

THE IMPACT OF THE COMPACTS OF FREE ASSOCIATION
ON THE UNITED STATES TERRITORIES AND COMMONWEALTHS
AND ON THE STATE OF HAWAII

Pursuant to Public Law 99-239
Section 104(e) (2)

Submitted by the Office of Insular Affairs
U.S. Department of the Interior
January 1997

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The Office of Insular Affairs submitted a report to the Congress in September 1996 pursuant to Public Law 99-239, section 104(e)(2). This document is an update of information contained in that report and constitutes OIA's 1997 report to Congress. Additional progress has been made in assembling information on the impact of the Compact.

I. Recent Developments:

Guam:

OIA has made a technical assistance grant to the Government of Guam for the purpose of performing a census of Micronesians on Guam in February 1997. This will provide significant additional information regarding the number and characteristics of citizens of the freely associated states who have migrated to Guam since implementation of the Compacts.

OIA has also agreed to provide Guam with a grant to measure the costs incurred by the Government of Guam resulting from increased demands placed on educational and social services by migrants from the freely associated states. Public Law 99-239, section 104(e)(6) authorized an appropriation to cover these costs. This grant will be used for the services of an independent contractor to assemble and evaluate cost data collected by the Government of Guam for fiscal year 1996. The resulting report will be forwarded to the Congress as part of a future impact report and can be used by Guam to assemble additional cost data for past and future years.

CNMI:

The results of the 1995 census of the population of the CNMI have been tabulated. Data from the census are included in the revised section on immigration below.

Hawaii:

At the request of the Federated States of Micronesia (FSM) Government, OIA is planing a survey of Micronesians residing in the State of Hawaii in order to provide a more accurate measure of migration to Hawaii subsequent to the implementation of the Compacts. This information will be of use to the State of Hawaii and to the Congress in formulating ways to address the impact of these migrants, and to the freely associated states governments in developing policies with respect to their citizens residing in Hawaii.

Views of Governments:

Paragraph 104(e)(3) of P.L. 99-239 provides that the President should request the views of the Government of each insular area, including Puerto Rico and Hawaii, and should transmit them as part of the report. Allen Stayman, Director of OIA, sent a letter to the chief executive of each of these areas on December 20, requesting any such views. A similar letter was sent on June 6, 1996.

We have received a response dated January 10, 1997 from Governor Roy L. Schneider of the Virgin Islands, stating that there has been no impact on the Virgin Islands from the Compacts of Free Association. A copy of the letter is attached to this report. A similar letter was received from Governor Lutali of American Samoa and was attached to the 1996 report. We have also received a letter dated December 30, 1996 from Governor Froilan C. Tenorio of the CNMI, stating that his Government will have a statement of its views on Compact impact. Any statements received will be attached or transmitted separately.

A letter dated January 14, 1997 has been received from Governor Cayetano of Hawaii. This letter, which is attached, details important impacts of migration, primarily from the Marshall Islands. Although we have not had time to analyze this information or include it in this report, we believe these impacts merit further study and the attention of the Congress.

Because OIA believes that the impacts of the Compacts have been negligible or non-existent on the Commonwealth of Puerto Rico, the Virgin Islands and American Samoa, this report focuses on impact of the Compacts on Guam, the CNMI, and the State of Hawaii.

Habitual Residence:

The immigration law of September 28, 1996 provides that: "Not later than 6 months after the date of enactment of this Act, the Commissioner of Immigration and Naturalization shall issue regulations governing rights of 'habitual residence' in the United States under the terms of [the Compacts]." The Compact provision permitting non-discriminatory limitations on habitual residence applies only to insular areas. Therefore, these regulations will not affect Hawaii, which is a state, nor the CNMI, which is not subject to INS jurisdiction.

OIA is engaged in discussions with other agencies, the freely associated states and Guam in order to assist the INS in drafting regulations that reflect the concerns of all parties.

II. Matters requiring particular attention under section 104(e)(2) of Public Law 99-239:

The statute specifies that "The reports shall pay particular attention to matters relating to trade, taxation, immigration, labor laws, minimum wages, social systems and infrastructure, and environmental regulation." It provides the following additional guidance regarding trade and immigration:

"With regard to trade, the reports shall include an analysis of the impact on the economy of American Samoa resulting from imports of canned tuna into the United States from the [freely associated states]." No such imports of canned tuna have taken place, thus rendering this provision moot.

"With regard to immigration, the reports shall include statistics concerning the number of persons availing themselves of the rights described in section 141(a) of the Compact during the year covered by the report." This is highly relevant for determining Compact impacts, since most impacts result from the migration of Micronesians to insular areas and Hawaii.

This reporting requirement does not define persons availing themselves of the migration provisions of the Compacts. This could include all migrants from the freely associated states or only those who migrated as a result of the Compact provisions. It could include only those migrants who stay for a minimum period or all those who enter, regardless of length of stay.

OIA has chosen to meet this reporting requirement by including all migrants who have entered the insular areas and Hawaii since implementation of the respective Compacts and were present in these areas at the time of periodic censuses and surveys of Micronesian populations. It is important to recognize, however, that, by including all Micronesian migrants, the statistics are likely to overstate "the number of person availing themselves of the rights described in 141(a) of the Compact during the year covered by the report." It is likely that some of the migrants from the freely associated states would have entered the United States under the generally applicable provisions of the immigration laws. The rapid growth of the region suggests that such migration would have been substantial without the Compact. Nevertheless, we believe that the available data on Micronesian migration provides useful information regarding the impact of the Compacts on migration to the insular areas and Hawaii.

The primary data sources have been: the 1990 decennial censuses in Guam, the CNMI and Hawaii; a 1992 survey of Micronesians in the CNMI; a 1993 survey of Micronesians on Guam; a 1995 population census in the CNMI; and a 1995 survey of Palauans on Guam. The conclusions from these censuses and surveys are presented in the 1996 report and below.

a) Immigration: Our estimate of migration from the freely associated states to Guam since compact implementation remains at 8,300. For the CNMI, our estimate is revised to 1,800, based on the 1995 CNMI census data. For Hawaii, our estimate remains at 1,200, but we emphasize that this figure is very likely to be low and probably will be revised upward when the planned survey of Micronesians in Hawaii is completed.

Final data for the 1995 CNMI census permit an accurate count of Micronesians who have entered the CNMI since the implementation of the Compacts. The data are summarized as follows:

	<u>FAS Citizens</u>	<u>Prior to 1987</u>	<u>1987 on</u>	<u>Post-Compacts</u>
All FAS	3,492	950	2,542	1,637
From FSM	1,961	498	1,463	1,463
From FSM by State (Figures do not add to total FSM, apparently due to some respondents not stating state of birth.)				
-Chuuk	1,042	211	831	831
-Kosrae	48	12	36	36
-Pohnpei	562	155	407	407
-Yap	294	117	177	177
From RMI	122	34	88	88
From Palau	1,409	418	991	86

The census data show a total of 1,463 FSM citizens and 88 Marshallese citizens who arrived in the CNMI from 1987 on and were present on September 1995. In addition, 991 Palauan citizens arrived from 1987 on and were present in September 1995, but only 86 entered since the Palau Compact took effect in October 1994. The total post-Compact migration as of September 1995 was thus 1,637. Adding one year of migration at the previous annual rate of about 280 gives a total of 1,917 as of September 1996, which we round to an estimated 1,900 migrants since implementation of the Compacts.

Migrants from the State of Chuuk made up half (831) of the 1,637 "Compact" migrants. The Chuukese population also showed the largest rate of increase since Compact implementation, suggesting that the terms of the Compact did in fact encourage migration from Chuuk. However, the rate of migration from the rest of the FSM and the RMI appears to have been influenced very little by Compact implementation. In fact, the rate of migration from Palau was lower in the year since Compact approval than in the eight previous years 1987 through September 1994. (This could be a result of return migration.)

Census data also provide information on the employment and earnings of the Micronesian migrants during 1994. Of the "Compact" migrants from the FSM, 1,085 were 16 years old and above. Of these, 731 were in the labor force and 616 were employed, with an unemployment rate of 15.7 percent. Although this rate may seem high, it is very close to the unemployment rate of 14.2 percent for CNMI-born workers.

The incomes of "Compact" migrants lagged behind most other groups, including earlier migrants from the same areas, reflecting the time needed for recent migrants to become established. The median family income of FSM citizens arriving after 1986 was \$12,778, compared to \$17,386 for FSM citizens arriving earlier and \$21,147 for all persons in the CNMI. For comparison, median family income of persons born in the Philippines was only \$12,411. Total income for post-compact migrants from the FSM and RMI was over \$7 million in 1994.

According to the Census, FAS born children age 4 through 19 enrolled in school in the CNMI totalled 662 in 1995, of whom 564 entered after 1986. A report of the Public School System of the CNMI states that, during the 1995-96 school year, 998 students from the freely associated states were enrolled, constituting about 12 percent of total enrollment. The discrepancy between figures may be due to including in school enrollment students who were born in the CNMI of parents from the freely associated states. Thus the Public School figure may be a better reflection of the impact of migrants from the freely associated states.

- b. Trade: There have been no new developments in trade.
- c. Taxation: The effect of Compact migrants on taxation would be an increase in tax revenues from payroll, income and gross receipts taxes. No estimates of this increase have been made. Note that neither Guam nor the CNMI applies the earned income credit in its income tax system. In Hawaii, the earned income credit is in effect but is paid by the Federal Government.
- d. Labor Laws: No new impacts on labor laws have been noted.
- e. Minimum wages: There are no known impacts on minimum wages.
- f. Social Systems and Infrastructure: There is no new information on the impact of the Compacts on social systems and infrastructure. However, additional data on the cost to Guam of providing social services to Compact migrants will be provided by the cost assessment to be undertaken by a consultant using technical assistance funding from OIA. This information should be available for the next annual impact report in January 1998.
- g. Environmental Regulation: There are no developments relating to environmental regulation.

III. Recommendations:

The Office of Insular Affairs continues to work to mitigate the impact of the Compacts of Free Association through the following:

- 1) We are working with other federal agencies to analyze the impact of recent immigration and welfare legislation on the United States insular areas and Hawaii. The effect of recent welfare legislation will be to reduce the eligibility of Micronesian migrants in Guam, the CNMI, and Hawaii for federal welfare programs, particularly cash assistance programs under the Department of Health and Human Services. Because the federal contribution to most of these programs is "capped", decreased eligibility will lower the costs to local governments of paying the local share. However, the immediate effect will be to increase eligibility for locally funded programs. The long-run effect remains uncertain.
- 2) We are meeting with other agencies and with governments of insular areas and freely associated states regarding draft regulations limiting habitual residence of citizens of the freely associated states. We believe the regulations should reflect the intent of the compact immigration provision to permit FAS citizens to enter the insular areas to study and to obtain employment, but not to remain there unless engaged in study or work.
- 3) We support continued financial and technical assistance under existing law and programs. In accordance with section 118 of P.L. 104-134, Congress is expected to appropriate \$4.58 million annually through 2001 to Guam to offset compact impact and \$11 million annually to the CNMI for the same period for infrastructure improvements (but not earmarked for compact impact). We plan to continue funding technical assistance projects in Guam for compact information and education and in the CNMI for educational support for compact migrants.
- 4) We recommend that Congress amend the reporting requirement of P.L. 99-239, section 104(e)(2). Specifically, we recommend that Hawaii and the insular areas impacted by the Compacts each submit annual reports to the Secretary of the Interior, who would then forward the reports to Congress with the comments of the Department. We feel that the insular areas and Hawaii are better able to gather data and assess the impact of the Compacts than is the Department of the Interior. Moreover, the preparation of the report diverts scarce staff and technical assistance resources from other priority uses.