

THE FIRST

100

Days

PROGRESS REPORT

100-Day Progress Report

Report By

Governor Arnold I. Palacios

Lt. Governor David M. Apatang



Introduction and Background: The Situation Administration Faced Upon Assuming Office

The Situation Administration Faced Upon Assuming Office

A new day dawned over the Commonwealth as the new administration assumed office only three months ago. And although the initial, stunning discovery of \$500 million in mishandled funds (among other challenges) presented the young administration with an immense, unprecedented challenge, Governor Palacios and Lt. Governor Apatang's resolve was undeterred. Despite daunting obstacles, they pledged to restore trust through integrity, fairness, transparency, and fiscal responsibility.

Some challenges faced upon assuming office included:

- Shocking discovery of the mishandling of approximately \$500 million in ARPA & CDL funds. These funds were intended to support economic recovery and jobs through 2026, but were overspent and overcommitted in only 18 months, plunging the Commonwealth in a deep financial crisis.
- The Palacios-Apatang Administration came into office with a mission to reestablish trust in the Commonwealth government, rebuild ties with federal partners and allies in the region, and place the Commonwealth on the path to economic recovery.
- The administration emphasized integrity, fairness, transparency, and fiscal responsibility.
- The Palacios-Apatang administration, along with financial experts and commonwealth leaders, partnered to pour over and evaluate budgets and financial reports, revealing significant issues and discrepancies, while the administration took swift action, cutting costs and terminating unaffordable and unsustainable contracts.
- Initial findings on the CNMI government's financial condition showed a budget deficit, and the latest audit for FY 2020 revealed significant issues and critical financial discrepancies.
- There was a problematic and incomplete implementation of the new \$10 million financial system (MUNIS).



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Ensuring Fiscal Responsibility

- Since the beginning of the new administration, the Fiscal Response Team has been working to provide updates on fiscal issues to prepare for the revised FY2023 Budget, which the Administration expects to sign soon. The CNMI budget for FY2023 needed to be revised (pending review and enactment into law) to ensure the continuity of government operations and critical services.
- The Office of Management and Budget as part of the Fiscal Response Team has initiated a revision to the ARPA Spending Plan with the U.S. Treasury.
- Governor Palacios and Lt. Governor Apatang have personally met with and sought assistance from federal partners for forensic audits, a financial surge team, and technical assistance to enhance revenue and taxation capacity.
- Deployed activities for improved collections, efficiency, and reversing past spending habits.
- Administration has been focused on ending cronyism and nepotism:
 - Fair and open bidding for government contracts
 - Merit-based public employment system restored
 - Investment in professional development, ethics training, and workplace rights
- Terminated vehicle and office leases in the executive branch to minimize excessive and unnecessary government expenditures.
- Limited locally funded travel.
- Reviewed vacant positions and whether they can be eliminated to fund operations for the remainder of the fiscal year.
- Ongoing streamlining of government functions to increase efficiency and reduce costs, including shared functions between DLNR and DPL and the transfer of key functions of the Infrastructure Recovery Program to the Office of Planning and Development.

Strengthening Relationships with Federal Partners

The Commonwealth strengthened partnerships with federal partners, seeking assistance and improving relationships, including the following agencies:

- Met with and provided testimony to the U.S. Senate Committee on Energy and Natural Resources regarding state of the CNMI.
- Met with representatives from the White House, Department of Defense, Homeland Security, Department of Interior, US Customs and Immigration Service, and other agencies.
- Governor Palacios and U.S Congressman Gregorio Kilili Sablan presented the CNMI's challenges and requests for federal assistance at the senior plenary session of the Interagency Group on Insular Areas (IGIA).
- Met with Assistant Secretary Carmen G. Cantor at the start of the administration and in Washington D.C. to discuss matters relating to the state of the CNMI's fiscal affairs.
- The CNMI enhanced its partnerships with federal agencies, such as the U.S. Military branches (Army, Air Force, Navy, Marines, Coast Guard) and the Department of Defense. This involved engaging in meetings with the Office of Local Defense Community Cooperation (OLDCC), collaborating on an economic recovery plan with available resources, and amending the public land lease in Tinian. Additionally, the Commonwealth invited the Department of Defense to participate in the solid waste planning task force.
- Reestablished relationships with law enforcement (FBI, HSI, DEA, etc):
 - Federal Bureau of Investigation
 - Homeland Security
 - Drug Enforcement Administration
- The CNMI Homeland Security and Emergency Management established its first Emergency Management Capability Brief and brought the Multi-Agency Coordinating group together to understand the activation steps of the Emergency Operations Center. (HSEM)
- Continued work with US EPA and other federal partners to strengthen environmental initiatives.

and Refreshments

m Governor Arnold I. Palacios, U.S. EPA
Regional Administrator Martha Guzman, CNMI
"Zero Waste Week" proclamation signing

CNMI
Waste & Recycling
Agency

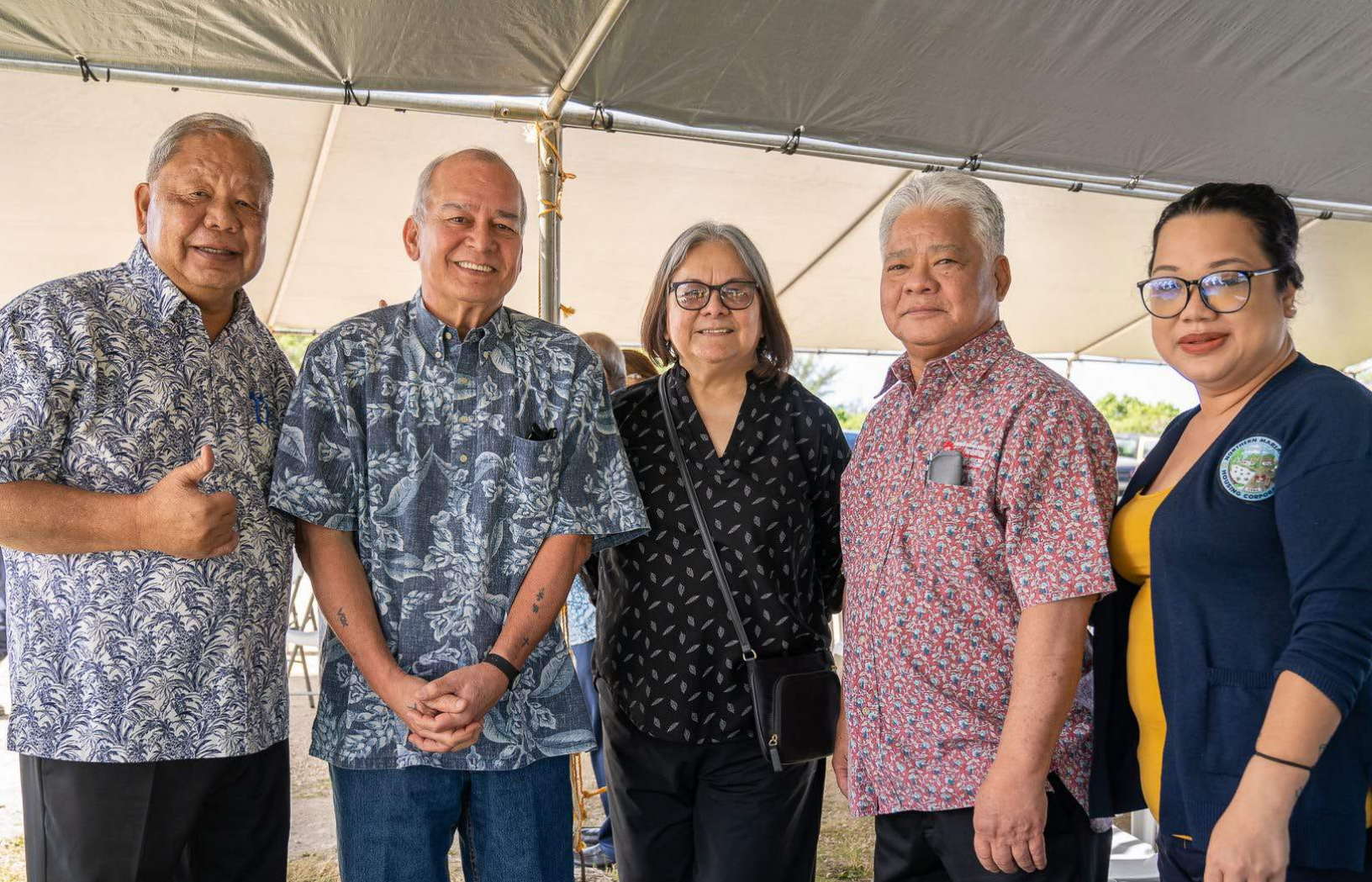
Planning
Solid Waste
BB
Waste

Waste Survey

Discussion

Sustainable
Innovation and
Patterns





Collaborating with U.S. Congressman Sablan

The new administration immediately forged a strong alliance with U.S. Congressman Gregorio Kilili Sablan to benefit the Commonwealth.

- The top priorities for this renewed partnership included crucial legislation like HR 560 and the CW Touchback bill that would advance economic recovery.
- Together, they present a unified CNMI voice that stresses the crucial role that the CNMI plays in securing America's strategic position and influence in the region.
- Collaborative effort between congressional office and Office of the Governor to identify new federal sources of funding and opportunities for the CNMI.

Working Closely with CNMI Legislature and Municipalities

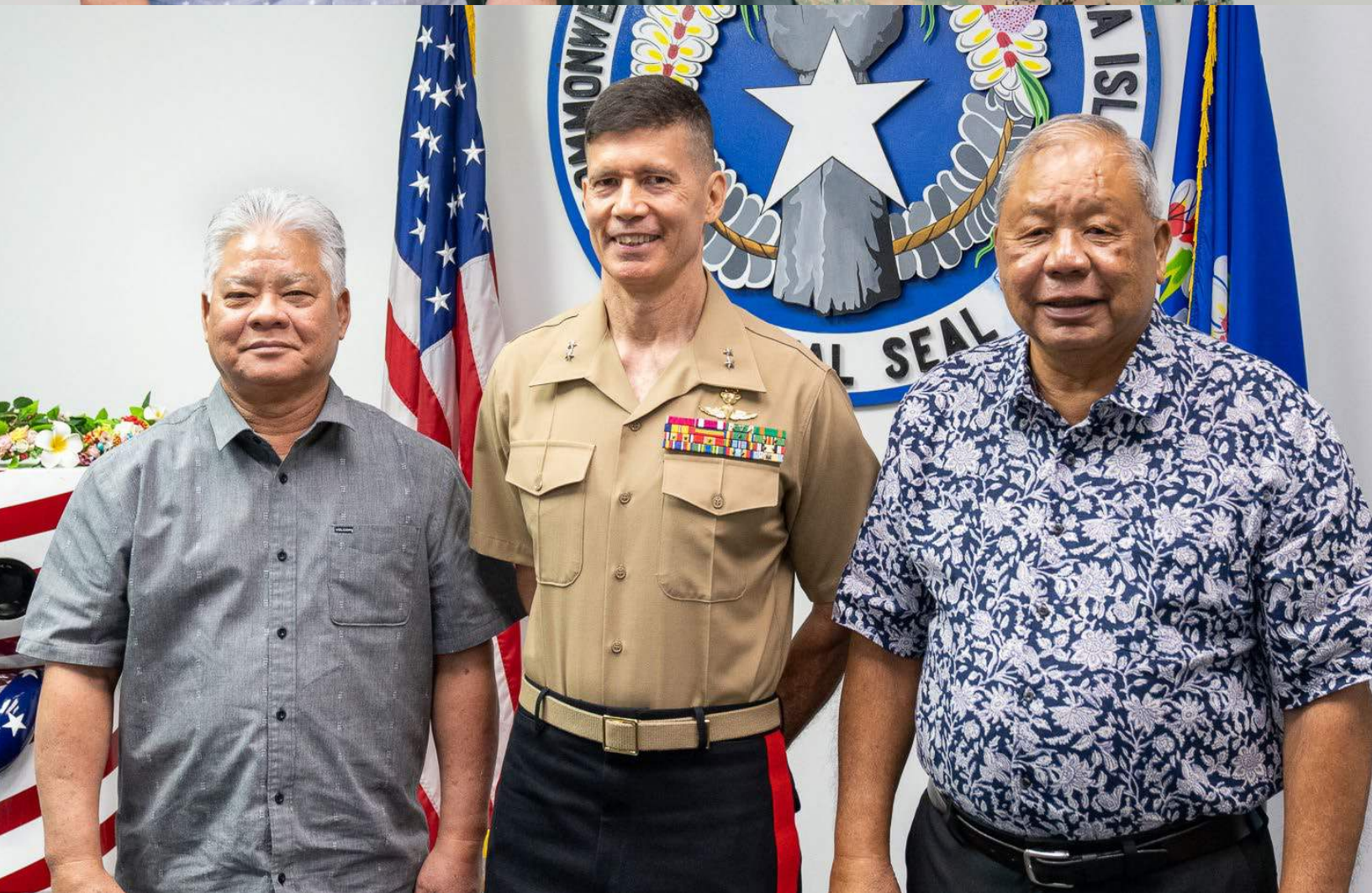
- Unlike previous administrations where there was a contentious relationship with the CNMI Legislature, the new administration focused on working together, even through some differences, to help address the CNMI's challenges.
- Administration and legislative officials formed a CNMI Fiscal Response Team to address, reconcile, and propose recommendations to bring the CNMI back to the path of economic recovery.
- The Administration and the CNMI Senate continue to work together to ensure that qualified individuals are appointed to key government positions to advance the Administration's priorities of restoring trust, integrity, and accountability in all public agencies.
- As part of efforts to expand revenue generating activities and accountability, the Office of Grants Management and State Clearinghouse met with members of the CNMI Legislature on proposed projects for submission, gave updates on current projects, and provided recommendations for revenue generation bills.
- The administration is working closely with mayors and members of the municipal council of each island to address challenges and overcome obstacles.

Strengthening Ties with Allies

- In recognition of heightened geopolitical tensions, Governor Palacios and Lt. Governor Apatang worked to engage allies in the region that include Philippines, Australia, Japan, Korea, and Taiwan.
- Governor Palacios and Lt. Governor Apatang have been clear about their support for national security and a free, prosperous, and open Indo-Pacific.
- Focusing efforts on economic diversification to ensure more money starts coming in with increasing amounts from multiple sources on a continuous basis.
- Governor Palacios and Lt. Governor Apatang are working collaboratively with senior military leaders. U.S. Marine Forces Pacific Major General Mark A. Hashimoto recently provided an initial update on the planning process and adjustments to the CNMI Joint Military Training (CJMT) proposal.
- HPO continues Section 106 Consultations with the U.S. Military in coordination with Joint Region Marianas for training and exercise activities and for the upkeep and preservation activities affecting the Military Leased areas on Tinian.

Economic Diversification

- The Administration, as part of its economic diversification strategy, has worked to lessen the CNMI's unsustainable overreliance on the Chinese tourism market by engaging Japanese, Korean, and Taiwanese government and business leaders.
- To expand the Japanese tourism market to the CNMI, Governor Palacios traveled to Japan to meet with high-level Japanese government representatives (Japan Ministry of Defense, Ministry of Land, Infrastructure, Transportation, and Tourism, and Ministry of Trade and Industry), Japanese travel agencies (JATA, JTB, H.I.S., and Rakuten), Japanese airlines (Skymark and United), and the U.S. Embassy in Japan.
- As part of the CNMI's efforts to expand the Korean tourism market, Governor Palacios, Lt. Governor Apatang, and MVA officials met with Jeju Air representatives to discuss the expansion of flights from Seoul. The Administration also met with Korean Association representatives on island, considering recommendations from Korean businesses on island and MVA to have meetings in Korea similar to the meetings recently held in Japan.
- The Administration is also promoting initiatives in the areas of aquaculture, food science, regional healthcare training, English language training hub, and Sea Grant designation to open up new opportunities in marine science research and education.





Appointing qualified individuals to lead departments and agencies

Qualified individuals have been appointed to lead departments and agencies, instilling credibility and integrity in the government.

- Appointment of trustworthy, credible individuals to cabinet level positions helps to ensure integrity and accountability in government operations.
- Held an Ethics Training in February for all members of the Cabinet. The training was conducted by the Office of the Public Auditor (OPA).
- In order to help restore the integrity of law enforcement, the administration addressed leadership, morale, and misconduct issues with the appointments of new Commissioners for Public Safety and Corrections who are focused on public safety, integrity of operations, and efficiency of services.

Supporting Businesses

Businesses have a chance of flourishing and competing fairly as the administration has worked to ensure a level playing field for anyone or any business who wants to engage in entrepreneurial activities. No business or individual will have any unfair advantage because of any preexisting or political affiliation.

- Renewing the One-Start Permitting Process agreement among all the permitting agencies has been instituted to streamline permitting process.
- Governor has directed all government agencies to remain open 7:30am to 4:30pm including lunch and also instructed cabinet secretaries and directors to cross train employees to ensure continuity of operations and expansion of employee capacity.
- Small businesses invited to join a Small Business Advisory Council.

Infrastructure projects moving forward

In various locations across the islands, infrastructure projects for energy, water, roads, sewer, broadband, and other projects are moving forward and revitalizing communities and creating a sustainable future.

- The long awaited Beach Road Phase II, III, and IV Road Improvement Project broke ground in late-February, which involves the resurfacing and other improvements to a significant portion of Beach Road which will address safety issues, traffic efficiency, stormwater diversion, roadway aesthetics, and other important elements to benefit the residents and visitors to the CNMI.
- The Commonwealth Office of Transit Authority (COTA) has received \$8.4 Million from the U.S. Congress to enhance the CNMI's public transportation system through the construction of new bus transfer stations, a covered bus parking facility, and the addition of 187 bus stop shelters on Saipan's fixed-route system.
- Construction has started on the Garapan Revitalization Project, which aims to help revive the tourism industry and expand on our local economy by revamping areas of our main tourist district, Garapan. This project is funded by the U.S. Economic Development Authority (EDA).
- Emerging Contaminants in Small and Disadvantaged Communities (EC-SDC) grant was awarded to the CNMI BECQ in the amount of \$18,914,000. This will help address emerging contaminants such as Per- and Polyfluoroalkyl substances (PFAS) and provide access to safe drinking water in small, rural, and disadvantaged communities. (BECQ)
- The As Gonno Village Homestead Subdivision has been fully designed and completed pending infrastructure. In addition, there's an upcoming lottery for Agricultural Homestead lots on the Island of Tinian. (DPL)
- Contracting and Kick-off Meetings for the EDA Oleai Sports and Cultural Complex are underway.
- Governor Palacios and Lt. Governor Apatang are working with local and federal agencies to breakdown bottlenecks and help expedite the release of \$66 million in current pending reimbursements.
- Signed executive order establishing the CNMI's broadband capacity to pursue and administer at least \$47 million in federal funds to upgrade the CNMI's broadband infrastructure and expand access to high-speed, reliable, and affordable internet for residents and businesses.
- The CNMI is preparing to participate in the Office of Insular Affairs Climate & Infrastructure Workshop to maximize federal funds and technical assistance available from the Inflation Reduction Act and the Bipartisan Infrastructure Law.
- Student Center, Food Science Lab, Sea Grant designation projects for NMC are moving forward. NMC to become a regional health training hub.
- Governor and Lt. Governor have placed an emphasis on accountability by requiring regular status reports on incomplete/pending projects, pending reimbursements, and other priorities that can potentially bring additional funds to the CNMI.

- The Office of the Governor, together with the Office of Grants Management & State Clearinghouse, Bureau of Environmental & Coastal Quality, Office of Planning and Development, Zero Waste Task Force, and the Department of Public Works, have introduced a new recycling initiative, starting April 1st, that allows community members to recycle their aluminum cans in exchange for cash. (OGM)
- The Department of Public Works (DPW) Solid Waste Management Division has successfully shipped out 850 tons of used tires, and continued shipments of recyclable materials such as cardboard and scrap metals. (DPW)



Renewable Energy

- Strategic Energy Task Force has been renewed with a sense of urgency to access federal grants and programs and to expand the CNMI's movement toward renewable energy. Public lands have been identified for solar farms, and engineering studies completed. Updated Strategic Energy Action Plan is now out for public comment.
- The Department of Public Lands has begun discussions with the Commonwealth Utilities Corporation on public lands available for CUC's proposed solar farm. (DPL)
- The administration is collaborating with the National Renewable Energy Lab (NREL) through the support of the Office of Insular Affairs to update the CNMI's strategic energy action plan and to develop the energy security plan with funding for projects.



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100 Day Report

Rebuilding Trust, Instilling Hope for the Future