Executive Summary


July 1999

Prepared for
The CNMI Government
Pedro P. Tenorio, Governor

By
The Department of Commerce
Frankie B. Villanueva, Secretary
Study of the Impact of the Compact
Of
Freely Associated States
On the
Commonwealth of the Northern Mariana Islands
For Fiscal Years 1997 & 1998

Executive Summary:

The Compacts of Free Association state that, "In approving the Compact, it is not the intent of the Congress to cause adverse consequences for the United States territories and Commonwealths or the State of Hawaii." The purpose of this report is to study the impact of the "Compacts of Free Association" with the United States on the Commonwealth of the Northern Mariana Islands (CNMI) for the fiscal years 1997 and 1998 by the migration of the citizens of the Federated States of Micronesia (Chuuk, Pohnpei, Kosrae, Yap), and the Republics of Palau and Marshall Islands.

This report is prepared by the CNMI's Department of Commerce. This report quantifies the impact to the following CNMI agencies:

1. The Public School System;
2. Department of Public Health;
3. Department of Public Safety;
4. Public Defender; and
5. Department of Community and Cultural Affairs.

The cost of providing socio-economic services by the CNMI government for FAS citizens residing in the CNMI was $13,737,415 in 1997 and $15,093,122 in 1998, or a grand total of $28,830,537 for both years.

These numbers are conservative because they do not include the costs of certain government agencies or institutions. For example, the costs to the judiciary, which handles court cases for Micronesians, the Northern Marianas College and the Commonwealth Utilities Corporation are not included in this report.
The population base and the growth trend of FAS citizens are based on the following censuses:

1. 1980 Census;
2. 1990 Census;
3. 1995 Mid Decade Census of the CNMI; and

Table 1 shows the FAS population as a percentage of the total CNMI population. It can be seen from this table that:

- The FAS population grew at an Average Annual Growth Rate of 9.08% from 1980 to 1995;
- Later, the FAS population decreased at an Average Annual Growth Rate of 5.50% from 1995 to 1998;
- The FAS population made up 4.89% and 4.43% of the CNMI population in 1997 and 1998, respectively.

**TABLE 1**

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<tbody>
<tr>
<td>FSM</td>
<td>552</td>
<td>1,017</td>
<td>1,001</td>
<td>1,847</td>
<td>1,792</td>
<td>8.62%</td>
<td>-2.96%</td>
</tr>
<tr>
<td>NMI</td>
<td>120</td>
<td>122</td>
<td>101</td>
<td>92</td>
<td>N/A</td>
<td>-8.06%</td>
<td>-8.06%</td>
</tr>
<tr>
<td>PALAU</td>
<td>396</td>
<td>1,407</td>
<td>1,409</td>
<td>1,158</td>
<td>1,063</td>
<td>8.83%</td>
<td>-8.97%</td>
</tr>
<tr>
<td>TOTAL FAS Citizens</td>
<td>948</td>
<td>3,333</td>
<td>3,482</td>
<td>3,116</td>
<td>2,947</td>
<td>9.06%</td>
<td>-5.60%</td>
</tr>
<tr>
<td>TOTAL CNMI Population</td>
<td>16,760</td>
<td>43,345</td>
<td>56,846</td>
<td>60,763</td>
<td>66,569</td>
<td>8.72%</td>
<td>-4.19%</td>
</tr>
<tr>
<td>FAS citizens as % of Total Population</td>
<td>6.65%</td>
<td>7.69%</td>
<td>5.33%</td>
<td>4.89%</td>
<td>4.43%</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Two different methodologies were used in making these calculations:

1. Direct Cost Method, or
2. Percentage of Total Cost Method.

The decision as to what method to use was based on the types of services provided by each department and the statistics maintained by them. For example, in the case of the Division of Youth Services, since they maintained complete records for each category, such as the number of Juvenile cases or
Juvenile detainees, the direct cost method is applied. In other cases, such as the Office of the Public Defender, even though it is obvious that the cost of handling a criminal case is by far higher than the cost of handling a traffic case, due to lack of data, the percentage of total cost method is used.

Table 2 gives a summary of the total costs allocated to FAS citizens by the five different departments and offices considered for this study. It shows that, although they made up only 4.89% of the population in 1997 and 4.43% of the population in 1998, FAS citizens required an average of 14% of the resources in 1997 and 15.12% in 1998.

**TABLE 2**

<table>
<thead>
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<tbody>
<tr>
<td>Department of Public Health</td>
<td>$38,448,049</td>
<td>$7,056,020</td>
<td>18.35%</td>
<td>$36,688,985</td>
<td>$7,458,022</td>
<td>18.82%</td>
</tr>
<tr>
<td>Public School System</td>
<td>$41,016,168</td>
<td>$3,121,928</td>
<td>7.61%</td>
<td>$41,016,188</td>
<td>$3,177,244</td>
<td>7.86%</td>
</tr>
<tr>
<td>Department of Public Safety</td>
<td>$14,500,000</td>
<td>$2,294,206</td>
<td>22.72%</td>
<td>$17,600,000</td>
<td>$4,155,988</td>
<td>23.51%</td>
</tr>
<tr>
<td>Public Defender</td>
<td>$545,595</td>
<td>$100,504</td>
<td>18.42%</td>
<td>$600,756</td>
<td>$130,509</td>
<td>21.74%</td>
</tr>
<tr>
<td>Division of Youth Services</td>
<td>$909,358</td>
<td>$163,996</td>
<td>18.03%</td>
<td>$853,075</td>
<td>$160,907</td>
<td>18.02%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$98,419,210</strong></td>
<td><strong>$13,737,415</strong></td>
<td><strong>14.45%</strong></td>
<td><strong>$98,768,684</strong></td>
<td><strong>$18,093,122</strong></td>
<td><strong>18.12%</strong></td>
</tr>
</tbody>
</table>

It is interesting to note that while the FAS population showed an average annual decline rate of 5.50% from 1997 to 1998, their demand on the social services in the CNMI grew by a rather alarming 9.87%, from $13,737,415 in 1997 to $15,093,122 in 1998.

A complete history and analysis of the Compact agreement, and the post-Compact and pre-Compact population, is borrowed from Dr. Mike Levin’s report and is presented under background information in section IV of this report.

This report uses citizenship as the criteria for calculating the cost, but also includes the children of FAS citizens born in the CNMI. Furthermore, due to the lack of immigration data before the Compact agreement, the number of FAS citizens presented in table (1) includes both the pre-Compact and post-Compact population.