who has been lawfully admitted for permanent residence; or a citizen of the Marshall Islands, the Federated States of Micronesia, or the Republic of Palau who has been lawfully admitted

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<sup>1</sup>Pub. L. No. 115-218, § 3, 132 Stat. 1547-55 (July 24, 2018).

<sup>2</sup>For 2001 to 2018, United States workers include U.S. citizens and nationals, and citizens of the Freely Associated States (FAS)—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. Foreign workers include all other workers, potentially including Lawful Permanent Residents (LPRs), because the tax data provided to us included information on workers’ country of citizenship, but did not include information to identify LPR workers. The government of the CNMI began collecting information on these data in 2018. For 2019 and 2020, the count for United States workers includes LPRs identified by the CNMI government. The Northern Mariana Islands U.S. Workforce Act of 2018 defines United States workers to include “alien[s] who ha[ve] been admitted for lawful permanent residence”, which we refer to as LPRs for purposes of this report. Foreign workers include all other workers who are not United States workers.

to the United States pursuant to their respective compacts of free association”.<sup>3</sup> In 2018, the CNMI government began collecting data on worker visa status recorded on employee tax documents filed by the employer. In 2018, about one-third of collected tax forms did not include information about the visa type of the worker, and, as a result, data were incomplete to report. In 2019 and 2020, these data improved enough to be included in our reporting, but it is important to note that still close to 14 percent of data on visa type was missing.

- However, the CNMI government did report information by worker’s visa type in its annual ratio report on the CNMI workforce for 2019 and 2020. Given the improvement of available data for 2019 and 2020, with about 86 percent of CNMI tax forms including information on worker’s visa type, and given these were the best available data for providing information on this topic, we include the CNMI government count for persons lawfully admitted for permanent residence for 2019 and 2020.<sup>4</sup>
- We interviewed knowledgeable CNMI officials about the data collection methods and confirmed that the CNMI government used the same data systems to extract data for 2001 to 2020. We found these data were sufficiently reliable for the purpose of summarizing the numbers of U.S. workers and foreign workers.

We also obtained aggregate data from the DHS U.S. Citizenship and Immigration Services (USCIS) on the number of CNMI-Only Transitional Worker (CW-1) permits approved to compare against the CW-1 annual numerical limit (or cap) that USCIS set for fiscal years 2012 to 2021. The number of approved CW-1 permits presented differs slightly from the numbers we previously reported because for this report we are presenting DHS counts. Previously we had presented counts based on our analysis of data. The minor data differences reflect revocations of permits over time and different methods for addressing missing or duplicate information. The number of approved CW-1 permits was current as of November 2021. We interviewed knowledgeable USCIS officials about the data collection methods and found these data were sufficiently

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<sup>3</sup>In this report, we refer to “alien[s] who ha[ve] been admitted for lawful permanent residence” under the Act as LPRs. We also refer to workers other than those who constitute United States workers under the Act as foreign workers.

<sup>4</sup>CNMI Department of Labor, Office of the Secretary, *Ratio of United States Workers to Other Workers in the Commonwealth of the Northern Mariana Islands for Tax Year 2019*, (Saipan, MP: June 29, 2021), and CNMI Department of Labor, Office of the Secretary, *Ratio of United States Workers to Other Workers in the Commonwealth of the Northern Mariana Islands for Tax Year 2020*, (Saipan, MP: November 1, 2021).

reliable for the purpose of presenting CW-1 permits approved against the CW-1 numerical caps.

To summarize the distribution of wages in the CNMI, we used data from the CNMI Prevailing Wage Study (PWS). The PWS is an annual study of employers in the CNMI, conducted by the CNMI Department of Commerce. The department urges all private business, public agencies, and organizations in the CNMI to participate in the PWS. We used these data to present the distribution of wages in the CNMI from 2019 to 2021. To understand the impact of a hypothetical minimum wage increase, we presented the percentage of workers in the PWS data who currently earn less than hypothetical increased minimum wage levels. The current minimum wage in the CNMI is \$7.25 per hour, which is also the federal minimum wage across the United States. Several bills have been introduced in Congress over the last 5 years that proposed to raise the federal minimum wage by various amounts.<sup>5</sup> For illustrative purposes, we selected multiple hypothetical minimum wage levels, including a slight increase to \$8 and more substantial increases to \$10 and \$20. The illustration does not recommend or endorse any particular federal minimum wage or minimum wage level for the CNMI.

To assess the reliability of the PWS data, we reviewed PWS methodology documentation and interviewed relevant CNMI Department of Commerce Officials. Due to nonresponses from some employers, the PWS does not capture every worker in the CNMI economy. In 2019, 946 employers responded to the PWS, resulting in data on 19,621 employees. In 2020, the CNMI Department of Commerce collected responses during June and July, after the CNMI pandemic lockdown had already started. Responses in 2020 dropped sharply compared to 2019, to 631 employers, resulting in data on 14,342 employees. According to the CNMI Department of Commerce, this drop is likely due to several factors, such as concurrent pandemic-related surveys for employers related to Pandemic Unemployment Assistance and Personal Protective Equipment; fewer administrative employees available to answer the study questions; and other pandemic-related challenges that made it difficult for employers to respond. In 2021, the number of responses dropped even further to 550 employers, resulting in data on 11,935 employees. According to the CNMI

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<sup>5</sup>See e.g. S. 5065, 116<sup>th</sup> Cong. § 11112(a) (2020); H.R. 3728, 116<sup>th</sup> Cong. § 2(a) (2019); H.R. 4508, 114<sup>th</sup> Cong. § 2(a) (2016).

Department of Commerce, this drop is largely because many businesses were no longer operating, due to the pandemic.

We use the PWS data in this report because, although they do not cover all employers and employees in the CNMI, they are the best available data on CNMI wages. Comparing the 2020 and 2021 PWS data with the 2019 data provides descriptive information on how the pandemic has affected businesses and workers in the CNMI. We determined that the PWS data were sufficiently reliable for the purpose of presenting descriptive information on the distribution of worker wages in the CNMI during this period. However, the numbers reported from the PWS should be interpreted with caution, as it is not clear whether the employers that did not respond to the study are systematically different from those that did.

To further understand trends in the CNMI economy, we conducted a literature review and interviewed knowledgeable individuals. For the literature review, we compiled and read articles related to employment, wages, and the impacts of COVID-19 in the CNMI. For the interviews, we spoke with representatives from the Hotel Association of the Northern Mariana Islands, the Marianas Visitors Authority, and the Saipan Chamber of Commerce.

We conducted this performance audit from June 2021 to February 2022 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.



# Appendix II: Selected Laws Amending the Consolidated Natural Resources Act of 2008

In 2008, the Consolidated Natural Resources Act (CNRA) of 2008 amended the joint resolution approving the U.S.–Commonwealth of the Northern Mariana Islands (CNMI) Covenant to apply federal immigration law to the CNMI, with a transition period for foreign workers that would end on December 31, 2014, unless extended by the U.S. Secretary of Labor.<sup>1</sup> Since 2008, the CNRA has been amended several times, with provisions that affected the length of the transition period, the number of CNMI-Only Transitional Worker (CW-1) permits allocated, and the distribution of permits. For a list of selected amendment to the CNRA, see table 1 below.

**Table 1: Selected Laws Amending the Consolidated Natural Resources Act of 2008 Affecting the CW-1 Program or Resident Status of Long-term Foreign Nationals in the CNMI**

Date	Citation	Summary
Dec. 16, 2014	Consolidated and Further Continuing Appropriations Act, 2015, Pub. L. No. 113-235, Sec. 10, 128 Stat. 2134.	Extended the transition period for CW-1 program through December 31, 2019. <sup>a</sup> The Consolidated and Further Continuing Appropriations Act, 2015 also generally codified the Secretary of Labor’s extension while eliminating the authority under which it had been granted.
Aug. 22, 2017	Northern Mariana Islands Economic Expansion Act, Pub. L. No. 115-53, Sec. 2, 131 Stat. 1091.	Added 350 CW-1 permits to the numerical limit for fiscal year 2017 to allow for extensions of existing permits. Specified that permits for construction and extractions occupations would be issued only to extend permits first issued before October 1, 2015. Of the additional 350 permits, no fewer than 60 CW-1 permits were reserved for “healthcare practitioners and technical operations” and no fewer than 10 CW-1 permits for “plant and system operators” for fiscal year 2017. These occupations are defined in the U.S. Department of Labor’s Standard Occupational Classification system.
July 24, 2018	Northern Mariana Islands U.S. Workforce Act of 2018, Pub. L. No. 115-218, Sec. 3, 132 Stat. 1547-55.	<p>Extended the transition period for the CW-1 program through December 31, 2029. Increased the number of permits available for fiscal year 2019. Set required decreases in the annual numerical limit for the permits available for fiscal years 2019 to 2029.</p> <p>Established a new designation for long-term workers admitted under CW-1 status during fiscal year 2015 and every subsequent fiscal year until 2018.<sup>b</sup></p> <p>Restricted permits for construction and extraction occupations to those who qualified as long-term workers.</p> <p>Established new requirements for employers petitioning for CW-1 workers. Employers submitting petitions for fiscal year 2020 permits must receive a temporary labor certification from the U.S. Department of Labor.</p> <p>This certification must show there are not sufficient United States workers in the CNMI who are able, willing, qualified, and available at the time and place needed to perform the services or labor involved and that the employment of the worker will not adversely affect the wages and working conditions of similarly employed United States workers.</p> <p>Required the Secretary of Labor and the Secretary of Homeland Security to publish regulations specifying how each intends to implement certain provisions of the act no later than 180 days after the date of enactment.<sup>c</sup></p>

<sup>1</sup>Pub. L. No. 110-229, Title VII, 122 Stat. 853-69 (May 8, 2008).

**Appendix II: Selected Laws Amending the  
Consolidated Natural Resources Act of 2008**

<b>Date</b>	<b>Citation</b>	<b>Summary</b>
June 25, 2019	Northern Mariana Islands Long-Term Legal Residents Relief Act Pub. L. No. 116-24, Sec. 2, 133 Stat. 977-9.	Established a new CNMI resident status category for certain long-term residents of the CNMI. Applicants under this category must have been lawfully present in the CNMI on the date of passage of this law or Dec. 31, 2018. In addition, the applicant must have resided continuously and lawfully in the CNMI from November 28, 2009, through the date of enactment of the law, must not be a citizen of the Republic of the Marshall Islands, the Federated States of Micronesia, or the Republic of Palau, and must meet additional qualifications.
Dec. 20, 2019	Disaster Recovery Workforce Act, Pub. L. No. 116-94, Div. P, Title IX, Sec. 902, 133 Stat. 3197-8.	Increased the numerical cap of permits available by 3,000 for fiscal years 2020 through 2022 for construction and extraction occupations, and made an exception for these workers from the requirement that they qualify as long-term workers. These permits were to be made available for workers performing service or labor pursuant to a contract or subcontract for construction, repairs, renovations, or facility services directly connected to, or associated with recovery from a presidentially declared major disaster or emergency, or for preparation for a future disaster or emergency.

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

Source: GAO analysis of Pub. L. Nos. 113-235 § 10; 115-53 § 2; 115-218 § 3; 116-24 § 2; and 116-94; Div. P, Title IX, § 902. | GAO-22-105271

Notes: On March 24, 1976, the United States approved the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America. Pub. L. No. 94-241, 90 Stat. 263 (Mar. 24, 1976) (codified as amended at 48 U.S.C. § 1801 note). In 2008, the United States enacted the Consolidated Natural Resources Act of 2008 (CNRA), a provision of which generally applied U.S. immigration law to the CNMI. Pub. L. No. 110-229, Title VII, 122 Stat. 853-69 (May 8, 2008). Section 702 of the CNRA added section 6 to the "Joint Resolution to approve the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America, and for other purposes." References to the CNRA refer to section 6 of the joint resolution, which is codified as amended at section 1806 of title 48 of the United States Code.

<sup>a</sup>Under the CNRA, the U.S. Department of Homeland Security established the CW-1 program to provide for an orderly transition from the CNMI immigration system to the U.S. federal immigration system during a transition period originally set to expire at the end of 2014.

<sup>b</sup>This designation allowed such workers to be eligible for CW-1 permits that would be valid for up to 3 years and renewable in increments of up to 3 years during the transition period.

<sup>c</sup>The U.S. Department of Labor published an interim final rule on April 1, 2019, implementing provisions of the act. This rule became effective on April 4, 2019. The U.S. Department of Homeland Security published an interim final rule on May 14, 2020, implementing provisions of the act. This rule became effective on June 18, 2020.

# Appendix III: Distribution of CNMI Wages, 2019-2021

The distribution of wages in the Commonwealth of the Northern Mariana Islands (CNMI) changed rapidly from 2019 to 2021 according to available data. The number of employees in the Prevailing Wage Study (PWS) declined by 39 percent overall, with a 68 percent reduction in the number of employees earning \$8 or less.<sup>1</sup> We list the number and percent of workers recorded in the PWS at each wage band in table 2.

**Table 2: Number and Percent of CNMI Workers in Each Wage Band in the Prevailing Wage Study, 2019-2021**

Wage Band (in dollars)	2019		2020		2021	
	Number	Percent	Number	Percent	Number	Percent
7.25 or less	5,309	27	1,113	8	723	6
7.26–7.99	2,970	15	3,067	21	1,941	16
8–8.99	1,960	10	2,400	17	1,991	17
9–9.99	1,495	8	1,456	10	1,322	11
10–10.99	986	5	820	6	694	6
11–11.99	789	4	654	5	627	5
12–12.49	435	2	348	2	325	3
12.50–12.99	305	2	243	2	298	2
13–13.99	486	2	478	3	359	3
14–14.99	574	3	450	3	394	3
15–15.99	497	3	420	3	481	4
16–19.99	1,250	6	1,113	8	1,035	9
20–29.99	1,799	9	1,297	9	1,300	11
30 or more	766	4	483	3	445	4
<b>Total</b>	<b>19,621</b>	<b>100</b>	<b>14,342</b>	<b>100</b>	<b>11,935</b>	<b>100</b>

Source: GAO analysis of Prevailing Wage Study data. | GAO 22-105271

Note: The Prevailing Wage Study (PWS) is an annual study of Commonwealth of the Northern Mariana Islands (CNMI) employers and the wages they pay, conducted by the CNMI Department of Commerce. The study provides a snapshot of wages paid in a single month or pay period of each year, specifically March-April 2019, January 2020, and February 2021. Due to nonresponse from some employers, and because the PWS only records workers employed in 1 month or pay period of each year, the PWS does not capture every worker in the CNMI economy. The number of employers responding to the study dropped from 946 in 2019 to 631 in 2020 and 550 in 2021. We use the PWS data in this report because they are the best available data on CNMI wages. However, the numbers reported in the PWS reports and in this table should be interpreted with caution, as it is not clear whether the employers that did not respond to the study are systematically different from those that did.

To understand the number of workers affected by hypothetical minimum wage increases, we examined the current wage structure in the CNMI,

<sup>1</sup>The PWS is an annual study of CNMI employers and the wages they pay, conducted by the CNMI Department of Commerce.

**Appendix III: Distribution of CNMI Wages,  
2019-2021**

according to the PWS data. Table 3 lists the number and percent of workers earning below different wage levels recorded in the PWS in 2019 through 2021. For example, in 2021, just over 50 percent of workers in the PWS earned less than \$10 per hour, and thus a minimum wage increase to \$10 per hour would directly affect a majority of workers recorded in the 2021 PWS, all else being equal.<sup>2</sup> It is not clear how wages will change in the CNMI as the economy recovers from Typhoon Yutu and the COVID-19 pandemic.

**Table 3: Number and Percent of CNMI Workers Earning Below Hypothetical Increased Minimum Wage Levels in the Prevailing Wage Study, 2019-2021**

Hypothetical Minimum Wage Level (in dollars)	2019		2020		2021	
	Number	Percent	Number	Percent	Number	Percent
\$7.25	5,309	27	1,113	8	723	6
\$8	8,279	42	4,180	29	2,664	22
\$9	10,239	52	6,580	46	4,655	39
\$10	11,734	60	8,036	56	5,977	50
\$11	12,720	65	8,856	62	6,671	56
\$12	13,509	69	9,510	66	7,298	61
\$12.50	13,944	71	9,858	69	7,623	64
\$13	14,249	73	10,101	70	7,921	66
\$14	14,735	75	10,579	74	8,280	69
\$15	15,309	78	11,029	77	8,674	73
\$16	15,806	81	11,449	80	9,155	77
\$20	17,056	87	12,562	88	10,190	85
\$30	18,855	96	13,859	97	11,490	96

Source: GAO analysis of Prevailing Wage Study data. | GAO 22-104657

Note: The Prevailing Wage Study (PWS) is an annual study of the Commonwealth of the Northern Mariana Islands (CNMI) employers and the wages they pay, conducted by the CNMI Department of Commerce. The study provides a snapshot of wages paid in a single month or pay period of each year, specifically March-April 2019, January 2020, and February 2021. Due to nonresponse from some employers, and because the PWS only records workers employed in 1 month or pay period of each year, the PWS does not capture every worker in the CNMI economy. The number of employers responding to the study dropped from 946 in 2019 to 631 in 2020 and 550 in 2021. We use the PWS data in this report because they are the best available data on CNMI wages. However, the numbers reported in the PWS reports and in this table should be interpreted with caution, as it is not clear whether the employers that did not respond to the study are systematically different from those that did.

<sup>2</sup>If workers with wages over the minimum wage also received pay increases as the minimum wage increased, then the percentage of workers affected would be greater.

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# Appendix IV: Impact of Hypothetical Minimum Wage Increases in CNMI by Industry

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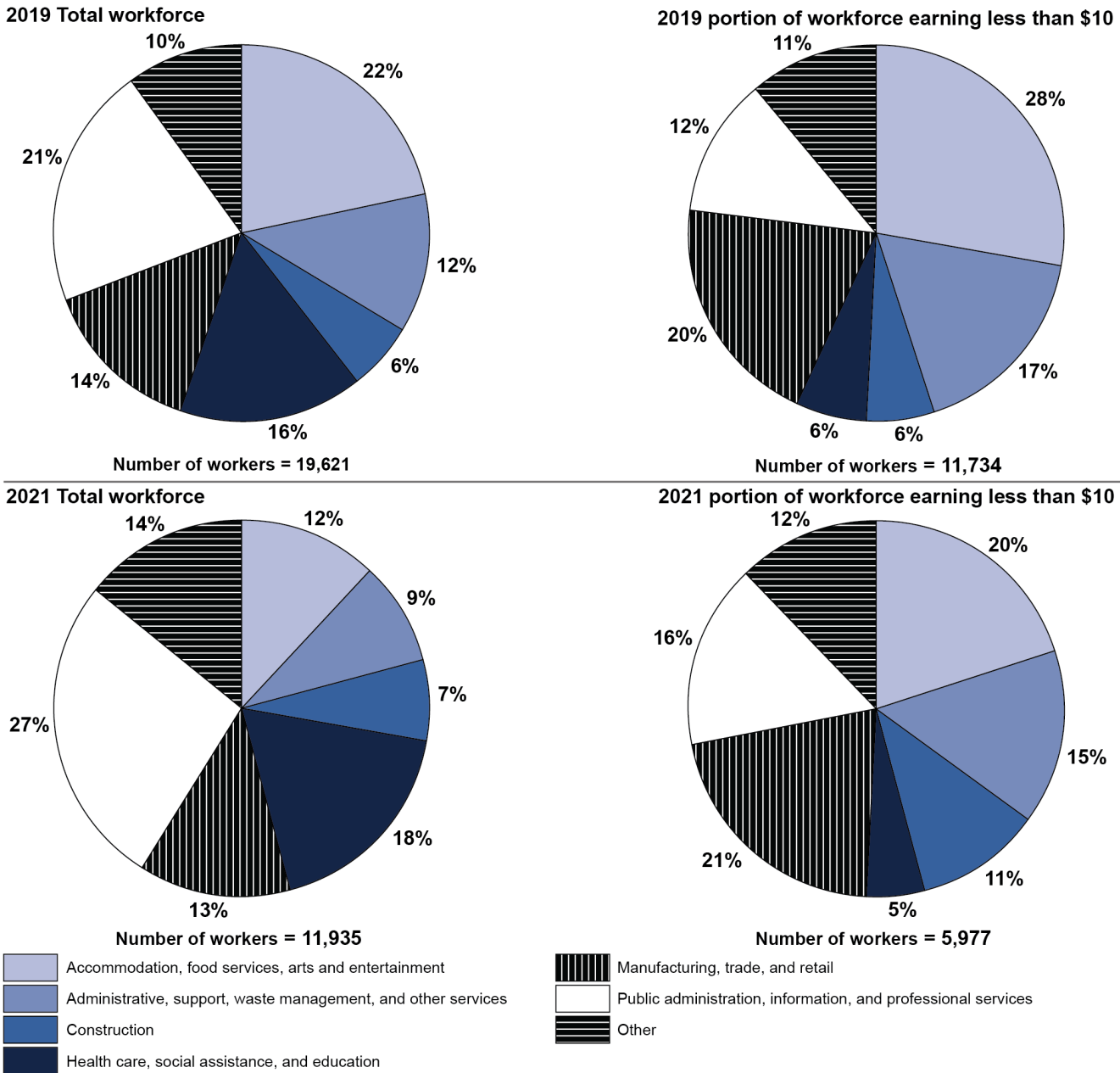
Wages in the Commonwealth of the Northern Mariana Islands (CNMI) vary by industry, and thus some industries would have a disproportionately large percentage of workers affected by an increase in the minimum wage. Figure 10 shows the industry composition of the CNMI workforce in 2019 and 2021, as well as the industry composition of workers who earned less than \$10 per hour, according to data from the Prevailing Wage Study (PWS).<sup>1</sup> Workers in industries such as accommodation and food services, administrative support, and retail tend to earn lower wages, and an increase in the minimum wage to above \$10 per hour would, all else being equal, affect them to a greater degree than workers in other industries, such as construction, education, health care, and public administration, according to PWS data.

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<sup>1</sup>The PWS is an annual study of CNMI employers and the wages they pay, conducted by the CNMI Department of Commerce.

Appendix IV: Impact of Hypothetical Minimum Wage Increases in CNMI by Industry

Figure 10: Industry Composition of CNMI Total Workforce and Low-Wage Workforce in the Prevailing Wage Study, 2019 and 2021



Source: GAO analysis of Commonwealth of the Northern Mariana Islands (CNMI) Prevailing Wage Study (PWS) data. | GAO-22-105271

Note: The PWS is an annual study of CNMI employers and the wages they pay, conducted by the CNMI Department of Commerce. The study provides a snapshot of wages paid in a single month or pay period of each year, specifically March-April 2019, January 2020, and February 2021. Due to

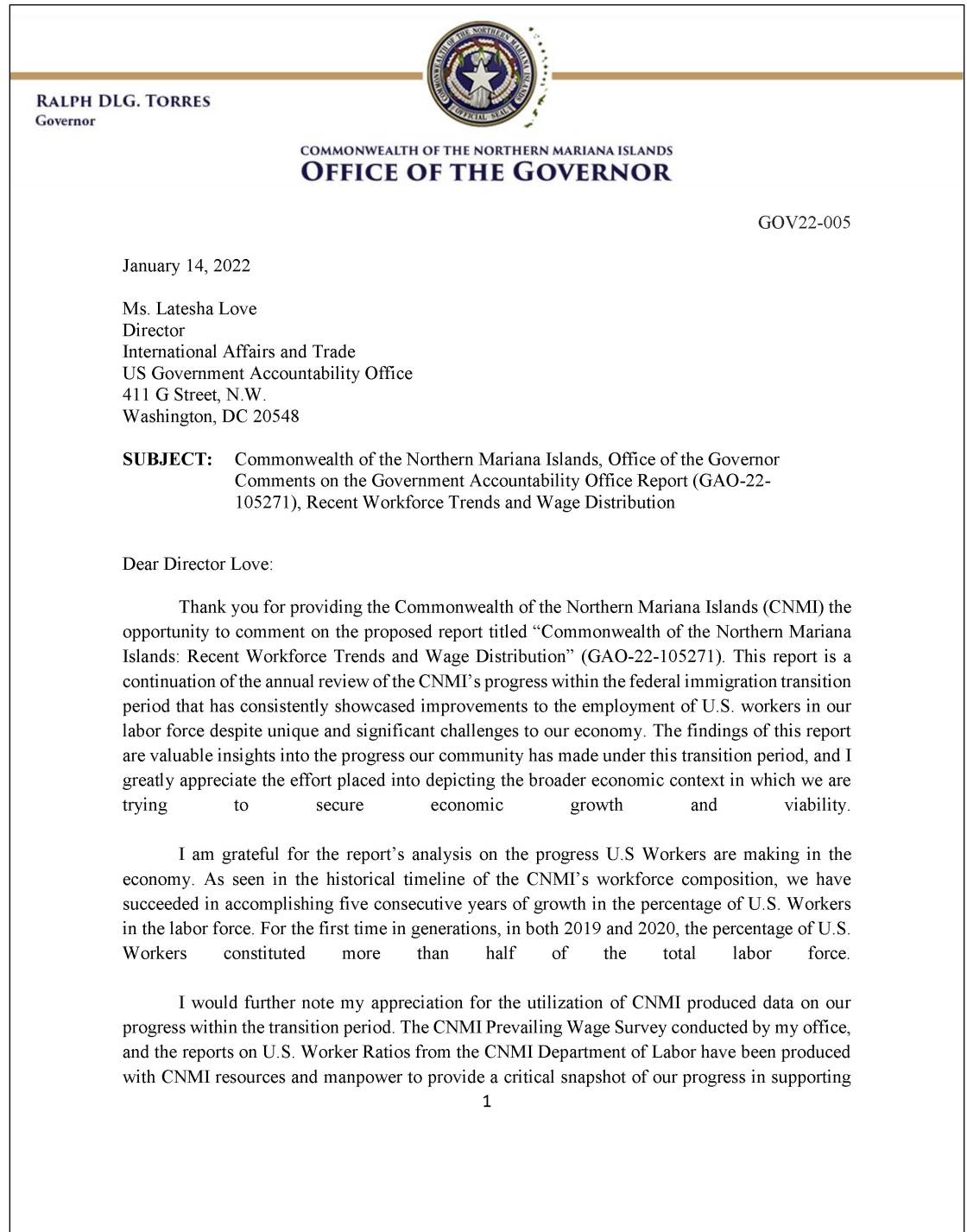
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**Appendix IV: Impact of Hypothetical Minimum  
Wage Increases in CNMI by Industry**

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nonresponse from some employers, and because the PWS only records workers employed in 1 month or pay period of each year, the PWS does not capture every worker in the CNMI economy. The number of employers responding to the study dropped from 946 in 2019 to 631 in 2020 and 550 in 2021. We use the PWS data in this report because they are the best available data on CNMI wages. However, the numbers reported in the PWS reports and in this figure should be interpreted with caution, as it is not clear whether the employers that did not respond to the study are systematically different from those that did. The industry categories listed above come from the North American Industry Classification System. The "Other" category includes: Agriculture, Forestry, Fishing and Hunting; Finance and Insurance; Management of Companies and Enterprises; Mining, Quarrying, and Oil and Gas Extraction; Real Estate and Rental and Leasing; Transportation and Warehousing; and Utilities. For more information on these categories, visit <https://www.census.gov/naics>. The 2019 total workforce does not total 100 percent due to rounding.

# Appendix V: Comments from the Commonwealth of the Northern Mariana Islands





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**Appendix V: Comments from the  
Commonwealth of the Northern Mariana  
Islands**

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the opportunities of U.S. workers in our economy. These reports have been shown to be useful in this report but are only necessary because the CNMI is not included in national labor data surveys or other data collection efforts provided to states, metropolitan, and nonmetropolitan areas.

As noted in the draft report, the CNMI economy was uniquely impacted by the onset of the COVID-19 pandemic. The structure of our economy since the decline of the manufacturing sector in the mid-2000s has shifted dramatically toward greater reliance on international travel and visitor accommodations. The choice to be one of the first government in the nation to declare a public health emergency to respond to the COVID-19 outbreak in January 2020 was a difficult one given the reliance our economy has on international travel, but in retrospect it was the correct action to take. Our economy has certainly suffered, but in these unprecedented times, examples of more significant repercussions to lives, health care systems, and long-term economic stability of communities are manifold.

We are grateful for the assistance provided by the United States government to respond to these challenges. Through federal assistance, the government was able to mitigate the impacts to public services and return to full operation following the imposition of austerity measures on the onset of the pandemic. For affected private sector employees, largely in employed tourism related industries, the Pandemic Unemployment Assistance program was implemented with strict adherence to federal guidelines and successfully supported the well-being of thousands of individuals impacted by this crisis.

And through additional funding provided under the American Rescue Plan Act, the U.S. Economic Development Administration, the Federal Emergency Management Agency, and under the recently passed Infrastructure Investment and Jobs Act, the CNMI is awash in potential opportunities for a lasting recovery. Securing the timely deployment of these and other resources hinges on the availability of labor in critical sectors in our community.

The CNMI has remained consistent in the message that the presence of foreign workers under the CW-1 program advances the opportunities for all workers in the Commonwealth. This is validated in the findings of these and other reports, which show, for example, that in periods of growth for both the economy and labor force, the U.S. Worker population showed historic gains in numbers and proportional size. This message is more urgent today than in the history of the program up to this period.

To utilize the federal resources provided to the Commonwealth for the recovery of our community and the advancement of our economy, we will require an even greater number of workers to progress within the various program funding timelines and budget constraints – particularly in the construction sector. In the absence of assistance in efficiently processing foreign worker permits and acknowledging this unique need of labor in the CNMI, existing contractors

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**Appendix V: Comments from the  
Commonwealth of the Northern Mariana  
Islands**

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will be stretched to fulfill the needs of federal funded programs, and the efforts to source construction labor from an inflated American market will dramatically limit the extent to which federal resources can positively impact this community.

As an update to the CNMI's workforce trends, this draft report provides an important snapshot of the economic conditions the CNMI is facing and the progress the CNMI government and the private sector have made to fulfill the intents of the Northern Mariana Islands U.S. Workforce Act of 2018. The CNMI has experienced tremendous impacts to its economy over the course of the last seven years and is still faced with considerable challenges in responding to the COVID-19 pandemic. These events have highlighted the unique and difficult issues facing the CNMI labor force. The transition period requires all stakeholders to continually assess the context in which we are doing our best for U.S. workers and to work collaboratively toward providing solutions that advance the goal we all share – to advance the opportunities of U.S. workers in the Northern Mariana Islands. This report provides a credible and important resource for these necessary conversations, and I thank you and the GAO team for making this available.

Should you have any questions or need additional information from our office, please do not hesitate to contact me at (670) 237-2200 or email via [ralph.torres@gov.mp](mailto:ralph.torres@gov.mp).

Sincerely,

  
**RALPH D.L.G. TORRES**

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# Appendix VI: GAO Staff Acknowledgments

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## Staff Acknowledgments

In addition to the contact names above, Joe Carney (Assistant Director), Emil Friberg (Assistant Director), Marisela Perez (Analyst in Charge), Deirdre Sutula, Eddie Uyekawa, Neil Doherty, and Aldo Salerno made key contributions to this report. Additionally, Kathryn Bernet, Kimberly Granger, Moon Parks, Terry Richardson, and Alex Welsh provided technical assistance.

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