



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

September 8, 2017

The Honorable Michael R. Pence
President of the Senate
United States Senate
Washington, D.C. 20510

Dear Mr. President:

Transmitted with this letter is the Department of the Interior's *Report to the Congress: Compact Impact Analysis of the 2016 Report from Guam*, along with the related report *Impact of the Compacts of Free Association on Guam FY 2004 through FY 2016* by the Governor of Guam.

The Compacts of Free Association approved in Public Law 99-239 and Public Law 99-658 allow citizens of the freely associated states (FAS) of the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau, to live and work in the United States as legal nonimmigrants. The Compact of Free Association Amendments Act (Public Law 108-188) provides \$30 million in mandatory funds annually to defray costs associated with FAS citizens who migrate to Hawaii, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands. For fiscal year 2016, Congress also provided approximately \$3 million in discretionary funds to offset education impacts. Public Law 108-188 also allows the governors of these four affected jurisdictions to report on the financial impacts these migrants are having on their respective jurisdictions. Such reports may be submitted annually to the Secretary of the Interior, who, in turn, submits them to the Congress along with the Secretary's comments. Guam has reported over the years that the financial impacts of migration for Guam are greater than Federal reimbursements.

Sincerely,

Nikolao I. Pula

Acting Assistant Secretary for Insular Areas

**Report to the Congress:
Compact Impact Analysis of the 2016 Impact of Compacts Report of Guam
United States Department of the Interior
Washington, D.C.**

The Compacts of Free Association approved in Public Law 99-239 and Public Law 99-658 allow citizens of the freely associated states (FAS) of the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau, to live and work in the United States for indefinite periods of time as legal nonimmigrants. The Compact of Free Association Amendments Act, Public Law 108-188, provides \$30 million in mandatory funds annually to defray costs associated with FAS citizens that migrate to Hawaii, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands. For fiscal year (FY) 2016, Congress also provided \$3 million in discretionary funds to offset education impacts. Public Law 108-188 also allows the governors of these four affected jurisdictions to report on the financial impacts migration is having on their respective jurisdictions. Such reports may be submitted annually to the Secretary of the Interior, who, in turn, submits them to the Congress along with the Secretary's comments. The affected jurisdictions have reported over the years that the financial impacts of migration are greater than Federal reimbursements.

THE LEGISLATIVE MANDATE

Section 104(e)(8) of Public Law 108-188, the Compact of Free Association Amendments Act, approved December 17, 2003, sets forth the following reporting requirements:

“REPORTING REQUIREMENT—Not later than one year after the date of enactment of this joint resolution, and at one year intervals thereafter, the Governors of Guam, the State of Hawaii, the Commonwealth of the Northern Mariana Islands, and American Samoa may provide to the Secretary of the Interior by February 1 of each year their comments with respect to the impacts of the Compacts on their respective jurisdiction.

The Secretary of the Interior, upon receipt of any such comments, shall report to the Congress not later than May 1 of each year to include the following:

- (1) The Governor's comments on the impacts of the Compacts as well as the Administration's analysis of such impact;
- (2) The Administration views on any recommendations for corrective action to eliminate those consequences as proposed by such Governors;
- (3) With regard to immigration, statistics concerning the number of persons availing themselves of the rights described in section 141(a) of the Compact during the year covered by each report;
- (4) With regard to trade, an analysis of the impact on the economy of American Samoa resulting from imports of canned tuna into the United States from the Federated States of Micronesia, and the Republic of the Marshall Islands.”

REPORTING REQUIREMENTS

Governor's Views

- (1) The Governor's comments on the impacts of the Compacts as well as the Administration's analysis of such impact;

Enclosed is the report of the Governor of Guam covering FY 2004 through 2016.

Governor of Guam Comments and Recommendations

In a report for FY 2004 through 2016, the Governor of Guam reported that his territory spent \$142.3 million in FY 2016 (and a total of \$1.07 billion for the last thirteen-year period) on services for Compact migrants.

ADMINISTRATION VIEWS

- (2) The Administration views on any recommendations for corrective action to eliminate those consequences as proposed by such Governors;

Interior Analysis of the Governors' Recommendations

Guam seeks additional funds to close the gap between the \$142.3 million in expenses calculated by Guam to have been paid for FAS migrants in Guam in FY 2015 and the \$16.4 million that Guam received in Federal Compact impact funding. The difference sought by Guam is \$125.9 million.

The numbers provided by Guam are not currently verifiable by the Office of Insular Affairs or based on a uniform methodology across the affect regions. To remedy this, the Office of Insular Affairs is working with the affected jurisdictions on uniformity among jurisdictions in reporting Compact impact costs. Despite this, the Department of the Interior concurs that the current allocation of mandatory and discretionary funds is likely insufficient to fully compensate Guam for costs associated with the Compact agreements with the FAS.

Given national budgetary constraints, the Department knows that it will be challenging to increase mandatory and discretionary funding streams for Guam, but believes the policy recommendations of Guam deserve attention.

Current financial authorities for reimbursing Compact impact costs should be re-evaluated given the rising impact on affected jurisdictions, and the potential rise in out-migration of FAS citizens when direct grant funding under the Compact expires after 2023. The Office of Insular Affairs has acted on the following fronts to assist affected jurisdictions.

- **Addressing FAS Out-migration through Improved Use of Compact Funding.** FAS citizens continue to migrate to United States jurisdictions due to economic, education, and healthcare concerns at home. The Office of Insular Affairs has insured continued oversight, accountability and effectiveness in the use of Compact funds by the FAS, particularly in the areas of direct operations and infrastructure grants for health and education. Improving the quality of life for their citizens may help address the out-migration of FAS citizens to the United States.
- **Establishment of Micronesian One-Stop Service Centers.** Through the Office of Insular Affairs' Technical Assistance Program, the Department provided \$250,000 in 2016 to the Partners in Development Foundation in Hawaii to continue helping *We Are Oceania* a one-stop service center linking the various Micronesian communities in Hawaii with public services and other resources in the areas of health, education, housing and homelessness, as well as labor. In 2016, the Department also provided a \$210,000 grant to Big Brothers Big Sisters of Guam to continue services through the *Micronesian Resource Center One-Stop Shop Project* to improve the integration of FAS migrants, assist new arrivals through orientation services, provide workforce development training and employment services, and provide family support initiatives to address cultural and social challenges.

Response in the Congress

In 1986, the Congress said, (1) "In approving the Compact, it is not the intent of the Congress to cause any adverse consequences for the United States territories and commonwealths or the State of Hawaii." and (2) "The Congress hereby declares that, if any adverse consequences to the United States territories and commonwealths or the State of Hawaii result from implementation of the Compact of Free Association, the Congress will act sympathetically and expeditiously to redress those adverse consequences." (subsection (e) of section 104 of Public Law 99-239)

For ten years after 1986, the citizens of the freely associated states were eligible for public benefits. This eligibility provided some financial protection for the territories and Hawaii. In 1996, the Welfare Reform Act swept up the legal nonimmigrants from the FAS, along with other foreign persons, making them ineligible for public benefits.

Seeking to reverse this action, proposals in the Congress have sought to make the Welfare Reform Act inapplicable to FAS citizens who are legal nonimmigrants in the United States. Even if the entire populations of the three FASs were to migrate, their numbers would only amount to approximately 175,000. Such action would help fulfill the intent of the Congress, when it approved the compacts of Free Association, not to cause adverse consequences for the territories and Hawaii.

Statistics on FAS Migration to U.S. Jurisdictions

- (3) With regard to immigration, statistics concerning the number of persons availing themselves of the rights described in section 141(a) of the Compact during the year covered by each report;

Interior response: In order to properly apportion impact funds among the four jurisdictions, the Congress directed that an enumeration of Compact migrants be conducted at least every five years, starting in 2003. The enumerations, including the most recent 2013 enumeration, show the Compact migrants distributed among the four jurisdictions as follows:

	2003	2008	2013	% Change 2008-13
Guam	9,931	18,305	17,170	-6%
Hawaii	7,297	12,215	14,700	+17%
CNMI	3,570	2,100	2,660	+21%
American Samoa	<u>10</u>	<u>15</u>	<u>25</u>	+40%
Totals	20,708	32,635	34,555	

The Office of Insular Affairs is expected to enter into an interagency agreement with the Census' Bureau of Economic Analysis to produce a 2018 enumeration of FAS citizens in affected jurisdictions, as required in Public Law 108-188. The enumeration is expected to cost \$1.5 million, with \$617,000 to be deducted from the \$30 million in compact impact mandatory funds. The remaining cost will be borne by the Office of Insular Affairs.

Based on the enumeration of Compact migrants in 2013, the shares (in rounded figures) of the \$30 million appropriation and \$3 million appropriation were apportioned for FY 2016 as follows:

Guam:	\$14,906,670	\$1,491,000
Hawaii:	12,762,263	1,276,000
CNMI:	2,309,362	231,000
American Samoa:	21,705	2,000
Cost of enumeration:	<u>0</u>	<u>0</u>
	\$30,000,000	\$3,000,000

The annual \$30 million mandatory appropriation was included in the authorizing legislation in 2003. This amount will continue to be appropriated through FY 2023. The \$3 million for FY 2015 was a discretionary appropriation to offset education impacts. FY 2015 was the first budget year in which the Department apportioned available Compact impact funds among the affected jurisdictions based on the enumeration that was completed in 2013.

Tuna

- (4) With regard to trade, an analysis of the impact on the economy of American Samoa resulting from imports of canned tuna into the United States from the Federated States of Micronesia, and the Republic of the Marshall Islands.

Interior Response: The Federated States of Micronesia and the Republic of the Marshall Islands have not commenced the production and export of canned tuna to the United States.



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