



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

February 10, 2015

The Honorable Joseph R. Biden, Jr.
President of the Senate
United States Senate
Washington, DC 20510

Dear Mr. President:

The Compact of Free Association Amendments Act, Public Law 108-188, appropriated \$30 million annually to defray costs associated with freely associated state (FAS) migrants in Hawaii, Guam, American Samoa and the Commonwealth of the Northern Mariana Islands, with an additional \$4.99 million appropriated by the Congress for fiscal year 2013. Public Law 108-188 also provides an opportunity for the four governors to report on the 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.

Transmitted with this letter is the Department of the Interior's *Report to the Congress: 2014 Compact Impact Analysis*, along with the related *Impact of the Compacts of Free Association on Guam FY2004 through FY2013* of the Governor of Guam.

It has been evident over the years that the costs of migration in several United States affected jurisdictions are greater than Federal reimbursements. As such, the Office of Insular Affairs is considering action on several fronts.

- **Uniformity of Compact Impact Reports.** Over the past 10 years both Guam and Hawaii have submitted reports with differing data gathering and formats. The Office of Insular Affairs seeks to work with the affected United States jurisdictions, the General Accountability Office, and congressional offices to establish a uniform Compact Impact reporting process.
- **Stemming FAS Out-migration.** The FAS continue to see out-migration to United States jurisdictions due to economic, education and healthcare deficiencies at home. The Office of Insular Affairs believes that increased oversight and accountability are needed in the use of funds by the FAS, particularly in the field of infrastructure grants for health and education. Improving the quality of life for their citizens may help to stem the out-migration of FAS citizens to the United States.

- **Compact Impact Funds.** The current authorities for Compact impact costs need to be reevaluated given the rising impact on affected jurisdictions. Consideration should also be given to alternative mitigation measures.
- **Improved Coordination of Federal Programs.** The Office of Insular Affairs is already working with Federal agencies on current authorities to more effectively utilize funds to help FAS citizens with job training and improved education, health, and social services in affected jurisdictions.

During the 114th Congress, I look forward to working with you to address the effects of FAS migration both in the FAS countries and in affected United States jurisdictions.

Sincerely,



Esther Kia'aina
Assistant Secretary
Insular Areas

Enclosures:

2014 Analysis of Compact Impacts
2004 - 2013 Report of the Governor of Guam

cc: Chairman Lisa Murkowski, Senator Maria Cantwell



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

February 10, 2015

The Honorable John Boehner
Speaker
House of Representatives
Washington, DC 20515

Dear Mr. Speaker:

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Esther Kia'aina
Assistant Secretary
Insular Areas

Enclosures:

2014 Analysis of Compact Impacts
2004 - 2013 Report of the Governor of Guam

cc: Chairman Rob Bishop, Chairman Don Young, and Congressman Raul Grijalva, and
Congresswoman Madeleine Z. Bordallo

**Report to the Congress:
2014 Compact Impact Analysis
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 as legal nonimmigrants. Public Law 108-188 appropriated \$30 million annually for the years 2004 through 2023 as contributions to Hawaii, Guam, American Samoa, and the Northern Mariana Islands to help defray costs associated with Compact migrants in their jurisdictions. Fiscal year 2013 appropriations legislation provided an additional \$4.99 million to help offset education costs associated with FAS citizen migration to these United States jurisdictions. Public law 108-188 also provides for periodic reporting to the Congress regarding these impacts of the Compacts on the above jurisdictions.

I. 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.”

II. Congressional Request and Answers

Congressional Request No. (1): The Governor’s comments on the impacts of the Compacts as well as the Administration’s analysis of such impact.

Interior Response: The 2004 - 2013 report of the Governor of Guam is attached.

- Over the years, recipients of Compact migrants, particularly Hawaii and Guam and the Northern Mariana Islands, have often raised the issue of costs to their governments for services associated with migrants from the FAS. In a report for fiscal years 2004 through 2013, the Governor of Guam reported that his territory spent \$128 million in fiscal year 2013, and a total of \$682 million for the ten year period, on services for Compact migrants. It is clear that Guam has borne substantial cost from the presence of FAS migrants. However, over the past 10 years both Guam and Hawaii have submitted reports with differing data gathering and formats. The Office of Insular Affairs seeks to work with the affected United States jurisdictions, the General Accountability Office, and congressional offices to establish a uniform Compact Impact reporting process.

Congressional Request No. (2): The Administration views on any recommendations for corrective action to eliminate those consequences as proposed by such Governors.

Interior Response: Guam would like additional funds to close the gap between its share of the \$30+ million a year in Federal Compact impact contributions and its calculations of migrant costs. For 2004 through 2013, Guam calculated expenditures of \$682 million, of which \$152.3 million was made available to Guam by the Federal government to aid in defraying Guam’s Compact impact costs as follows:

2004	\$14.2 million
2005	\$14.2 million
2006	\$14.2 million
2007	\$14.2 million
2008	\$14.1 million
2009	\$14.2 million
2010	\$16.8 million
2011	\$16.8 million
2012	\$16.8 million
2013	\$16.8 million ¹

Guam has explained in detail the areas in which the expenditures occurred, e.g. health, education and public safety. Guam’s 2013 report shows an escalating trend in Government of Guam

¹ In fiscal year 2013 and fiscal year 2014, Guam received \$16.8 million as its share of the \$30 million appropriation for impact of the compact plus \$2.8 million as its share of the \$4.99 million discretionary appropriation for education impacts in 2013 and \$1.7 million as its share of the \$3 million discretionary appropriation for education impacts in 2014. The amounts for fiscal year 2014 are not displayed in the text because this is an analysis of Guam’s report through fiscal year 2013.

expenditures on migrants from the freely associated states. The expectation is for a continuation of this upward trend. Impact of the Compact was a major part of congressional consideration of the original compact in 1986 and the amendments of 2003. Members of Congress expressed concern about the impacts of FAS migrants on the fragile economies of United States island jurisdictions in the Pacific. Besides Interior providing some funds for compensation in the early years, the Congress, in 2003, authorized and appropriated \$30 million for each year through 2023 to help defray FAS migrant costs in the Pacific territories and Hawaii and since 2004 the \$30 million in Federal compensation has remained static while Guam's costs related to FAS migrants have increased.

The governors of Hawaii, the CNMI and American Samoa have not submitted compact impact reports relating to fiscal year 2013². Thus, no comments relating to their jurisdictions are included in this report.

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² Hawaii's last report was for fiscal year 2010 with data from 2008, 2009, and 2010.

Congressional Request No. (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 every five years, starting in 2003. The 2008 enumeration³ produced a total count of 32,635 Compact migrants distributed among the four jurisdictions as follows:

	2003	2008	% Change
Guam	9,931	18,305	84.3
Hawaii	7,297	12,215	67.4
CNMI	3,570	2,100	-41.2
American Samoa	10	15	50.0

Based on the enumeration of Compact migrants in 2008, the shares (in rounded figures) of the \$30 million appropriation and \$4.99 million appropriation were apportioned for fiscal year 2013 as follows:

Guam:	\$16,799,000	\$2,799,000
Hawaii:	11,210,000	1,868,000
CNMI:	1,927,000	321,000
American Samoa:	14,000	2,000
Cost of enumeration:	50,000	0
	<u>\$30,000,000</u>	<u>\$4,990,000⁴</u>

³ **2013 Enumeration Applicable to Distribution in FY2015 (2015 is not the subject of this Report)** The Census Bureau estimates that there were 34,555 COFA migrants residing in the four jurisdictions combined (American Samoa, CNMI, Guam, and Hawaii) in 2013. Table 1: 2013 Estimate of COFA Migrants: All Jurisdictions

Jurisdiction	Estimate	Margin of Error
American Samoa	25	(x)
CNMI	2,660	(x)
Guam	17,170	(x)
Hawaii	14,700	+/-2,241

Source: U.S. Census Bureau, 2009-2011 American Community Survey (Hawaii), and 2010 Census (American Samoa, CNMI, and Guam).

Understanding Margin of Error

A margin of error is not applicable for the estimate of COFA migrants and their children living in American Samoa, CNMI, or Guam because these estimates are derived from a census as opposed to a survey. The estimate of COFA migrants and their children living in Hawaii are based on a survey and are subject to sampling variability, and the degree of uncertainty for an estimate arising from sampling variability is represented through a margin of error. The value shown above is the 90-percent margin of error. The margin of error is best understood through a confidence interval. The 90-percent confidence interval provides a range of possible values for which we are 90 percent confident that it contains the true value of the estimate. The 90-percent confidence interval is constructed from the lowest possible value (estimate minus the 90-percent margin of error), ending with the highest possible value (estimate plus the 90-percent margin of error). Although there is a range which we are 90-percent confident contains the true number of COFA migrants, for the purposes of this project, the Census Bureau is recommending the use of the estimates reported in Table 1 as the best estimate of COFA migrants in 2013.

⁴ The apportionment in fiscal year 2014 (not the subject of this report) is as follows, including the apportionment of the \$3 million in discretionary Compact impact appropriations for education.:

The annual \$30 million was permanently appropriated with the authorizing legislation in 2003, and thus remains available for expenditure. The \$4.9 million is a discretionary appropriation devoted to education and was appropriated for fiscal year 2013.

Fiscal year 2015 will be the first budget year in which the Department of the Interior will apportion available Compact impact funds among the jurisdictions based on an enumeration that was completed in 2013.

Congressional Request No. (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 FSM and the RMI have not commenced the production and export of canned tuna to the United States.

Guam:	\$16,827,000	\$1,683,000
Hawaii:	11,229,000	1,123,000
CNMI:	1,930,000	193,000
American Samoa:	<u>14,000</u>	<u>1,000</u>
	\$30,000,000	\$3,000,000