



EXECUTIVE CHAMBERS
HONOLULU

BENJAMIN J. CAYETANO
GOVERNOR

February 20, 2002

Mr. Nikolao Pula, Jr.
Acting Director
Office of Insular Affairs
Office of the Secretary
U.S. Department of Interior
Washington, D.C. 20240

Dear Mr. Pula:

I am sending you my views on the impact of the Compact of Free Association with the Federated States of Micronesia (FSM) and the Republic of the Marshall Islands (RMI), for your transmittal to Congress in accordance with section 104(e)(3) of P.L. 99-239, as amended by P.L. 106-504.

I would like to commend the General Accounting Office (GAO) on its October 2001 report on the impact of migration from Micronesian nations to Hawaii, Guam, and the Commonwealth of the Northern Mariana Islands.¹ A lot of hard work went into the report, and I am confident that it will help Congress address Compact issues.

I am pleased by the precedent set by the recent \$4 million appropriation to reimburse Hawaii for Compact impact costs, even though the appropriation covered only a small percentage of our actual costs. As you know, we are working with the Department of Interior to prepare a grant proposal to use the \$4 million to improve our public schools' English as a Second Language program.

Compact migration continues to have an extraordinary and fast-growing impact on our public school system. Last year, the number of Compact migrants in our primary and secondary public schools increased by about 28 percent, resulting in costs to the State of over \$13 million for the academic year. This brings our total such costs since 1988 to about \$78 million. (Exhibit A).

During the academic year 2001-02, the University of Hawaii lost over \$1.2 million in tuition

¹ Foreign Relations: Migration From Micronesian Nations Has Had Significant Impact on Guam, Hawaii, and the Commonwealth of the Northern Mariana Islands.

Mr. Nikolao Pula, Jr
February 20, 2002
Page 2

revenue as a result of students from the FSM, Marshall Islands, and Palau paying resident rather than non-resident tuition. (Exhibit B-1 to B-4). Such students are almost invariably unable to pay non-resident tuition, and requiring them to do so would have the effect of foreclosing them for getting a college education. We have asked Mr. Albert V. Short, the U.S. State Department Compact Negotiator, to include an appropriate federal educational assistance program in the new financial provisions of the Compact. Realistically, there is no other way to accommodate both Hawaii's interest in receiving adequate tuition payments and the Compact migrants' interest in pursuing a college education.

After education, our greatest expenditures for Compact migrants are for social costs such as health care and welfare. In light of the high percentage of Compact migrants who are poorly educated and live in poverty,² we have had to extend a safety net to Compact migrants in the form of a wholly state-funded welfare program. During State fiscal year 2001, the State spent over \$3,473,100 to provide medical and social services to Compact migrants. Some of the costs are shown in the enclosed report of our Department of Human Services (Exhibit C). Other costs are shown in the enclosed report from the Department of Health, which provided about \$345,400 in services to Compact migrants for a number of communicable diseases, including Hansen's Disease (leprosy), hepatitis, and tuberculosis (Exhibit D).

I am pleased by the actions that Congress has taken to restore noncitizens' eligibility for federal public benefits, and I hope that the momentum on these issue continues. The Senate's near-unanimous February 7, 2002 vote to restore food stamp benefits to certain legal immigrants was an important step in correcting the excesses of the 1996 welfare reform act. I urge your office to track the food stamp measures as they move through the House and Senate to ensure that their language is not limited to "immigrants," but is broad enough to include Compact migrants.

I also urge the Administration to restore Compact migrants' eligibility for Medicaid and Medicare. As I explained in my January 31, 2001 letter to Mr. Ferdinand Aranza, two of the primary rationales underlying the 1996 welfare reform act's restrictions on federal public benefits are completely inapplicable to Compact migrants. We hope that the Office of Insular Affairs will be a strong voice on this issue when Congress debates new legislation to replace the welfare reform act when it expires this year.

Hawaii's social costs from the Compact also continue to mount because of compact migrants' impact on the State's criminal justice system. The State's Department of Public Safety estimates that it cost the State about \$189,000 last year to incarcerate 24 inmates who were born in the

² GAO report at 10.

Mr. Nikolao Pula, Jr
February 20, 2002
Page 3

FSM or the Marshall Islands. The number of persons born in the FSM, Marshall Islands, or Palau who were arrested during the 2001 and 2002 fiscal years were 216 and 205, respectively. (Exhibit E-1 and E-2).

Finally, I urge Congress to rectify the inequities in the Administration's budget proposal for FY 2003. The Administration has not included any funds to reimburse Hawaii for its Compact impact, despite the precedent set by last year's \$4 million appropriation. There is no justification for treating Hawaii so much worse than a U.S. territory. Congress has appropriated a total of \$47.38 million to reimburse Guam for its Compact impact costs.³ At the time of the \$4 million appropriation for Hawaii, we had incurred costs of about \$86 million, so the appropriation covered only about 4.6 percent of our costs. At the same point in time, Congress had reimbursed Guam for about 23 percent of its total estimated Compact costs.⁴ Compact migrants are increasingly choosing to come to Hawaii rather than the Commonwealth of the Northern Mariana Islands, or Guam,⁵ so this problem is not going to go away in the near future.

I understand that the Office of Insular Affairs may be able to obtain funding in the upcoming fiscal year for the U.S. Census Bureau to conduct a new census of Micronesians in Hawaii. I urge you to make this a priority so that Congress has the information that it needs to assess and address the Compact's impact on Hawaii.

With warmest personal regards,

Aloha,



BENJAMIN J. CAYETANO

³ At the time of the GAO report, Guam had received \$41 million. GAO report at 24. In FY 2002, Guam received another \$4.58 million in funds and \$1.8 million in technical assistance, for a total of \$6.38 million.

⁴ GAO report at 24.

⁵ GAO report at 12-13.

**Cumulative Impact of Compact Immigration on the
Department of Education**

Year	No. of Students	Per Pupil Cost	Total Impact Cost	Percent of Increase
1988	227	\$3,580.55	\$812,784.85	
1989	294	\$3,826.41	\$1,124,964.54	38.4%
1990	389	\$4,176.78	\$1,624,767.42	44.4%
1991	467	\$4,943.65	\$2,308,684.55	42.1%
1992	588	\$5,170.00	\$3,039,960.00	31.7%
1993	656	\$5,445.81	\$3,572,451.36	17.5%
1994	798	\$5,684.30	\$4,536,071.40	27.0%
1995	967	\$5,763.72	\$5,573,517.24	22.9%
1996	1090	\$5,694.40	\$6,206,896.00	11.4%
1997	1283	\$5,763.72	\$7,394,852.76	19.1%
1998	1407	\$5,962.15	\$8,388,745.05	13.4%
1999	1521	\$6,031.34	\$9,173,668.14	9.4%
2000	1565	\$6,772.66	\$10,599,212.90	15.5%
2001	2000	\$6,856.36	\$13,712,720.00	27.8%
		TOTAL	\$78,069,296.21	

UNIVERSITY OF HAWAII LOST REVENUE

UH Campus	Total Loss Revenues
Manoa	\$150,622
Hilo	\$530,423
Community Colleges	\$530,046
TOTAL	\$1,211,091

University of Hawaii Community Colleges

Academic Year 2000-2001

Fall 2000 to Spring 2001	Number Students	Number Credits	Expected Revenues from Tuition1	Expected Revenues from Tuition2	Difference	Total Loss Revenues or Resources
Federated States of Micronesia	143	1924	\$465,608	\$82,732	\$382,876	\$382,876
Republic of the Marshall Islands	27	409	\$98,978	\$17,587	\$81,391	\$81,391
Republic of Palau	23	314	\$75,988	\$13,502	\$62,486	\$62,486
Total	193	2647	\$640,574	\$113,821	\$526,753	\$526,753

1 Non-Resident Tuition \$2904/semester or \$242/per credit hour

2 Foreign Exempt from Tuition Differential \$515/semester or \$43/credit hour

Summer I	Number Students	Number Credits	Expected Revenues from Tuition1	Expected Revenues from Tuition2	Difference	Total Loss Revenues or Resources
Federated States of Micronesia	16	71	\$9,230	\$6,603	\$2,627	\$2,627
Republic of the Marshall Islands	2	9	\$1,170	\$837	\$333	\$333
Republic of Palau	3	9	\$1,170	\$837	\$333	\$333
Total	21	89	\$11,570	\$8,277	\$3,293	\$3,293

1 Non-Resident Tuition \$130/per credit hour

2 Foreign Exempt from Tuition Differential \$93/credit hour

GRAND TOTAL

\$530,046

<p style="text-align: center;">UNIVERSITY OF HAWAII AT HILO Foregone Tuition Revenues when students from The Federated States of Micronesia, The Republic of the Marshall Islands, and The Republic of Palau pay Resident rather than Non-Resident Tuition Academic Year 2000-01</p>									
	Number of Students			Expected Tuition Revenues				Foregone Tuition Revenues	
	Total Full-time Num	Part-time Num	Sem Hrs	Non-Resident	Full-time rate	Part-time rate	Resident Full-time rate		Part-time rate
ACADEMIC YEAR 2000-01	225	178	47	229			\$185,745	\$530,423	
Fall 2000 to Spring 2001									
Total	202	178	24	138	\$704,338		\$174,279	\$530,059	
Federated States of Micronesia	116	103	15	78	\$414,830		\$108,927	\$305,903	
Lower Division	40	37	3	16	\$134,780	\$3,516	\$27,140	\$107,640	
Upper Division	76	66	10	53	\$276,315	\$3,924	\$80,275	\$196,040	
Graduate	2	2	2	9	\$3,735	\$4,980	\$1,512	\$2,223	
Republic of the Marshall Islands	37	35	2	11	\$130,329		\$29,713	\$100,616	
Lower Division	26	26	2	11	\$91,416	\$3,516	\$18,408	\$73,008	
Upper Division	11	9	2	11	\$38,913	\$3,924	\$11,305	\$27,608	
Republic of Palau	47	40	7	49	\$159,179		\$35,639	\$123,540	
Lower Division	36	31	5	34	\$118,958	\$3,516	\$23,954	\$95,004	
Upper Division	11	9	2	15	\$40,221	\$3,924	\$11,685	\$28,536	
Summer I									
Total	23	0	23	91	\$11,830		\$11,466	\$364	
Federated States of Micronesia	13	0	13	48	\$6,240	\$130	\$6,048	\$192	
Republic of the Marshall Islands	5	0	5	28	\$3,640	\$130	\$3,528	\$112	
Republic of Palau	5	0	5	15	\$1,950	\$130	\$1,890	\$60	

Tuition revenues = full-time revenues + part-time revenues. Full-time revenues = number full-time X full-time rate.
 Part-time revenues = number part-time semester hours X part-time rate

UNIVERSITY OF HAWAII AT MANOA
Foregone Tuition Revenues when students from
The Federated States of Micronesia, The Republic of the Marshall Islands, and The Republic of Palau
pay Resident rather than Non-Resident Tuition
Academic Year 2000-01

	Number of Students			Expected Tuition Revenues			Foregone Tuition Revenues
	Total Num	Full-time Num	Part-time Num	Non-Resident	Full-time rate	Part-time rate	
ACADEMIC YEAR 2000-01	71	39	32	\$236,004			\$150,622
Fall 2000 to Spring 2001							
Total	55	39	16	\$229,276			\$150,446
Federated States of Micronesia	25	18	7	\$102,551			\$68,447
Undergraduate	18	18	7	\$85,536	\$4,752	\$396	\$58,320
Graduate	7	0	0	\$17,015	\$4,980	\$415	\$10,127
Republic of the Marshall Islands	10	3	7	\$31,643			\$20,307
Undergraduate	6	3	3	\$22,176	\$4,752	\$396	\$15,120
Graduate	3	0	0	\$5,395	\$4,980	\$415	\$3,211
Graduate Nursing	1	0	0	\$4,072	\$6,108	\$509	\$1,976
Republic of Palau	20	18	2	\$95,082			\$61,692
Undergraduate	16	15	1	\$74,844	\$4,752	\$396	\$51,030
Graduate	3	2	1	\$12,450	\$4,980	\$415	\$7,410
Law	1	1	0	\$7,788	\$7,788	\$649	\$3,252
Summer I, Summer II 2001							
Total	16	0	16	\$6,728			\$176
Federated States of Micronesia	8	0	8	\$2,958			\$60
Undergraduate	6	0	6	\$1,950	\$130	\$126	\$60
Graduate	2	0	2	\$1,008	\$168	\$168	\$0
Republic of the Marshall Islands	5	0	5	\$3,120			\$96
Undergraduate	5	0	5	\$3,120	\$130	\$126	\$96
Republic of Palau	3	0	3	\$650			\$20
Undergraduate	3	0	3	\$650	\$130	\$126	\$20

Tuition revenues = full-time revenues + part-time revenues. Full-time revenues = number full-time X full-time rate.
 Part-time revenues = number part-time semester hours X part-time rate

Department of Human Services
Data on Recipients from Micronesia, the Marshall Islands, and Palau
State Funding Only
Annual Figures for SFY 2001

1. Average Monthly Recipients

	<u>State Aged, Blind, or Disabled Program</u>	<u>State TAONF Program (formerly part of AFDC)</u>	<u>State General Assistance Program</u>	<u>Medicaid-Only Program</u>	<u>TOTAL</u>
Micronesia	108	1,283	48	452	1,891
Marshall Islands	48	944	12	460	1,464
Palau	2	15	0	11	28
TOTAL	158	2,242	60	923	3,383

2. Annual Money Payments (In the form of Welfare Checks)

	<u>State Aged, Blind, or Disabled Program</u>	<u>State TAONF Program (formerly part of AFDC)</u>	<u>State General Assistance Program</u>	<u>TOTAL</u>
Micronesia	\$258,756	\$1,870,320	\$227,640	\$2,356,716
Marshall Islands	\$115,248	\$1,376,328	\$54,108	\$1,545,684
Palau	<u>\$4,392</u>	<u>\$21,252</u>	<u>\$0</u>	<u>\$25,644</u>
TOTAL	\$378,396	\$3,267,900	\$281,748	\$3,928,044

3. Estimated Annual Medicaid Payments (As Payments to Medical Providers)

	<u>State Aged, Blind, or Disabled Program</u>	<u>State TAONF Program (formerly part of AFDC)</u>	<u>State General Assistance Program</u>	<u>State Funding for Medicaid-Only Program</u>	<u>TOTAL</u>
Micronesia	\$476,256	\$1,107,492	\$40,632	\$388,812	\$2,013,192
Marshall Islands	\$212,076	\$815,244	\$9,672	\$593,288	\$1,430,280
Palau	<u>\$8,076</u>	<u>\$12,588</u>	<u>\$0</u>	<u>\$8,964</u>	<u>\$29,628</u>
TOTAL	\$696,408	\$1,935,324	\$50,304	\$791,064	\$3,473,100

The State's Aged, Blind, or Disabled Program is funded entirely by the State. This program was created to assist individuals and couples with little or no income who are not eligible for federally-funded Supplemental Security Income (SSI) or eligible only for partial SSI payments.

The State's TAONF (Temporary Assistance to Other Needy Families) Program is funded entirely by the State. It was created to assist other needy families, such as those with two parents and those with non-citizens, who are not eligible for the federally-funded TANF (Temporary Assistance to Needy Families) Program.

The State's General Assistance Program is funded entirely by the State. This program was created to assist individuals and couples with little or no income who have a temporary, incapacitating medical condition.

The State's Medicaid Program is a partnership between the Federal and State Governments. It is funded with approximately one-half federal and one-half state funds. Recipients under the Aged, Blind, or Disabled Program have their medical bills paid on a fee-for-service basis to their medical providers. Recipients under the other programs are enrolled in managed care medical plans where the State pays premiums to the plans. The plans then reimburse the medical providers with their payments. Recipients who receive Medicaid without a welfare check are in the Medicaid-Only Program. The State's share of the funding for FY 2001 was 46.15%. (This was a reduction from 50% which was used in the calculations for previous years.)

Average Monthly Recipients were based on the average number of monthly recipients for the indicated period.

Annual Money Payments were calculated by multiplying average monthly money payments by 12.

Estimated Annual Medicaid Payments were calculated by multiplying average monthly medicaid payments by 12. Dental was included. Average monthly medicaid payments were calculated using the average monthly fee-for-service cost for the Aged, Blind, or Disabled Program and the average monthly medical plan premium payment for the other programs.

Exhibit C

Compact of Free Association

**Costs Incurred by the State of Hawaii, Department of Health,
Communicable Disease Division**

Calendar Year: 2001

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year Total
Hepatitis	\$4,043.03	\$5,436.27	\$4,381.16	\$1,872.75	\$15,733.21
Hansen's Disease	\$55,634.00	\$63,998.00	\$60,376.00	\$69,500.00	\$249,508.00
STD/AIDS	\$0.00	\$0.00	\$660.00	\$0.00	\$660.00
Tuberculosis					
Marshall Islands	\$13,268.63	\$9,262.93	\$16,441.61	\$7,885.22	\$46,858.39
Tuberculosis					
Micronesia	\$7,299.65	\$7,433.92	\$11,220.26	\$6,306.48	\$32,260.31
Tuberculosis					
Palau	\$71.10	\$87.30	\$111.70	\$111.70	\$381.80
TOTALS	\$80,316.41	\$86,218.42	\$93,190.73	\$85,676.15	\$345,401.71

Exhibit D

Hawaii Criminal Justice Data Center

State of Hawaii

Arrest and Convictions: Offenders Born In Marshall Islands, Palau, or FSM
July 1999 - June 2000

Place of Birth	Marshall Islands	Palau	Federated States of Micronesia	Total
PERSONS ARRESTED	113	6	89	208
PERSONS CONVICTED	68	4	59	131
Offense Severity				
Felonies	15	0	7	22
Non-Felonies	95	4	95	194
TOTAL NUMBER OF OFFENSES FOR WHICH CONVICTED	110	4	102	216

Hawaii Criminal Justice Data Center

State of Hawaii
Arrest and Convictions: Offenders Born In Marshall Islands, Palau, or FSM
 July 2000 - June 2001

Place of Birth	Marshall Islands	Palau	Federated States of Micronesia	Total
PERSONS ARRESTED	133	10	108	251
PERSONS CONVICTED	60	6	65	131
Offense Severity				
Felonies	8	0	1	9
Non-Felonies	95	6	95	196
TOTAL NUMBER OF OFFENSES FOR WHICH CONVICTED	103	6	96	205