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Report to Congressional Requesters

October 2001

FOREIGN RELATIONS

Migration From Micronesian Nations Has Had Significant Impact on Guam, Hawaii, and the Commonwealth of the Northern Mariana Islands

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Abbreviations

CNMI	Commonwealth of the Northern Mariana Islands
FAS	Freely Associated States
FSM	Federated States of Micronesia
INS	Immigration and Naturalization Service
OIA	Office of Insular Affairs
RMI	Republic of the Marshall Islands
UN TTPI	United Nations Trust Territory of the Pacific Islands

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United States General Accounting Office
Washington, DC 20548

October 5, 2001

The Honorable James V. Hansen
Chairman
Committee on Resources

The Honorable Tom Lantos
Ranking Minority Member
Committee on International Relations

The Honorable Jim Leach
Chairman, Subcommittee on East Asia and the Pacific
Committee on International Relations

The Honorable Doug Bereuter
House of Representatives

The United States is party to international agreements, in the form of Compacts of Free Association, that include provisions granting the citizens of three small Pacific Island nations the right to live and work in the United States. One of these Compacts was enacted in 1986 with the Federated States of Micronesia and the Republic of the Marshall Islands, while the second Compact was implemented in 1994 with the Republic of Palau. Compact enabling legislation states that, in approving the Compacts, the Congress did not intend to cause any adverse consequences for U.S. territories, commonwealths, or the state of Hawaii. While many of the provisions of the Compact with the Federated States of Micronesia and the Republic of the Marshall Islands, including those providing U.S. economic assistance, are due to expire in 2001 and are being renegotiated, the Compact's migration provisions do not expire.[1] However, the governments of the U.S. island areas of Guam (an unincorporated U.S. territory in the western Pacific), Hawaii (a U.S. state), and the Commonwealth of the Northern Mariana Islands (a self-governing commonwealth of the United States), have raised concerns about the adverse financial and public health impact that they attribute to the many citizens from the Compact nations that have availed themselves of

[1] Compact provisions related to economic assistance, access to U.S. federal services and programs, and certain of the Compact defense obligations are due to expire in 2001. These provisions can continue from the 2001 expiration date to 2003 as provided in the Compact while negotiations are under way but not completed.

Compact migration rights.[2] Therefore, the Department of State's Director of the Office of Compact Negotiations testified in June 2000 that he intends to address migration in the context of the ongoing negotiations.[3] (As of September 21, 2001, the Director of the Office of Compact Negotiations resigned. He has not yet been replaced.)

You requested that we review the migration provisions of the Compact with the Federated States of Micronesia and the Republic of the Marshall Islands in order to assist the Congress in its review of any migration proposals that may result from current Compact negotiations. In response, we (1) identified migration under the Compact (migrant population size, destinations, and characteristics), (2) assessed the impact of this migration on U.S. island areas and the sending nations,[4] (3) determined the use of available options to address impact on U.S. island areas, and (4) explored ways in which future changes in Compact provisions and assistance levels might affect migration levels and impact. Our review includes data on the Republic of Palau as U.S. island area governments have included the cost of Palauan migrants in their financial impact estimates.

To meet these objectives, we reviewed the Compacts and laws that affect migration, as well as data on the number, destinations, characteristics, and impact of migrants from the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau to U.S. island areas. Although these data were collected using the best approach available, we note that the data on the number of migrants may be an undercount and are now several years old. We interviewed officials from the governments of the United States, the Federated States of Micronesia, the Republic of the Marshall Islands, the Republic of Palau, Guam, Hawaii, and the Commonwealth of the Northern Mariana Islands regarding migration under the Compacts of Free Association and its impact. We also spoke with migrant community representatives in the three U.S. island areas.

[2] We use the term "U.S. island areas" to refer collectively to Guam, Hawaii, and the Commonwealth of the Northern Mariana Islands. We view this term as a neutral, concise reference to three locations that each have a different political status.

[3] Direct economic assistance provided for in the Palau Compact does not expire until 2009, and that Compact's migration provisions do not have an expiration date.

[4] We did not include the continental United States in this report because (1) compensation for migrant impact is not available to U.S. mainland states in the Compact's enabling legislation and (2) no data regarding the size of the Micronesian migrant population on the U.S. mainland have been available during the course of our work.

(Further details regarding our scope and methodology are provided in app. I.)

Results in Brief

Thousands of citizens from the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau have availed themselves of the migration rights provided under the Compacts. Almost 14,000 migrants were living in Guam and Hawaii in 1997 and the Commonwealth of the Northern Mariana Islands in 1998, according to Department of the Interior surveys. Guam had the most Compact migrants at 6,550, followed by Hawaii with 5,500 and the Commonwealth with 1,755. There were substantially more migrants living in these U.S. areas who arrived under the Compacts of Free Association than there were those who arrived prior to Compact implementation. For the migrants surveyed, the destination for migrants shifted from the Commonwealth of the Northern Mariana Islands in the early 1980s to Guam from the mid-1980s to mid-1990s, and to Hawaii in more recent years.[5] Compact migrants moved to U.S. island areas primarily for employment and education opportunities and as dependents of employed migrants. The data show that Compact migrants surveyed were working in jobs that required few skills and paid low wages, and most (over 50 percent) were living in poverty in all three U.S. island areas. Finally, most Compact migrants were not highly educated.

The governments of Guam, Hawaii, and the Commonwealth of the Northern Mariana Islands have identified significant Compact migration impact. The three U.S. areas have collectively reported at least $371 million in costs to local governments for 1986 through 2000 that are associated with migrants from the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau, with Guam's estimate accounting for close to half of the total amount. All three U.S. island areas have shown that costs have been concentrated in the areas of health and education. Further, all three U.S. areas have raised concerns about public health problems associated with Compact migrants. Concerning impact on sending nations, population growth in the Federated States of Micronesia has essentially stopped in recent years, while falling to under 2 percent annually in the Republic of the Marshall Islands, reportedly due to out-migration. Government officials in these Micronesian countries view out-migration as a key safety valve to easing

[5] Migration is, reportedly, increasingly targeted at the U.S. mainland, although there are no data to support this view.

problems associated with limited economic opportunities in these small nations.

The U.S. government's use of options available to address Compact migration impact has not satisfied the governments of Guam, Hawaii, or the Commonwealth of the Northern Mariana Islands. One of these options, financial compensation, has provided funding through fiscal year 2001 for Guam and the Commonwealth of the Northern Mariana Islands of $41 million and $3.8 million, respectively. These amounts are much less than the financial impact estimated by the two U.S. island governments. Hawaii has received no compensation. All three U.S. areas believe additional funding is in order. The second option, which allows for nondiscriminatory limitations to be placed on the right of Compact migrants to establish continuing residence in a territory or possession of the United States, was enacted in September 2000. U.S. government officials have reported that this action is expected to have limited impact due to insufficient resources to enforce the limitations. Compact impact reports, a tool available to assist the U.S. government in determining whether and how to address impact, have not been prepared annually by the Department of the Interior as required and do not easily allow comparisons across U.S. island area data to determine relative impact.

A reduction in the level of future Compact assistance could spur migration, while targeting assistance to health and education sectors could reduce some motivations to migrate. For example, significant reductions in aid that reduce government employment would be expected to increase migration. In contrast, targeting future U.S. assistance to the Federated States of Micronesia and the Republic of the Marshall Islands for education and health purposes might reduce some of the motivation to migrate (although migration will continue as long as employment opportunities in both countries remain limited). Further, improvements in migrant health and education status would be expected to reduce adverse migrant impact in U.S. destinations.

In this report, we are making a recommendation to the Secretary of State regarding the use of future Compact assistance for health and education to reduce adverse Compact impact in Guam, Hawaii, and the Commonwealth of the Northern Mariana Islands.

We provided a draft of this report to the Department of the Interior, the Department of State, and the Immigration and Naturalization Service, as well as to the governments of the Federated States of Micronesia, the Republic of the Marshall Islands, the Republic of Palau, Guam, Hawaii, and

the Commonwealth of the Northern Mariana Islands. The government of the Republic of Palau did not provide comments. The Immigration and Naturalization Service provided technical comments and generally agreed with the substance of the report. Agencies and governments that provided written comments generally agreed with our findings, but each had concerns regarding the scope and content of various issues addressed in the report. Of those who addressed our recommendation, State agreed with us, Guam and the Commonwealth stated that the recommendation should address the lack of employment in the Pacific Island nations, Hawaii proposed that health and education funding be provided only under strict grant conditions, and the Federated States of Micronesia felt that the recommendation was unnecessary. Where appropriate, we made technical changes that incorporated minor comments.

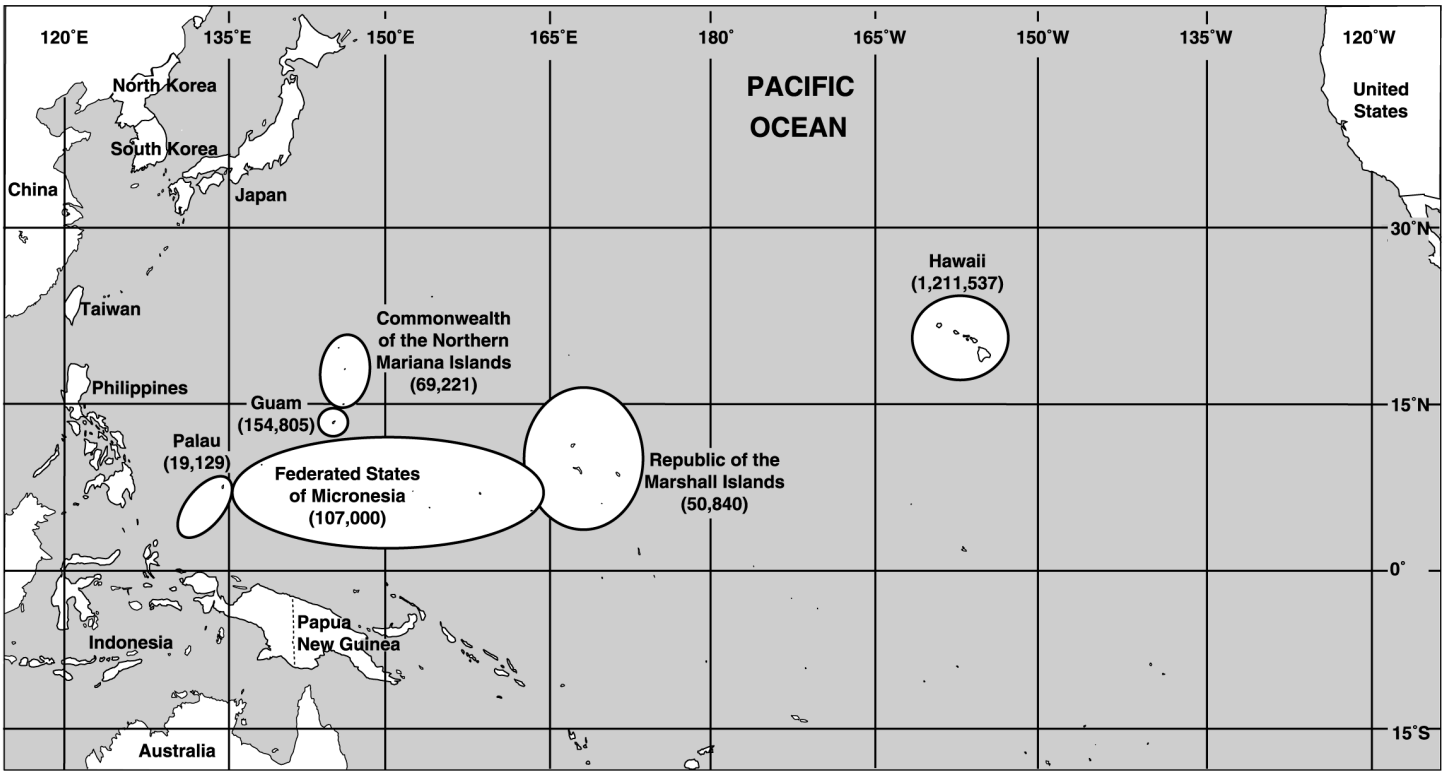
Background

Located just north of the equator in the Pacific Ocean are the two island nations of the Federated States of Micronesia (FSM) and the Republic of the Marshall Islands (RMI) (see fig. 1). The FSM, which is comprised of the states of Pohnpei, Chuuk, Yap, and Kosrae, had a population of about 107,000 in 2000,[6] while the RMI had a population of 50,840 in 1999, based on the most recent census data.[7]

[6] This figure of 107,000, provided to us by the FSM Department of Foreign Affairs, is considerably lower than the 1999 population estimate of 116,268 previously provided to us by the FSM government in September 2000. The FSM Department of Economic Affairs is finalizing the FSM 2000 census results and has not yet released the exact FSM population figure.

[7] The Republic of Palau, located west of the FSM, had a population of 19,129 in 2000.

Figure 1: Location and Population of the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau, as well as the U.S. Areas of Guam, Hawaii, and the Commonwealth of the Northern Mariana Islands



Note 1: All population figures are for the year 2000, except for the 1999 Republic of the Marshall Islands figure.

Note 2: Circles around each location illustrate the general vicinity of each island area. They do not correspond to territorial boundaries or exclusive economic zones.

In 1947, the United Nations created the Trust Territory of the Pacific Islands (UN TTPI). The United States entered into a trusteeship with the United Nations Security Council and became the administering authority of the four current states of the FSM, as well as the Marshall Islands, Palau, and the Northern Mariana Islands. The UN TTPI made the United States responsible financially and administratively for the region. The four states of the FSM voted in a 1978 referendum to become an independent nation, while the Marshall Islands established its constitutional

government and declared itself a republic in 1979.[8] Both locations remained subject to the authority of the United States under the trusteeship agreement until 1986. Late that year, an international agreement called the Compact of Free Association went into effect between the United States and these two new nations and provided for substantial U.S. direct economic assistance for 15 years in order to help both countries move toward a goal of economic self-sufficiency. The Department of the Interior's Office of Insular Affairs (OIA) has been responsible for disbursing and monitoring this direct economic assistance, which totaled almost $1.6 billion from 1987 through 1998.[9] In 2000 we reported that both nations have made some progress in achieving economic self-sufficiency but remain heavily financially dependent upon the United States.[10] In addition to economic assistance, under the Compact the United States provided access to federal services and programs, an obligation to defend the two Pacific Island nations, and migration rights. For its part, the United States received defense rights in these two countries under the Compact.

The Compact exempts FSM and RMI citizens migrating to the United States from meeting U.S. passport, visa, and labor certification requirements of the 1952 Immigration and Nationality Act, as amended (P.L. 82-414). The same migration provisions are included in the 1994 Compact with the Republic of Palau. The migration provisions of the two Compacts also allow FSM, RMI, and Palau (or, collectively, Freely Associated States–FAS) migrants to enter into, lawfully engage in occupations, and establish residence in the United States (including all U.S. states, territories, and possessions) without limitations on their length

[8] The Commonwealth's current status is based on the *Covenant to Establish a Commonwealth for the Northern Mariana Islands in Political Union with the United States*. This agreement was negotiated by representatives of the United States and the Northern Mariana Islands and signed in 1975. The Covenant was signed by the President and approved by the Congress in 1976, and the first constitutional government of the Commonwealth of the Northern Mariana Islands took office in 1978. The Covenant was fully implemented in 1986. Palau was the last UN TTPI district and was administered by the United States until 1994 when its Compact of Free Association went into effect, and Palau became a sovereign state.

[9] Total U.S. Compact assistance–direct funding, program assistance, and federal services–to the two countries for fiscal years 1987 through 2001 is estimated to be at least $2.6 billion.

[10] See *Foreign Assistance: U.S. Funds to Two Micronesian Nations Had Little Impact on Economic Development* (GAO/NSIAD-00-216, Sept. 22, 2000).

of stay.[11] U.S. Immigration and Naturalization Service (INS) officials have stated that these rights granted to FAS migrants are unique; there are no other nations whose citizens enjoy this degree of access to the United States. At the time of the original negotiations, the U.S. Compact negotiator stated that the Compact's migration rights were meant to strengthen ties between the United States and the Freely Associated States.[12]

All Compact migrants in the United States are legally classified as "nonimmigrants," a status that typically signifies nonpermanent visitors such as tourists or students.[13] However, while not legally classified as such, Compact migrants can behave similarly to "immigrants," in that they can stay in the United States as long as they choose with few restrictions.[14] Compact migrants can become U.S. citizens by applying for legal permanent resident status under standard immigration procedures.[15]

The Congress authorized compensation in the Compacts' enabling legislation for U.S. island areas that might experience increased demands on their educational and social services by Compact migrants from these Pacific Island nations. Further, the legislation required the President to report and make recommendations annually to the Congress regarding

[11] The possibility of allowing migration to the United States had been previously recommended. A 1963 U.S. government report to President Kennedy on the political, economic, and social problems faced by Micronesia noted that "it is essential that the safety valve of legally unlimited (and possibly financially-aided) immigration to the United States be established." See *A Report of the U.S. Government Survey Mission to the Trust Territory of the Pacific Islands*, Solomon, Anthony V., Washington, D.C., 1963.

[12] Interior noted during a hearing on the Compact in 1986 that about 4 percent of the FAS population was living in U.S. territories as students and another 3 percent was in U.S. territories as migrants, and this degree of FAS presence was not expected to change after the Compact was enacted.

[13] While citizens of Compact nations who move to U.S. areas are legally classified as "nonimmigrants," we refer to them by the commonly used term "migrants" throughout this report.

[14] For example, certain aliens, including FAS migrants, may be removed from the country if they have committed certain crimes, pose a public health risk, or have become a public charge under certain circumstances.

[15] Few migrants from FAS countries take action to become U.S. citizens. For example, according to INS data, 14 Palauans, 7 FSM citizens, and 1 RMI citizen became naturalized U.S. citizens in 1998.

adverse consequences resulting from the Compact.[16] The Department of the Interior's OIA has been responsible for collecting information regarding Compact impact on U.S. island areas. Interior stated in 1989 correspondence with the government of Guam that "social services" eligible for impact compensation include public health and public safety services, and that the cost of services provided by private or nongovernment agencies are not eligible for reimbursement. In addition to authorized financial compensation, the Compact provided another option for addressing the impact of migrants: certain nondiscriminatory limitations may be placed on the rights of these migrants to remain in U.S. territories and possessions.

While Compact migrants can travel to any U.S. area (including the U.S. mainland), U.S. areas that have drawn migrants due to their close proximity are Guam, the Commonwealth of the Northern Mariana Islands (referred to as the CNMI), and the State of Hawaii. Hawaii had the largest year 2000 total population of the three U.S. island destinations, at 1,211,537, while the populations of Guam and the CNMI were 154,805 and 69,221, respectively. All three locations have opportunities in the areas of employment, education, health care, and social services that have attracted FAS migrants.

[16] As of November 2000, the responsibility for preparing impact reports has shifted from the President (with the Department of the Interior as the responsible agency) to the governors of the affected U.S. island areas.

Thousands of FAS Citizens Have Migrated to U.S. Island Areas Under the Compact for Employment Opportunities but Live in Poverty

Since the two Compacts were enacted, thousands of FAS citizens have migrated to U.S. island areas in the Pacific. According to the 1997 and 1998 OIA surveys,[17] Guam had the highest number of Compact migrants at 6,550, followed by Hawaii and the CNMI. [18] For those surveyed, the destination for migrants shifted from the CNMI prior to 1985 to Guam over the next decade, shifting to Hawaii in the mid-1990s (and now, reportedly, to the U.S. mainland). It is primarily for employment opportunities that migrants have been moving to U.S. areas, with more dependent family members of employed workers migrating since implementation of the Compacts. Educational opportunities have also served as a motivation to migrate. The majority of migrants were living in poverty in all three U.S. areas, with the CNMI having the lowest migrant poverty rates. Of note, the CNMI had the highest percentage of working age FAS migrants participating in the labor force at over 65 percent. In the three U.S. areas, many Compact migrants were working in jobs that required few skills and paid low wages, such as cleaning or food services. In addition, Compact migrants surveyed were not highly educated, with few having college degrees and just over 50 percent having graduated from high school.

Almost 14,000 Compact Migrants Were Living in U.S. Island Areas by 1997/98

Thousands of FAS citizens have moved to U.S. areas in the Pacific under the Compacts, with the highest number of Compact migrants living in Guam. According to OIA surveys, about 6,550 and 5,500 Compact migrants were living in Guam and Hawaii, respectively, in 1997, while 1,755 were living in the CNMI in 1998 (see table 1). This sums to more than 13,800 persons--far more than the 2,500 migrants living in these three U.S. areas

[17] See *The Status of Micronesian Migrants in 1998: A Study of the Impact of the Compacts of Free Association Based on Censuses of Micronesian Migrants to Hawaii, Guam, and the Commonwealth of the Northern Mariana* (Rev.) (Washington, D.C.: U.S. Department of the Interior, Office of Insular Affairs, Jan. 15, 1999). While similar surveys identifying Micronesian migrants were undertaken for U.S. island areas for 1992 and 1993, this report focuses on the most recent data contained in the report cited above. These data were collected in 1997 (for Guam and Hawaii) and 1998 (for the CNMI). Moreover, these data represent a "snapshot" of the FAS migrant communities living in Guam and Hawaii in 1997 and the CNMI in 1998. These data do not represent all FAS migrants who ever lived in a U.S. island area, as some may have moved elsewhere by the time of the survey and may have different characteristics than migrants who remained in U.S. areas.

[18] Throughout this data discussion, we use the term "Compact" migrants to refer to migrants who moved to U.S. areas after implementation of the Compacts, while we use the term "pre-Compact" migrants to identify those migrants who moved to U.S. areas prior to the Compacts. When referring to all migrants, regardless of when they moved to a U.S. area, we use the term "FAS" migrants. Of note, the term "Compact" migrant also includes all U.S.-born children (who are, thus, U.S. citizens by birth) of all migrants unless otherwise noted.

who arrived prior to the Compacts. FAS migrants, which include those who arrived prior and subsequent to implementation of the Compacts, accounted for about 5 percent of Guam's total population and around 4 percent of the CNMI's total population. In contrast, they accounted for only 0.5 percent of Hawaii's total population. There were substantially fewer Palauans living in the CNMI in 1998 who came during the Palau Compact period (1995-1998) than there were those who arrived prior to the Compact. In addition, while there are very few pre-Compact or Compact Marshallese migrants living in either Guam or the CNMI, more than 35 percent of all Compact migrants living in Hawaii were Marshallese in 1997. Forty percent of all FAS migrants in U.S. island areas at the time of the surveys were born in the FSM state of Chuuk, the poorest state in the FSM. These data may be an undercount of FAS migrants due to the methodology used to collect the information (see app. II).

Table 1: FAS Migrants in Guam and Hawaii (1997) and the CNMI (1998) by When Migrated (Before or After Compact Implementation)

	Guam (1997)				Hawaii (1997)				CNMI (1998)				Total (all U.S. areas)
Migrant group	**FSM**	**RMI**	**Palau**	**Total**	**FSM**	**RMI**	**Palau**	**Total**	**FSM**	**RMI**	**Palau**	**Total**	
Pre-Compact	270	2	458	**730**	232	185	193	**610**	289	18	885	**1,192**	**2,532**
Compact	6,325	123	102	**6,550**	3,312	2,070	127	**5,509**	1,503	74	178	**1,755**	**13,814**
- Adult and Child Migrants	5,254	105	87	**5,446**	2,853	1,839	123	**4,815**	995	43	146	**1,184**	**11,445**
- U.S.-born Children of Migrants	1,071	18	15	**1,104**	459	231	4	**694**	508	31	32	**571**	**2,369**
Total	**6,595**	**125**	**560**	**7,280**	**3,544**	**2,255**	**320**	**6,119**	**1,792**	**92**	**1,063**	**2,947**	**16,346**

Note 1: "Pre-Compact" migrants include all FAS citizens, adults and children, who moved to Guam, Hawaii, and the CNMI prior to the implementation of the Compacts (1986 or earlier for the FSM and the RMI, 1994 or earlier for Palau). "Compact" migrants include (1) all FAS citizens, adults and children, who moved to Guam, Hawaii, and the CNMI after the implementation of the Compacts and (2) all children who were not born in a FAS state (according to the survey administrator, almost all of these children were born in the United States) and who have at least one FAS-born migrant parent. All these children of FAS migrants are included in this category whether their parents migrated to a U.S. area before or after the Compacts were implemented, because it is often difficult to determine their status. For example, if a child has one FAS parent who migrated prior to a Compact's implementation and another parent who migrated after a Compact was implemented, it is difficult to determine how to categorize this child. OIA accepts this group of children as part of the FAS population who are in U.S. areas as a result of the Compact.

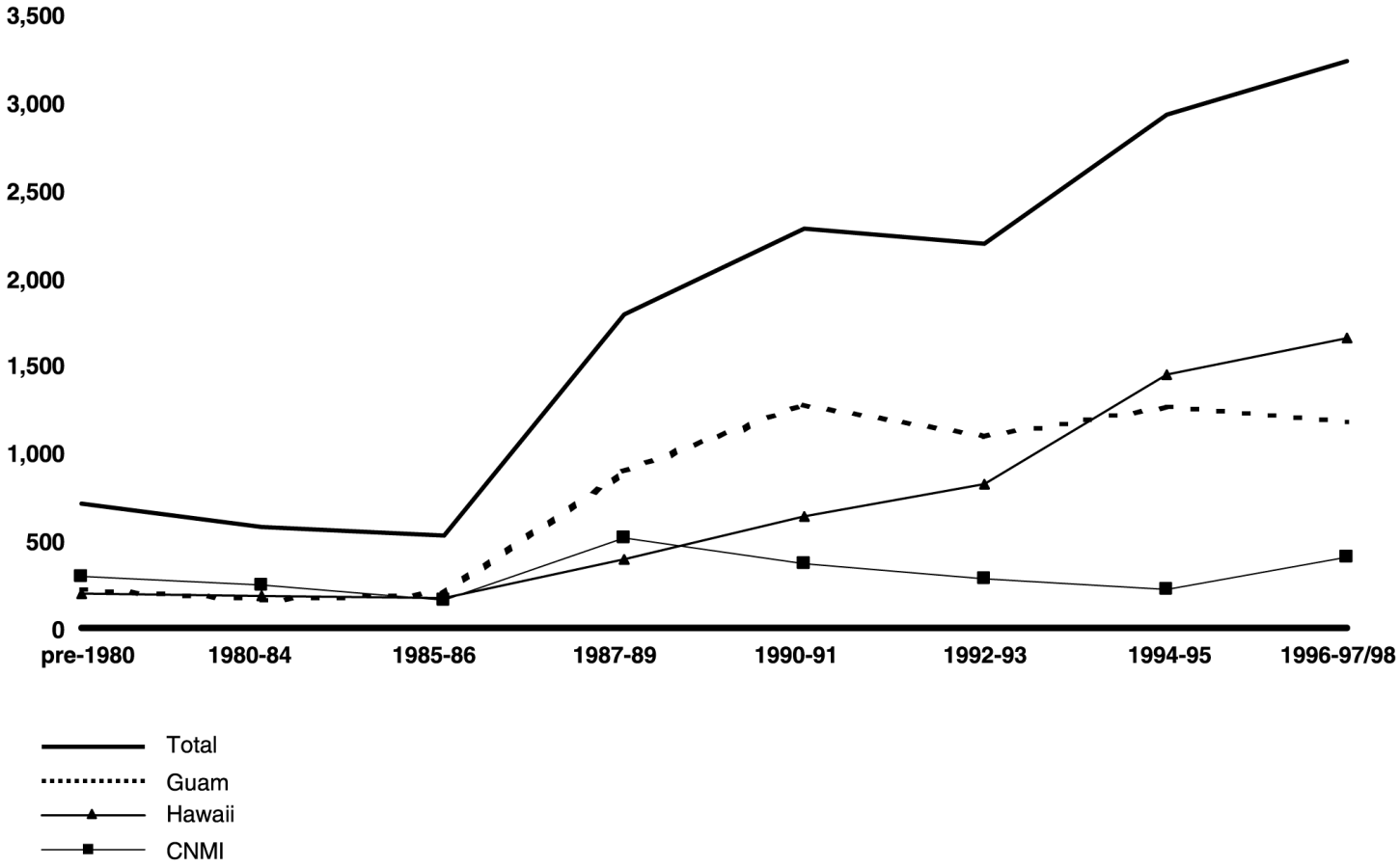
Note 2: These data, as well as data presented in all tables and figures in this section, represent a "snapshot" of the FAS migrant communities living in Guam and Hawaii in 1997 and the CNMI in 1998. These data do not represent all FAS migrants who ever lived in a U.S. island area, as some of these migrants may have moved elsewhere by the time of the survey and may have different characteristics than migrants who remained in U.S. areas.

Source: *The Status of Micronesian Migrants in 1998: A Study of the Impact of the Compacts of Free Association Based on Censuses of Micronesian Migrants to Hawaii, Guam, and the Commonwealth of the Northern Mariana Islands* (Rev.) (Washington, D.C.: U.S. Department of the Interior, Office of Insular Affairs, Jan. 15, 1999).

FAS Migrant Destinations Shifted From the CNMI to Guam to Hawaii

OIA 1997 and 1998 data show that FAS migrants surveyed migrated to Guam, Hawaii, and the CNMI at different points in time. As shown in table 1, the CNMI had the highest number of combined pre-Compact migrants from the FSM, the RMI, and Palau present in 1998 (1,192, compared to 730 for Guam and 610 for Hawaii). At the time of the OIA surveys in 1997 and 1998, the CNMI had received and retained slightly more migrants from the FSM, the RMI, and Palau (combined) for several years prior to 1985. The destinations of migrants from the FSM, the RMI, and Palau then shifted, with substantially more migrating to Guam over the next decade, then shifting to Hawaii in the mid 1990s (see fig. 2). Of note, migration flows under the Compacts appear to have followed traditional migration patterns, with young males migrating first for employment, followed by migration of family members.

Figure 2: Year of FAS Migrant Arrival in Guam, Hawaii, and the CNMI, pre-1980-1997/98



Source: *The Status of Micronesian Migrants in 1998* (Rev.), Jan. 15, 1999.

FAS Migrants Came Largely for Employment and Education Opportunities, and as Dependents

Employment was the key reason cited by FAS migrants in the 1997 and 1998 OIA surveys for coming to Guam and the CNMI, totaling about 40 percent for each (totaling more than 3,500 migrants). Migrants from the FSM and the RMI explained to us that they moved to the U.S. areas to find a job, given the lack of employment opportunities at home. In addition, over 20 percent of FAS citizens moved to Guam and the CNMI as dependents. In Hawaii, FAS migrants also chose employment and being dependents of an employed worker as key reasons for migrating (at 15 percent and 11 percent, respectively) as well as medical care (at 6 percent)

in the OIA survey.[19] However, a greater proportion of RMI migrants in Hawaii came for medical reasons (10 percent) than for employment (7 percent). Educational opportunities at both the college and high school levels have also served as motivations for migration, according to interviews with migrant communities and FAS officials in the three U.S. areas. The University of Hawaii has provided data to us showing that FAS student enrollment had risen since the Compacts were implemented. Specifically, FAS student enrollment in the University of Hawaii increased from 54 students in 1986 to 292 students in 1999.

FAS Migrants Live in Poverty; Almost Half Were Employed but Had Low Skill Jobs

There were considerable differences in poverty rates and employment levels between the three U.S. island areas and among the migrant groups. For example, the CNMI had the lowest rate of FAS migrants living in poverty, at about 51 percent, compared to 67 percent in Guam (see table 2). Poverty rates were generally higher for Compact migrants than they were for migrants that arrived prior to the Compacts.[20]

Table 2: Proportion of FAS Migrants Living Below the Poverty Level in Guam and Hawaii (1997) and the CNMI (1998)

	Guam (1997)				Hawaii (1997)				CNMI (1998)			
Migrant group	**FSM**	**RMI**	**Palau**	**Total**	**FSM**	**RMI**	**Palau**	**Total**	**FSM**	**RMI**	**Palau**	**Total**
Pre-Compact	61.5% (166)	100.0% (2)	56.8% (260)	**58.6%** (428)	31.9% (74)	57.3% (106)	25.4% (49)	**37.5%** (229)	52.9% (153)	38.9% (7)	38.4% (340)	**41.9%** (500)
Compact	67.3 (4,258)	91.9 (113)	59.8 (61)	**67.8** (4,432)	54.6 (1,810)	71.9 (1,489)	44.1 (56)	**60.9** (3,355)	58.5 (880)	58.1 (43)	47.8 (85)	**57.4** (1,008)
Total	**67.1**% (4,424)	**92.0**% (115)	**57.3**% (321)	**66.8**% (4,860)	**53.2**% (1,884)	**70.7**% (1,595)	**32.8**% (105)	**58.6**% (3,584)	**57.6**% (1,033)	**54.3**% (50)	**40.0**% (425)	**51.2**% (1,508)

Note: The numbers in parentheses represent the actual number of migrants living in poverty at the time of the surveys, whereas the percentages represent the proportion of migrants living in poverty at the time of the surveys.

Source: *The Status of Micronesian Migrants in 1998*, Jan. 5, 1999.

[19] It is important to note that more than 50 percent of those interviewed in Hawaii chose the "other" option for the OIA survey question regarding reasons for migrating. "Education" was not provided as an option for migrants to choose in the OIA survey instrument. While some migrants we interviewed explicitly stated that educational opportunities were their main reason for migrating, it is unknown how many of those surveyed would have chosen this answer instead of "other" in the OIA surveys, especially on Hawaii. Moreover, while the summary discussion of reasons for migrating in the OIA survey explicitly states that education was the primary reason for migration to Hawaii, we found that such a conclusion was not consistent with the underlying data of the survey.

[20] Poverty levels were determined based on the U.S. nationwide standard established by the U.S. Census Bureau and adjusted annually for family size.

Labor force participation (those able and willing to work) and employment of migrants (those actually employed) differed between the three U.S. areas. Labor force participation and employment levels were the lowest in Hawaii, with 46 percent of working-age FAS migrants in the labor force and 39 percent employed. In contrast, in the CNMI, nearly 66 percent of working-age FAS migrants reported that they were in the labor force, and nearly 60 percent were employed. Guam was in the middle, with 58 percent in the labor force and 52 percent employed.

Compact migrants who found employment in U.S. areas had primarily private sector jobs requiring few skills and paying low wages. U.S. island government officials and migrant community members told us that Compact migrants often accept jobs that local workers refuse to take.[21] An official representing the garment manufacturing industry in the CNMI noted that FAS employees are good workers and are rarely absent from work. In Guam (1997), Compact migrants largely worked in retail (drinking and eating establishments), hotels and motels, and construction, according to the OIA surveys. In Hawaii (1997), Compact migrants also largely worked in retail, followed by agriculture and business services (such as cleaning). In contrast, Compact migrants in the CNMI (1998) largely worked in apparel manufacturing, followed by retail, hotels and motels, and transportation and communications.

Compact Migrants Are Not Highly Educated

Compact migrants[22] have obtained limited education, according to the 1997 and 1998 OIA surveys. Just over half of all Compact migrants age 25 and older had received their high school diplomas, less than 2 percent had earned 4-year college degrees, and less than 4 percent had earned 2-year community college degrees. The 1997 and 1998 OIA surveys show that

[21] Government officials in Guam and migrants in the CNMI reported that locals do not want to take low-end jobs (especially jobs outside in the heat of the sun, such as landscaping jobs and construction). However, Guam government officials told us that as Guam's unemployment rate has reached about 15 percent in recent years, the demand for FAS workers may have decreased. While CNMI officials also reported a negative change in local economic conditions, the garment manufacturing industry in the Commonwealth wants to employ FAS migrants, as these workers count toward the 20-percent "local workforce" requirement in an industry that mainly employs foreign workers. Further, CNMI government officials have reported that it is far more cost effective to hire a FAS citizen, given the immigration filing expenses and other costs associated with hiring other foreign workers.

[22] OIA survey data for the "U.S.-born children of migrants" category show that there were few people who had reached adulthood in this category responding to the educational attainment questions. Therefore, we have excluded the "U.S.-born children" category from the discussion of Compact migrant education levels.

Hawaii had the largest portion of Compact migrants with high school degrees, at 55 percent, while about 50 percent of Compact migrants in Guam and 44 percent in the CNMI had high school degrees. Moreover, the percentage of FAS migrants from the FSM in Guam with high school degrees decreased during the 1990s, while rising and falling over this time period in the CNMI. According to OIA survey data, a larger portion of FAS migrants from Palau had high school degrees than other FAS migrants.[23]

Compact Migration Has Cost U.S. Island Areas Hundreds of Millions of Dollars, While Population Growth of the FSM and the RMI Has Slowed

Guam, Hawaii, and the CNMI governments have identified significiant Compact migration impact. The three U.S. island areas have estimated costs to local governments of at least $371 million for 1986 through 2000 that are associated with services provided to migrants from the FSM, the RMI, and Palau. All three U.S. island areas have reported that costs have been concentrated in the areas of health and education, though other costs have also been identified.[24] Finally, concerns have been raised by all three U.S. areas, though primarily Hawaii, about public health problems associated with Compact migrants. Of note, U.S. island area impact estimates do not include the positive impact of FAS migrants.[25] While all three U.S. island area governments have acknowledged that FAS migrants have had positive impacts, such as contributing to the tax base and filling employment needs, the Compact's enabling legislation specifically requires reports on adverse impact and does not request information regarding positive impact. Regarding the impact of migration on the FSM and the RMI, the populations of both nations have shown reduced growth in recent years despite continued high birth rates, and government officials in both countries view the Compact's migration provisions as critical to providing migrants with economic opportunities that are not available in these small countries.

[23] Also of interest, in all three U.S. island areas, at least 70 percent of the Compact migrant population was under the age of 30 when the surveys were conducted.

[24] Compact impact estimates in the CNMI have been primarily in the health and education areas in recent years; public safety costs had exceeded education costs until 1999.

[25] The CNMI's impact estimate for 1996 was an exception and quantified $3.6 million in positive benefits from FAS migrants.

U.S. Island Areas Reported Significant Adverse Compact Impact, Primarily in the Areas of Health and Education

The governments of Guam, Hawaii, and the CNMI, which have estimated Compact migrant impact that collectively totals between $371 million and $399 million, have determined that the cost of FAS migrants to the local governments has been significant. Guam's total estimate for the entire Compact period (1986-2000) accounts for about half ($180 million) of the total impact estimate range for all three areas (see table 3). The CNMI also has impact estimates for the entire Compact period and has a total impact estimate range of $105 million to $133 million. Hawaii has prepared estimated impact costs only for 1996 through 2000, though these reports identify some costs for earlier years. Thus, for the most part, Hawaii does not have estimates for 10 years that are covered by the other two areas (1986-1995). Hawaii has identified about $86 million in total impact costs. Costs for the three areas have been focused in the areas of health care and education, though public safety and welfare costs have also been identified. While the reported impact costs of Guam and Hawaii have been increasing over time, the CNMI's impact estimates decreased by almost 40 percent from fiscal year 1998 to fiscal year 2000. This reduction is reportedly due to a decreasing presence of FAS migrants in the CNMI. The 2000 impact estimates prepared by the three areas showed that impact amounts represented about 7 percent, 0.5 percent, and 4 percent of the budget revenues of Guam, Hawaii, and the CNMI, respectively, for that year.[26]

Table 3: Compact Impact Estimates for Guam, Hawaii, and the CNMI, 1986-2000

Dollars in millions[a]				
Year	**Guam**	**Hawaii[b]**	**CNMI**	**Total**
1986-95	$69.8	$23.4[c]	$43.7-$71.7 [d]	**$136.9-$164.9**
1996	16.9	6.4	11.0[e]	**34.3**
1997	16.9[f]	12.2	13.7	**42.8**
1998	21.9	12.4	15.1	**49.4**
1999	23.0	14.1	12.3	**49.4**
2000	31.5	17.5	9.2	**58.2**
Total	**$180**	**$86**	**$105-$133**	**$371-$399**

[a]The data in this table cannot be converted into constant dollars, since some of the impact data reported by the U.S. island governments are not assigned to specific years.

[26] The budgetary impact is clearly largest for Guam and the CNMI. However, the Compact's enabling legislation says that compensation may be provided for increased demands in certain areas; there is no stated threshold regarding impact on total government operations that must be reached in order to obtain compensation.

[b]While Guam and the CNMI have calculated costs on a fiscal year basis, Hawaii's costs are a combination of fiscal year and calendar year costs.

[c]This figure represents Hawaii's education and inmate incarceration costs for FAS migrants for 1988-95 that were provided in later estimate reports.

[d]This 1986-95 impact cost range was provided in a 2000 CNMI congressional testimony.

[e]This figure was calculated by the Hay Group/Economic Systems, Inc., for the government of the CNMI.

[f]This figure was calculated by Ernst & Young, LLP for the government of Guam. The government of Guam estimates for 1996, 1998, and 1999, were derived from the 1997 Ernst & Young calculations, though costs associated with the hospital that receives government funding were added beginning in 1998.

Source: Yearly impact reports of Guam (1987-95, 1997, and 2000), Hawaii (1996-2000), and the CNMI (1996-2000), supplemented by additional totals provided by Guam and the CNMI for years when separate impact reports were not prepared.

Health Care Costs

The health care systems of the FSM and the RMI are viewed by U.S. and U.S. island area governments as inadequate to meet the needs of the population, providing incentive to travel or move to the United States in order to receive appropriate health care.[27] Health costs were the greatest area of impact for the CNMI in 2000. In that year, 43 percent ($4 million) of all identified CNMI impact costs were related to health care. Emergency, general, dental, and pediatric care provided by the CNMI Department of Public Health (the government agency responsible for providing health services and administering the Community Health Center) were identified as high-cost migrant services. According to a CNMI Department of Public Health Services official, neonatal intensive care is a key issue for FAS migrants. This official reported that expectant mothers often have no insurance and have no prenatal care at all until they arrive at the Community Health Center, ready to deliver.

Guam's largest single area of impact in health in its 2000 impact assessment was identified as unpaid services by Guam Memorial Hospital (which receives government funding) to FAS patients, totaling over $5.4 million in 2000.[28] Officials from Guam Memorial Hospital expressed frustration with FAS patients and noted that these patients often rely on the hospital's emergency room for primary health care and that many conditions treated are not urgent. The emergency room treats about 3,000

[27] The Compact with the FSM and the RMI acknowledged this situation by including a provision that provides funding to send FSM and RMI citizens abroad for medical care via a medical referral system.

[28] Guam also identified $2.1 million in Medicaid costs and $2.4 million for its local Medically Indigent Program.

patients per month; about 350 of those patients (12 percent) are FAS patients (compared with FAS representation of 5 percent of Guam's population). As in the CNMI, problems with expectant FAS mothers arriving at the hospital close to delivery and with no prior prenatal care were mentioned. The Governor of Guam told us that in his view the U.S. naval hospital on Guam is underutilized and could provide care for FAS migrants.

Hawaii's government health-related cost of $3.7 million in 2000 went to support FAS migrants who, as of April 2000, no longer receive federal health benefits due to welfare reform legislation. These health benefits for FAS migrants are now funded solely by the state. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996, as amended, (P.L. 104-193), referred to as the Welfare Reform Act, cut certain federal public benefits to some legal aliens, including migrants who enter under the Compact. Medicaid, a program to provide funding to low-income individuals for health care and whose costs are shared between the federal and state governments, is one of the federal programs that is no longer available to FAS migrants. This loss of eligibility has been cited as a reason for expected increases in impact costs for Hawaii, as the state has decided to provide state funding in place of lost federal funds.[29] An Hawaii Department of Health official noted that it is illogical for the United States to make migration to the United States easily accessible for poor FAS citizens but then make health care difficult to obtain.[30]

[29] While Guam and the CNMI stopped submitting Medicaid claims for FAS patients in 1997, Hawaii disputed the exclusion of Compact migrants from the program and continued to submit Medicaid claims and receive federal funding for these patients. Following meetings and correspondence with the U.S. Department of Health and Human Services' Health Care Financing Administration (the agency responsible for administering the Medicaid program and recently renamed the Center for Medicare and Medicaid Services), Hawaii agreed to comply with the Welfare Reform Act, effective April 2000. This issue is more important for Hawaii than for Guam and the CNMI, as the state's access to federal funds under Medicaid is unlimited, while both Guam and the CNMI have caps on federal funds for Medicaid. Because Guam's and the CNMI's Medicaid caps were exceeded prior to the Welfare Reform Act, the impact of the act and the subsequent FAS migrant loss of Medicaid eligibility is less relevant for these two U.S. areas as the amount of federal funding has not changed for them.

[30] Further, Hawaii, which does not have a state-funded hospital, has reported that several private health care facilities have experienced bad debt and have outstanding accounts receivable from FAS patients. While these private sector costs are not included in our report's local government impact estimates, they are addressed in Hawaii's impact estimate reports as costs that are significant.

Education Costs

Inadequate school systems in the FSM and the RMI are viewed by FAS and U.S. island governments as another reason for migration. For example, an RMI government official said that RMI schools are very bad, with insufficient supplies and unqualified teachers, and Marshallese citizens migrate in search of better educational opportunities. According to education officials in Guam and the CNMI, there is an incentive for FSM students to come to those two U.S. locations for public education, as teachers in the FSM do not have 4-year university degrees and the education infrastructure is inadequate. In parts of the FSM only a portion of students are selected to attend high school. Some portion of the students who are not selected, as well as those who live in areas with insufficient school facilities, then reportedly move to U.S. areas to attend high school. FSM and RMI migrants told us that they moved to U.S. areas to attend school themselves or to enroll their children in school.

Guam's and Hawaii's costs in 2000 were primarily in public education, at $17 million and $10.6 million, respectively (54 percent and 58 percent of total estimated impact). The CNMI's education costs were $2.8 million (31 percent of total impact costs) in 2000. In their most recent impact reports, FAS students accounted for about 11 percent, 1 percent, and 9 percent of the total student population in Guam, Hawaii, and the CNMI.[31] Officials from the Departments of Education in Guam and Hawaii noted that FAS students have a tendency to be rather transient, entering and leaving school a few times each year. Moreover, education officials in Guam and the CNMI said that some FAS students have never been in a school classroom prior to moving to a U.S. area. This makes their integration into the school system difficult.

Calculations prepared by the U.S. island governments may have underestimated certain education costs, as not all students and not all costs were captured. For example, officials from the Hawaii Department of Education told us that, rather than calculating costs for all FAS students, they only estimated costs associated with FAS students who participated in the state's English as a Second Language program.[32]

[31] Hawaii's percentage is a low estimate, as this figure only includes FAS students who participated in the state's English as a Second Language program.

[32] While Hawaii understated its estimate of FAS migrant impact on education in certain ways, it used too high a per pupil cost in its calculations. Hawaii overstated cost by not excluding federal contributions to Hawaii from its calculation of per pupil education cost. When federal funds provided to Hawaii are excluded, costs are reduced from $6,773 to $6,112 per pupil, which represents state and local education costs.

Further, education officials in all three U.S. locations told us that, while education costs were calculated based on an average cost per student for the entire student population, FAS students have higher costs than other students due to poor language and other skills. None of the areas quantified the costs associated with additional efforts required to assist FAS students.[33]

Other Costs

The three island areas have also identified other Compact impact costs, though all were small in comparison to those related to health and education and accounted for about 25 percent or less of total impact costs in the most recent impact estimates. For fiscal year 2000, Guam identified $4.6 million in costs related to public assistance programs and the Department of Corrections. For 2000, Hawaii estimated $3.2 million in welfare assistance provided to FAS migrants. Finally, for fiscal year 2000, the CNMI calculated an additional $2.4 million, which is almost entirely attributable to its Department of Public Safety (which includes police, fire, and corrections services).

Public Health Concerns Were Also Cited as FAS Migrant Impact

In addition to financial costs, public health concerns have been raised as migrant impacts, particularly by Hawaii, due to the number of Compact migrants with communicable diseases entering U.S. island areas. For example, in its 1997 impact assessment, Hawaii stated that public health was the state's most pressing concern and noted a recent outbreak of Hansen's Disease (leprosy) on the island of Hawaii. A CNMI Department of Public Health Services official also told us that the number of cases of tuberculosis and Hansen's Disease diagnosed for FAS citizens is increasing, and a Guam Department of Public Health and Social Services official reported that concerns exist regarding communicable diseases, low immunization rates, and noncompliance with treatment regimens for FAS migrants. Hawaii Department of Health officials told us that controlling communicable disease problems within FAS communities can be difficult; migrants do not seek regular medical attention and so require extensive outreach from the Department in order to identify and

[33] Guam, Hawaii, and the CNMI have reported on operating costs of education, but omitted the capital cost of providing facilities for FAS students. These omitted costs can be substantial. For example, Guam reported an FAS student population of 3,425, which, based on recent student to teacher ratios, could require an additional 134 teachers. Recent school construction in Guam costs about $500,000 per teacher. Similarly, in Hawaii, 60 classrooms may be required for teaching the 1,565 FAS students counted. In the 1999-2000 school year, cost of Hawaii classroom construction averaged about $720,000.

effectively treat communicable diseases. Further, Department officials noted that health screenings of Compact migrants are not required for entry into the United States, preventing the identification and treatment of communicable diseases prior to arrival in a U.S. area. INS officials confirmed that health screenings are not required of Compact migrants, nor are they enforced for any nonimmigrant group. INS officials told us that the agency "is the first line of defense" for identifying travelers to the United States who may have communicable health problems. They acknowledged, however, that INS officers are not trained or legitimately qualified in this area, and it is difficult for them to identify travelers with health problems.[34]

Migration From the FSM and the RMI Led to Reduced Population Growth Rates in Both Countries

The populations of both nations have been affected by the out-migration provided for under the Compact. From 1989 to 1994, the FSM population grew 1.9 percent annually, from 95,740 to 105,506. During the next 5-year period, the FSM population grew by only about 1,500 people (.2 percent annually) to reach about 107,000. This very small increase demonstrates that the FSM population has almost stopped growing in recent years, reportedly due to out-migration. Birth rates remain high in both countries. FSM government officials expressed the view that migration rates are increasing and cited a reduction in government jobs following cuts in U.S. funding as a key reason why FSM citizens have migrated in recent years, in addition to employment and education opportunities and access to health care.

Because of out-migration, population growth in the RMI since 1988, when the population was 43,380, has slowed considerably to 1.5 percent annually. This is the lowest rate of growth since 1958. The 1999 RMI census reported 50,840 persons in the RMI, which was about 10,000 fewer people than the RMI government had projected. Emigration is reported as the primary reason for the lower population growth. RMI government officials told us that the rate of migration out of the RMI has increased over the past 5 years and cited the recent public sector reform program, which eliminated government jobs, as a key reason for this increase.

[34] According to INS officials, if an INS officer who is processing foreign entrants at a port of entry into the United States decides that a particular entrant might have a health problem, the traveler will be referred to a public health official. In accordance with the 1952 Immigration and Nationality Act, as amended, this official will then examine the traveler and will make a recommendation to the INS as to whether the traveler should be allowed to stay in the country or should be removed, according to INS officials.

Government officials from the FSM and the RMI view the Compact's migration rights as key to easing problems associated with limited economic opportunities and population growth on these small island nations. While the RMI government does not have an official policy regarding migration, it has published a document encouraging overseas employment,[35] and a recent draft planning document suggested that the government "encourage the emigration of whole families, equivalent to the annual population increase (1,500-2,000 persons) to permanent residence overseas." The FSM government does not have an official policy on emigration.[36]

Use of Options Available to Address Impact Has Not Satisfied U.S. Island Governments

The Compact and its enabling legislation include two options to address the impact of migrants. The law, which states that the Congress will act "sympathetically and expeditiously" to redress adverse consequences of Compact implementation, provided authorization for appropriation of funds to cover the costs incurred, if any, by Hawaii, Guam, and the CNMI resulting from any increased demands placed on educational and social services by migrants from the FSM and the RMI.[37] Guam has received about $41 million in compensation and the CNMI has received almost $3.8 million. Hawaii has received no compensation. Further, the Compact states that nondiscriminatory limitations may be placed on the rights of Compact migrants to establish "habitual residence" (continuing residence) in a territory or possession of the United States.[38] Such limitations went into effect in September 2000 and are viewed by INS officials we

[35] The RMI's first 5-year development plan, 1985-1989, said that "selective emigration of youth for higher studies and employment overseas will be promoted to ease the labor supply situation.

[36] No recent studies have been conducted by the FSM or the RMI regarding issues related to emigration, such as financial remittances from abroad and the so-called "brain drain" (the loss of educated professionals). However, officials from the FSM government have estimated that financial remittances of $3 million to $5 million are now being sent back to the FSM from abroad, while RMI government officials believe there is a net outflow of funds from the RMI to migrants abroad. While officials from the FSM and the RMI believe that there is some brain drain as educated citizens leave, experts on Micronesian migration believe that any brain drain that may be occurring in these two countries does not currently include the most talented citizens.

[37] Compensation is also authorized for American Samoa, though this U.S. Pacific Island territory has never reported any Compact impact. In addition, the Compact with Palau authorizes such compensation for impact resulting from Palauan migrants.

[38] According to the Compact, "habitual residence" is defined as place of general abode or a principal, actual dwelling place of a continuing or lasting nature.

interviewed as difficult to enforce and, therefore, unlikely to have much impact. The extent to which these two options have been used has not met with the satisfaction of any of the three U.S. island area governments, who believe, among other things, that additional funding for impact costs is necessary. Compact enabling legislation required the President (who designated the Department of the Interior as the responsible agency) to prepare annual Compact impact reports and submit them to the Congress. While these reports do not require any action, they can serve as a tool to assist the U.S. government in determining whether and how to address Compact impact. However, only seven of these reports have been prepared during the 15-year Compact period. Further, Interior has taken limited action to ensure that U.S. island areas estimate impact costs consistently, resulting in reports that contain varying information for each U.S. island area and do not easily allow comparisons to determine relative impact across locations.

Two Options Are Available to Address Impact; Their Usage Has Been Viewed as Inadequate by Guam, Hawaii, and the CNMI

Two specific options are available in the Compact and its enabling legislation to address Compact impact: financial compensation and limitations on the rights of FAS migrants to establish continuing residence in a U.S. territory or possession. U.S. government use of these options has not satisfied the Guam, Hawaii, or CNMI governments.

Financial Compensation

Financial compensation provided to Guam, Hawaii, and the CNMI to address migration impact has been far less than the impact estimated by the three area governments and submitted to Interior. Since the Compact with the FSM and the RMI was enacted through 2001, the U.S. government has provided approximately $41 million in impact compensation to Guam, compared with the $180 million in increased costs the territory has estimated it has incurred from 1986 through 2000 (i.e., about 23 percent of total estimated impact costs). The Commonwealth of the Northern Mariana Islands has received $3.8 million in compensation from 1986-2001 compared with $105 million to $133 million in estimated costs from 1986-2000 (less than 4 percent of total costs).[39] While Hawaii has estimated $86 million in Compact impact costs, the state has received no compensation.

[39] While compensation figures cover the period of 1986-2001, impact estimates have been prepared by the three U.S. island governments to cover the years 1986-2000 (i.e., one less year than covered by compensation funding).

The Compact's enabling legislation does not require compensation. Rather, it authorizes appropriations to cover certain impact costs and notes that the Congress will act "sympathetically and expeditiously" to redress adverse consequences. An OIA official noted that the reality of budget constraints has prevented compensation to the extent that impact has been incurred. However, government officials from Guam, Hawaii, and the CNMI have expressed frustration that these island areas are bearing the costs of a federal decision to allow unrestricted migration through the Compact and believe that compensation levels have been inadequate.

Compensation funding received by Guam has not, for the most part, been used in the areas of health and education—the areas that have experienced the greatest migrant impact. As a result of U.S. legislative requirements, the government of Guam was directed to use a majority of its impact compensation funding for capital improvement projects. For fiscal years 1996 through 2001 (when more than $35 million was specifically provided to Guam through legislative action rather than through OIA's technical assistance account), we determined that Guam has spent or plans to spend almost $10 million for road paving, almost $8 million for water projects, more than $4 million for equipment for Guam Memorial Hospital, and more than $4 million for gyms. Prior to 1996, Guam received about $850,000 received from OIA's technical assistance account for a Compact Impact Information and Education Program, established by the government of Guam to "develop and implement information, educational, and organizational activities to assist FSM and RMI citizens in receiving the support and assistance [needed to maintain] cultural integrity, integration, equity, and productivity." This program is no longer operating. In addition to funding for Guam Memorial Hospital listed above, Guam has also used earlier impact funding in ways that directly addressed Compact migrant impact costs. For example, Guam used $600,000 received from OIA's technical assistance account in 1994 to partially reimburse expenditures made by the Department of Public Health for assistance provided to FSM and RMI citizens. According to a CNMI government official, the CNMI has used, or is planning to use, most of its compensation funding for agencies affected by Compact migration impact: the Department of Public Health, the Department of Public Safety, and the Public School System. The governments of Guam and the CNMI believe that restricting the use of compensation funding to capital improvement projects does not target the money where it could be best used.

Nondiscriminatory Limitations on Habitual Residence

A second option available to address Compact impact—limiting the length of stay in some U.S. areas of certain Compact migrants—was implemented 14 years after the Compact went into effect, and its enforcement and

impact may be limited, according to the INS. The Compact states that nondiscriminatory limitations can be placed on the rights of Compact migrants to establish "habitual residence" in U.S. territories or possessions. However, because the CNMI already controls its own immigration and Hawaii is not a territory or possession, Guam is the only potential beneficiary of such limitations for all practical purposes.[40] Habitual residence limitations for Guam, as well as certain other limitations on all aliens living in the United States, are the only means of regulating the ability of Compact migrants to stay in U.S. areas indefinitely. In its annual impact reports, OIA's one consistent recommendation for reducing impact has been to implement habitual residence restrictions.

Immigration legislation passed in 1996 states that not later than 6 months after the date of enactment of the 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.[41] These regulations were not implemented until 4 years later, in September 2000, and define habitual residents, in part, as those FAS migrants who have been in a U.S. territory (i.e., Guam) for a total of 365 cumulative (i.e., not consecutive) days. The regulations provide that, in part, habitual residents are subject to removal if they are not, and have not been, self-supporting for a period exceeding 60 consecutive days for reasons other than a lawful strike or other labor dispute involving work stoppage, or have received unauthorized public benefits by fraud or willful misrepresentation. "Self-supporting" is defined, in part, as having a lawful occupation of a current and continuing nature that provides 40 hours of gainful employment each week, or (if unable to meet the 40-hour employment requirement) having lawfully derived funds that meet or exceed 100 percent of the official poverty guidelines for Hawaii.

Officials from INS believe that these regulations will be difficult to enforce and so will have little impact in Guam. They have stated that this is primarily due to the fact that Compact migrants, like all other nonimmigrants, are not tracked once they arrive in a U.S. area because the INS cannot devote the resources necessary to do so. There is no way of

[40] While such regulations would also apply to the Commonwealth of Puerto Rico and the American Virgin Islands, neither of these locations has indicated that Compact migrants are present and creating an adverse impact. These regulations would not apply to American Samoa as that U.S. territory controls its own immigration.

[41] The Illegal Immigration Reform and Immigrant Responsibility Act of 1996 (P.L. 104-208).

knowing where a Compact migrant is living unless, for example, the migrant is arrested for a crime and reported to the INS. An INS official in Guam reported that the INS has taken no specific action there to enforce the habitual residence regulations. A Guam government official said that while the issuance of the regulations puts the INS more "on track," there is still the problem of tracking migrants, and the INS will not be able to deal with tracking habitual residents in Guam. This official also expressed the view that the regulatory language that the INS will share migrant entry data with Guam, which can assist in collaborative tracking and enforcement efforts, on an "as-needed basis" is too limited. Finally, this official noted that even if a habitual resident is deported from Guam, this person can reenter under a different name (and will thus avoid detection by the INS as a migrant that should be denied entry).

The CNMI controls its own immigration and so has had the option to unilaterally impose nondiscriminatory limitations on habitual residence since the Compacts with the FAS countries were implemented. The Governor of the CNMI told us that it would be very hard for the CNMI to take such action, for social and cultural reasons. Nonetheless, the CNMI is now studying the issue and considering whether to establish limitations on habitual residents. A Department of the Interior official told us that OIA told the CNMI to wait to issue habitual residence limitations until the INS had issued its regulations. This way, the CNMI could draft its limitations in conformity with those of the INS, resulting in a single policy regarding habitual residence.

Tool Available for Assessing Whether and How to Address Impact Has Been Incomplete

One tool available to the U.S. government in determining whether and how to address the effect of the Compacts is the impact reports required in Compact enabling legislation. These reports are to discuss, among other things, the adverse consequences of migration under the Compacts.[42] However, OIA, despite the legal requirement for Interior to report annually to the Congress on impact and provide recommendations to address this

[42] In addition to migration issues, Compact impact reports are to address trade, taxation, labor laws, minimum wages, social systems and infrastructure, and environmental regulation.

impact, has only prepared reports in 1989 and 1996-2001.[43] OIA officials told us that no reports were prepared between 1989 and 1996 because the Congress was not interested in this issue. OIA also noted that while impact reports were not submitted to the Congress, mention was made of Compact impact as part of OIA's annual appropriations hearing. OIA has based its assessments of impact on the estimates prepared by the governments of Guam, Hawaii, and the CNMI. It has also based its reports on the previously discussed FAS migrant population surveys it has funded using technical assistance from the U.S. Bureau of the Census. These reports have found that Compact impact has been substantial and have included general recommendations for addressing impact such as proposing the establishment of nondiscriminatory limitations on the long-term residency of Compact migrants. In November 2000, amendments to the Organic Act of Guam (P.L. 106-504) changed the party responsible for reporting on impact from Interior to the governors of Hawaii and U.S. territories or commonwealths.[44]

OIA has also not ensured that the three U.S. islands areas use, to the extent possible, uniform approaches to calculate impact. Interior issued guidelines in 1994 on how to calculate impact costs and which costs to include. These guidelines were issued in response to a 1993 report by the Department of the Interior's Office of the Inspector General that recommended that OIA develop and disseminate guidelines and procedures for use in determining Guam's Compact impact costs.[45] These guidelines, which were drafted in the context of reviewing a Guam impact assessment for 1993, addressed key areas such as health and education. The guidelines also stated that a "baseline" population of migrants who

[43] Interior was involved in a lawsuit brought by Guam in 1995 and joined by Hawaii and the CNMI challenging the agency's failure to issue annual impact report as required in the Compact's enabling legislation. The suit also later challenged the sufficiency of the cumulative report that Interior finally submitted in September 1996 while the lawsuit was ongoing. Ultimately, the U.S. Court of Appeals for the Ninth Circuit held that the adequacy of the 1996 report and any subsequent reports was not reviewable. The Court also held that the injury asserted by the governments was not redressable, because the annual report required by the Congress in the Compact is primarily a tool for the Congress's own use and neither provides any legal consequences to the governments nor requires the Congress to act.

[44] These governors may provide impact reports to Interior, which will then review and forward these reports to the Congress with the comments of the administration.

[45] *Audit Report: Impact of the Compact of Free Association on the Government of Guam* (U.S. Department of the Interior, Office of the Inspector General, June 1993 [93-I-1195]). At the time of this report, OIA was known as the Office of Territorial and International Affairs.

were on Guam prior to the Compact (and whose impact thus, in Interior's view, cannot be easily attributed to the Compact) should be subtracted from Guam's impact estimate. Guam subsequently took action to implement OIA's guidelines. However, while an OIA official reported that he submitted these guidelines to the CNMI, officials from the CNMI could not confirm ever receiving such guidelines and stated that their impact assessments have not been based on OIA guidelines. An Hawaii State official said that while the state did not receive written guidelines from OIA, verbal discussions were held regarding issues such as using per student costs for education estimates.

Further, OIA has not provided consistent review of impact estimates submitted by the three U.S. island area governments. For example, while OIA has instructed Guam and the CNMI in its annual reports and elsewhere to remove pre-Compact migrants from impact estimates (i.e., subtract a "baseline"), no such guidance has ever been provided to Hawaii in OIA's annual reports, despite the fact that Hawaii has estimated costs for all FAS migrants living in the state and had a pre-Compact migrant population that was roughly comparable to that of Guam. In addition, OIA's 1999 impact report mentioned Hawaii's lost revenues resulting from the fact that FAS college and university students pay resident tuition, after having noted in its 1994 guidelines that higher education costs could not be justified for Guam. OIA has also not addressed the fact that many of Guam's impact estimates do not include Palauans (while estimates for the other two areas do include this group of migrants) and that Hawaii no longer includes public safety costs in its assessments. As a result, all three areas have included different areas of impact and have defined the impact population differently and impact estimates, though providing valuable data, do not easily allow comparisons across U.S. island areas to determine actual relative impact.[46] OIA itself noted in its impact report for 2000 that determining the costs of providing services to migrants has become increasingly difficult, in part, because "[T]here is no consistent methodology among U.S. areas for measuring the cost of providing services to migrants" and "[T]he type of impact and the concerns vary among the reporting areas."

[46] OIA did attempt to calculate comparable impact estimates for the three U.S. island areas for 1 year (1997 for Guam and the CNMI and 1999 for Hawaii) that included only public education, health, and welfare costs and factored out a pre-Compact migrant baseline. OIA's estimates identified $12.8 million for Guam and $6.6 million for the CNMI in 1997, and $11.6 million for Hawaii in 1999.

Changes in Compact Assistance and Provisions Might Affect Migration Levels and Impact

Changes in the level of future U.S. economic assistance may alter the rate of migration. For example, significant reductions in aid to the FSM and the RMI that reduce government employment would be expected to spur migration. On the other hand, targeting future U.S. assistance to the FSM and the RMI for education and health purposes could reduce some of the motivation to migrate (although migration will continue as long as employment opportunities in both countries remain limited). Further, improvements in migrant health and education status would be expected to reduce migrant impact in U.S. destinations. Thus, changes in future U.S. assistance could have repercussions for the FSM and the RMI, as well as any U.S. location receiving migrants. Additionally, changes in Compact provisions, such as requiring health screening, could reduce the impact of migrants on U.S. areas, though government officials from the two Pacific Island nations do not view migration provisions as subject to renegotiation.

To date, no formal demographic or economic analysis of changes in economic assistance has been completed.[47] However, officials in the United States, the FSM, and the RMI draw on their past experience with Compact migration to project how proposed changes in Compact assistance could affect migration levels. Additionally, they also have views on how changes in health and education may affect the impact of migrants on U.S. destinations. Officials in U.S. island areas seeking to reduce adverse impact advocate certain changes in Compact assistance and in migration provisions.

Reduced U.S. Assistance Could Spur Migration

Past reductions in U.S. assistance appeared to promote migration, and future reductions could be expected to have a similar impact. Reductions in U.S. assistance to the FSM and the RMI occurred twice during the Compact. The second reduction occurred in October 1996 and lowered U.S. Compact funds for government operations by 17 percent in the FSM and 9 percent in the RMI. Both countries reduced their public sectors: FSM government employment fell by 24 percent between 1995 and 1997, while the RMI reduced government employment by 36 percent between

[47] The Economic Management Policy Advisory Team of the FSM has developed an economywide model of the FSM economy that will show how different U.S. assistance levels will affect migration. The study was expected to be completed in August 2001.

1995 and 2000.[48] Reduced Compact funding increased migration, according to FSM and RMI government officials and migrants we met with. Regarding the current negotiations, FSM and RMI officials project increased migration if the United States reduces its assistance to their nations.[49] For example, the FSM analysis of proposed lower U.S. assistance levels concludes: "The economy would be caught in a vicious circle of low growth, compounded by a series of shocks requiring downward adjustment, loss of real incomes, unemployment, and outward migration." An OIA official noted that a reduction in Compact funding may lead to greater migration, but only very marginally. Officials from the FSM and the RMI believe that migration will tend to favor the U.S. mainland, bypassing Guam, Hawaii, and the CNMI.

Targeting U.S. Assistance to Health and Education Might Reduce Migration and Its Impacts

Efforts to target assistance to the health and education sectors in the FSM and the RMI might reduce migration levels and the impact of migration on the U.S. areas. The U.S. Compact negotiator testified before the Congress in June 2000 that the United States intends to provide future funds in targeted grants that would include the areas of health and education. An emphasis on health spending in both countries, where health services are inadequate, might reduce the number of citizens who go to the three U.S. island areas, where health officials report that some migrants come specifically for medical treatment. For example, after the FSM state of Pohnpei stopped providing hemodialysis (blood purification), FSM citizens showed up more frequently for treatment in the CNMI. Further, improvements in FSM and RMI health care systems that better the health of migrants and improve access to quality health care might also reduce migration impact on U.S. areas. The State Department Compact negotiator has said that such targeted spending would reduce incentives to migrate and would ensure that those who do migrate are in a better position to contribute to their new communities.[50] According to Hawaii health officials, Compact spending should go to ensure that the FSM and the RMI

[48] While the cut in U.S. funding for the RMI and the subsequent cut in government jobs may appear disproportionate, we reported in our September 2000 report regarding FSM and RMI spending of U.S. Compact funds that by the late 1990s the RMI had very little discretionary Compact funding due, primarily, to debt service obligations.

[49] This is not unique to the FAS. When New Zealand cut its support to the Cook Islands by 60 percent during the 1990s, about one-fourth of the Cook Island population migrated.

[50] An OIA official told us that targeted health and education spending could ease the impact of migrants, although it probably would not reduce migration much.

can offer competent basic primary health care, specifically for immunizations and prenatal care, and to address tuberculosis, Hansen's Disease, hepatitis, and diabetes in an effort to reduce the incidence of these health problems in Hawaii. Regarding future U.S. Compact health care assistance, Guam health officials said health care funds should be spent on prenatal care, communicable, and vaccine-preventable diseases with the stipulation that it be provided with strict guidelines for its use. FSM officials report that migration might slow if FSM health care equaled that of the U.S. mainland. RMI officials believe that any increases in health spending would discourage migration as they noted that the better health care available in the United States is a motivation for migration.

Increased Compact spending on education might reduce migrant impact costs. Hawaii education officials noted that FAS teachers often have limited credentials and that it takes migrant children 5-7 years to attain average literacy. Similarly, University of Hawaii faculty reported that FAS students required remedial course work. The implication of this is that better FAS education would enable FAS students to perform better in U.S. schools. Similarly, Guam believes that increased spending on education in the FAS would likely reduce migration demands on Guam's education system. FSM officials believe that increased spending on education could reduce the migration of whole families and could improve economic opportunities in the FSM. However, they also reported that increased education funding would increase the number of people migrating to attend U.S. colleges. Similarly, RMI officials believe that increased education spending would discourage migration. One RMI official doubted that the RMI education system could be quickly fixed, which leaves migration as the best option.

Changes in Compact Migration Provisions Are Under Consideration

The U.S. Compact negotiator testified before the Congress in June 2000 that the United States intends to seek changes in Compact migration provisions to reduce the adverse impact on the United States. Two possible changes have been mentioned by the U.S. negotiator: establishing a system of health screening, to ensure that contagious individuals receive treatment in order to protect public health; and requiring a passport, in order to better screen out criminals, determine admissibility for entry to

the United States, and facilitate entry for FAS travelers.[51] Health officials in Hawaii believe that migrants should be screened prior to leaving the FSM and the RMI and only allowed to enter the United States if they are noninfectious.[52] In Hawaii, public health nurses reiterated that many of the problems that have occurred in Hawaii are associated with treatable, but communicable, diseases. The FSM government does not believe that health screening is its responsibility or that it is practical. However, FSM officials believe that criminal migrants hurt the standing of all migrants, and the FSM is considering requiring a passport before leaving the FSM. RMI officials believe that health screening would be helpful to both the RMI and the United States; therefore, they support "minimal" screening for health problems. Regarding a passport requirement, INS officials support this option, although they have pointed out that a key issue would be to ensure that passports are secure.[53]

The possibility that the United States might seek restrictions on migration is of concern to both countries. The FSM has responded to the United States that FSM negotiators do not have the authority to discuss migration. Further, the FSM said that any changes made should be to "facilitate migration." RMI government officials told us that the migration benefits are not up for renegotiation and that they are very important for the country, providing a "critical safety valve."

Conclusions

FAS migration has clearly had a significant impact on Guam, Hawaii, and the CNMI and has required government services in key areas. Compact migrants have required local expenditures in areas such as health and

[51] Screening for criminals is successfully occurring without a passport entry requirement. Since July 2000, the U.S. Embassy in the RMI has provided INS with the names of convicted RMI felons. According to INS, these data are used to identify inadmissible criminal aliens at the port of entry and have barred several individuals from entering Hawaii.

[52] Hawaii sought health screening prior to the approval of the Compact by the Congress. In 1985 testimony during a Congressional oversight hearing, the Director of Hawaii's Department of Health advocated programs in the FSM and the RMI to screen and implement control measures for diseases such as tuberculosis and Hansen's Disease and that programs be established in Hawaii to screen and treat those who migrate to Hawaii.

[53] INS has recently (July 18, 2001), issued a proposed rule to clarify the entry requirements for citizens of Compact countries who have been adopted by citizens or lawful permanent residents of the United States. In addition, the proposed rule requires citizens of Compact countries who seek to enter the United States as nonimmigrants under the Compact to present a passport or similar travel document issued by the Compact country of which they are a citizen in order to establish their entitlement to Compact privileges.

education and, further, have particularly affected the budgetary resources of Guam and the CNMI—U.S. island locations that have relatively small populations and budgets, and economies that have recently suffered economic setbacks. The budgetary impact on Hawaii is relatively smaller but can be expected to grow as Hawaii begins to absorb health care costs that were once covered by the U.S. government. Public health problems are also an important concern for all three U.S. island areas. Because the Compact allows FAS migrants who have limited financial means and ability to pay for health care to enter the United States with few restrictions, U.S. island areas are absorbing much of the health care costs of this poor population. Further, Guam, Hawaii, and the CNMI can be expected to continue to experience Compact impact as long as current poor economic conditions persist in the FSM and the RMI. Targeting future U.S. assistance to the FSM and the RMI for education and health purposes could reduce some of the motivation to migrate and improvements in migrant health and education status might be expected to reduce migrant impact in U.S. destinations.

Recommendation for Executive Action

We recommend that the Secretary of State direct the U.S. Compact Negotiator to consider how to target future health and education funds provided to the FSM and the RMI in ways that also effectively address adverse migration impact problems identified by Guam, Hawaii, and the CNMI. For example, the U.S. Negotiator could consider whether a specified portion of the health sector assistance should be targeted at treating and preventing the communicable diseases in the FSM and the RMI that are a public health concern in Guam, Hawaii, and the CNMI.

Agency Comments

We received comments from the Department of the Interior, the Department of State, and the Immigration and Naturalization Service, as well as to the governments of the FSM, the RMI, Guam, Hawaii, and the CNMI. These agencies and governments generally agreed with our findings, but each had concerns regarding the scope and content of various issues addressed in the report. Of those who addressed our recommendation, State agreed with us, Guam and the CNMI stated that the recommendation should address the lack of employment in the Pacific Island nations, Hawaii proposed that health and education funding be provided only under strict grant conditions, and the FSM felt that the recommendation was unnecessary. Their comments and our responses can be found in appendixes III through IX.

We are sending copies of this report to the Secretary of the Interior, the Secretary of State, the Commissioner of the Immigration and

Naturalization Service, the President of the Federated States of Micronesia, the President of the Republic of the Marshall Islands, the President of the Republic of Palau, the Governor of Guam, the Governor of the state of Hawaii, the Governor of the Commonwealth of the Northern Mariana Islands and to interested congressional committees. We will also make copies available to other interested parties upon request.

If you or your staff have any questions regarding this report, please call me at (202) 512-4128. Other GAO contacts and staff acknowledgments are listed in appendix X.

Loren Yager
Director, International Affairs and Trade

Appendix I: Objectives, Scope, and Methodology

Based on a request from the Chairman of the House Committee on Resources; the Ranking Minority Member of the House Committee on International Relations; the Chairman of the House Committee on International Relations, Subcommittee on East Asia and the Pacific; and Congressman Doug Bereuter, we (1) identified migration under the Compact (migrant destinations, population size, and characteristics); (2) assessed the impact of this migration on U.S. island areas and the sending nations; (3) determined the use of available options to address impact on U.S. island areas; and (4) explored ways in which future changes in Compact provisions and assistance levels might affect migration levels and impact.

Migration Under the Compact

For our first objective, we reviewed data contained in surveys funded by the Department of the Interior's Office of Insular Affairs (OIA) using assistance from a U.S. Bureau of the Census official. These surveys captured the number and characteristics of migrants from the Federated States of Micronesia (FSM), the Republic of the Marshall Islands (RMI), and the Republic of Palau in Guam (surveys for 1992 and 1997), Hawaii (survey for 1997), and the Commonwealth of the Northern Mariana Islands (CNMI) (surveys for 1993 and 1998). (Our review includes data for the Republic of Palau for our first two objectives because Palauan information regarding impact cannot be disaggregated from the other two Pacific Island nations. Further, the Compact of Free Association with Palau also allows for compensation for costs incurred by U.S. areas as a result of Palauan migrants.) We reviewed these surveys to identify the number of migrants that were living in these three U.S. island areas at the time the surveys were conducted, including migrants who moved before and after implementation of the Compacts of Free Association with the FSM and the RMI in 1986 and the Compact of Free Association with Palau in 1994. We also reviewed these data to identify key characteristics of these migrants such as their reasons for migrating, age and education levels, employment situation, and poverty status. We focused our assessment on the most recent survey data. We also reviewed additional documents, such as the 1995 CNMI census and a Guam assessment of Micronesians on the island in 1997, that contain data on migrants.

The OIA surveys are the most recent and comprehensive data available that identify and describe FSM, RMI, and Palauan migrants in Guam, Hawaii, and the CNMI. We did not attempt to verify the accuracy of any of these data. The survey data appear to be an undercount of migrant population totals (see app. II). We discussed the strengths and weaknesses of the methodology used to collect the survey data with the U.S. Bureau of

the Census official who was involved with the surveys, as well as with U.S. and Guam government and academic officials familiar with the methodology; all agreed that the survey methodology is subject to undercounting. Further, we found several specific instances during our review that indicated that the data may indeed be an undercount. In addition, the survey data we are using are primarily from 1997 and 1998, and the level of migration to these three U.S. island areas since that time is unknown. More current data from the U.S. 2000 census conducted by the U.S. Bureau of the Census that will identify the number and some characteristics of FSM, RMI, and Palauan migrants living in the three U.S. island locations were unavailable; these data, along with data on Pacific islander migrants on the U.S. mainland, are due to be released in late 2001.

The Impact of Migration on U.S. Island Areas, the FSM, and the RMI

We began our work on this objective by reviewing the language contained in the Compacts' enabling legislation addressing migrant impact. To then determine the amount of total Compact impact estimated by the governments of Guam, Hawaii, and the CNMI, we collected the reviewed impact estimates prepared by each of these three locations. In most cases, estimates were either prepared specifically for a certain year and provided detailed information for particular areas, such as the health and education sectors, or were prorated for a certain year based on other years' estimates when detailed calculations for that year were not prepared. In a few cases, estimates were prepared that covered multiple years and were not tied to a specific year. Because of this, we were unable to convert the impact estimate totals into constant dollars. We identified impact estimate figures and all available supporting data for 1986-2000 for Guam, Hawaii, and the CNMI. We reviewed the estimates and the methodologies used to derive them with government officials who work in the areas of health, education, and public safety in all three locations, as well as U.S. government officials from OIA and the Department of State. We discussed impact with additional parties, including the governors of Guam and the CNMI and their staff, and staff from the governor's office in Hawaii; FSM and RMI migrant community representatives; and private sector officials. We reviewed fiscal year 2000 budget figures for Guam, Hawaii, and the CNMI to identify the proportion of those figures represented by estimated impact amounts for that year. We also reviewed OIA's annual impact reports for 1989 and 1996-2001 and the assessments of the three locations' impact estimates contained therein. To review the impact of migration to U.S. areas on the FSM and the RMI, we held discussions with senior FSM and RMI government officials and reviewed FSM and RMI census documents.

Options Available to Address Impact

To review what actions have been taken that address impact, we reviewed the Compacts' enabling legislation language regarding the authorization of appropriations to cover impact costs, as well as the Compacts' language on the ability to place nondiscriminatory limitations on the length of stay in U.S. territories of certain migrants from the Freely Associated States (the FSM, the RMI, and Palau). We then identified all OIA technical assistance funding and specific legislative appropriations provided to Guam, Hawaii, and the CNMI to cover estimated impact costs. We discussed the amounts and how this funding has been spent with OIA, Guam, and CNMI government officials. We visited select capital improvement projects (gyms, roads, water projects, etc.) in Guam that have been supported with impact compensation funds. To review the implementation of nondiscriminatory limitations, we reviewed the September 2000 regulations on this issue put forth by the U.S. Immigration and Naturalization Service (INS). We then discussed the terms, enforceability, and potential impact of these regulations with INS officials in Washington, D.C., and Guam, as well as with Guam government officials. We also discussed the possibility of such limitations with officials from the CNMI government.

To assess what actions have been taken by OIA to identify impact and communicate this impact to the Congress, we first reviewed the Compacts' impact reporting requirement contained in the Compacts' enabling legislation. We then collected and reviewed all available OIA impact reports, which included reports for 1989 and 1996-2001, as well as OIA's 1994 guidelines for preparing impact estimates. We discussed the process for preparing, as well as the substance of, the reports and guidelines with the responsible OIA official. Such discussions covered issues such as the reasons for not issuing annual reports for each year following Compact implementation and the need to subtract a "baseline" population from impact estimates. We also discussed OIA's reports with government officials from Guam, Hawaii, and the CNMI.

Compact Changes That Might Affect Migration

To review how changes in the Compact's economic assistance might affect migration, we reviewed development planning documents prepared by the FSM and the RMI in 2000 regarding population and migration policies. Further, we solicited views regarding possible changes in the Compact from senior officials from the FSM, the RMI, Guam, Hawaii, the CNMI, OIA, INS, and State as well educators, health professionals, business representatives, and the migrant communities.

We conducted our work from October 2000 through June 2001 in accordance with generally accepted government auditing standards.

Appendix II: FAS Migrant Population Data Collection

The methodology used in the Department of the Interior's Office of Insular Affairs (OIA) surveys to count the number and characteristics of Micronesians living in U.S. island areas, the "snowball" approach, results in an undercount of the actual migrant population from the Freely Associated States (FAS). While the OIA surveys captured many of the FAS migrants in Guam, Hawaii and the Commonwealth of the Northern Mariana Islands (CNMI), our analysis and review of the data found several illustrations of how the surveys likely undercounted the actual number of FAS migrants in U.S. island destinations.

The Snowball Method

In order to count and characterize Micronesian migrants in Guam, Hawaii and the CNMI between the 1990 and 2000 U.S. population censuses, OIA utilized the services of U.S. Census Bureau staff to survey U.S island area Micronesian migrant populations in 1992, 1993, 1997, and 1998. The Census official leading the survey used a survey tool referred to as the "snowball" method of surveying special populations. The OIA survey administrator selected and trained FAS migrants, who had received at least high school diplomas and had passed special tests, to serve as "enumerators" to collect data on other migrants in each U.S. area. In Guam, Hawaii, and the CNMI, enumerators from each of the FAS countries identified and interviewed all migrants they knew of from their own countries, then asked these interviewees to identify all migrants from their home country they knew of living in the area, continuing on in this manner until no "new" migrants were identified. For example, Marshallese enumerators only interviewed Marshallese migrants. While the goal of the OIA surveys was to identify 100 percent of the migrants from each FAS nation living in the three U.S. areas, the Census Bureau official involved with the surveys acknowledged that a snowball count inevitably yields less than 100 percent of the actual population. Of note, the snowball data represent a "snapshot" of the FAS migrant communities living in Guam and Hawaii and the CNMI at the time of the surveys. The data do not represent all FAS migrants who ever lived in a U.S. island area, as some of these migrants may have moved elsewhere by the time of the survey and may have different characteristics from migrants who remained in U.S. areas.

Experts whom we interviewed agree that this snowball methodology is the most appropriate strategy to enumerate FAS migrants living in U.S. areas in the Pacific. The snowball methodology generally yields higher quality information than a traditional census, and is reportedly less expensive. The advantages of the snowball methodology include: (1) distinguishing FAS subgroups from the larger population (as well as from one another); (2) providing the ability to shape the survey instrument to obtain desired

information; and (3) minimizing the extent to which ethnic/racial bias and language barriers undermined the quality of the survey since the migrant enumerators were of the same ethnicity as the migrants they interviewed. However, the snowball method misses some individuals who are not connected or networked into the mainstream migrant communities. Thus, it may miss some of those that are living in remote locations/islands, or are in areas with political, economic, or racial tensions. Fears on Guam and Hawaii about being deported may have led some migrants either to not participate at all or to not fully disclose their personal information, according to interviews with FAS migrants in Guam and Hawaii. The snowball approach may also miss transient migrants as well as some who have assimilated into the U.S. areas.

Examples of Possible Undercount of the Actual Number of FAS Migrants

Based on our review of island government administrative data and interviews with migrants, we have found the following examples that suggest the OIA's survey data appear to undercount of the actual population of FAS migrants in U.S. areas:

- While OIA's 1998 census identified 92 Marshallese and their children living in the CNMI, a Marshallese migrant we met with in the CNMI in 2000 showed us a list of Marshallese families, which she explained totaled 260 persons. While there is a 2-year difference in the data, the population of RMI migrants is very stable, with few people coming or going in recent years, according to this Marshallese community representative.
- One of the Marshallese migrants living in Hawaii who assisted with OIA's 1997 survey of FAS migrants estimated that the survey missed around 15 percent of the Marshallese population living on the Hawaiian island of Oahu.
- The OIA surveys report a smaller number of FAS students enrolled in public schools (kindergarten through grade 12) in each of the three U.S. areas than do the administrative data provided to us by each school district. An analysis of the data shows that: (1) in 1997, OIA counted only 1,205 ethnic FAS students in Guam, whereas Guam counted 3,009 ethnic FAS students;[54] (2) in 1998, OIA counted only 422 FAS-born students in the CNMI, whereas the CNMI counted 575 FAS-born students; and (3) in 1997,

[54] OIA has stated that Guam's administrative data on student enrollment overcount the actual number of students enrolled in Guam schools because the Guam Department of Education double-counts students who enroll in more than one school during the school year. However, according to an official from Guam's Department of Education, their enrollment data do reflect a single point in time (snapshot), which would indicate that these data are comparable to OIA's enrollment data.

OIA counted only 1,054 FAS-born students in Hawaii, whereas Hawaii's Department of Education counted 1,283 FAS-born students in their English as a Second Language program alone.

- The possibility of an undercount on Guam is also illustrated by the discrepancies in the numbers of Palauans living on that island in 1997. An Ernst & Young report issued on the impact of Micronesian migration to Guam that compared the OIA 1997 survey with the 1995 census of Palauans on Guam, found 1,716 fewer Palauans in Guam in 1997 than in 1995 (dropping from 2,276 to 560 persons). Moreover, the report noted that confusion in the Palauan community as to why a survey was being conducted in 1997 (since a Palauan-only census was administered just 2 years prior in the form of the 1995 Census of Palauans on Guam) may have led to an undercount of Palauans on Guam in the OIA 1997 survey.

Appendix III: Comments From the Department of the Interior

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, D.C. 20240

SEP 7 2001

Mr. Loren Yager
Director, International Affairs and Trade
U.S. General Accounting Office, Room 4T55a
441 G Street, NW
Washington, DC 20548-0001

Dear Mr. Yager:

See comment 1.

The Secretary of the Interior asked me to respond to your letter of August 10, 2001, and GAO's Draft Report entitled, "Foreign Assistance: Migrations From Micronesian Nation Has Had Significant Impact on U.S. Island Areas" (GAO-01-1028). The report presents a fair and balanced view of the complexities of dealing with the impact of migration under the Compacts of Free Association. In view of the complexity and variety of issues involved, it is appropriate that the report contains no specific recommendation for measuring or offsetting the cost of migration impacts in the affected areas.

See comment 2.

Attempts to measure the impact of Compact migration become more difficult each year as the migrant population moves and changes. In the 15 years since implementation of the Compacts of Free Association with the Federated States of Micronesia (FSM) and the Republic of the Marshall Islands (RMI), most migrants from these areas have moved more than once, often several times, among insular areas and Hawaii, to and from their home areas, and increasing to the mainland. Much of the impact is related to the impact of children of migrants, often children of one migrant parent. Positive impacts have undoubtedly increased as the migrant population has stabilized, but their measurement is even more elusive than that of impact costs.

Under current law, the Department of the Interior is required to forward to the Congress any reports submitted by the affected areas on migrants and immigration and to provide for periodic counts of Compact migrants. The Department of the Interior will continue to support reasonable efforts by these areas to measure the Compact impacts. While we do not propose imposing uniform reporting standards on them we encourage the area governments to coordinate and unify methodology to the extent possible, such as through comparable censuses of school population.

However, for other types of impact, particularly health care, using common standards is much more difficult. Problems arise due to differences among areas in the roles of public and private health provider applicability of federal health programs, and importance of issues such as medical referrals and control of infectious diseases.

The expected continuing migration of Micronesians to the United States areas has become a much broader issue than the impact on receiving areas. It affects the sending areas in both positive and negative ways: population pressure is reduced but talented people are lost; remittances benefit the sending areas but emigrants may also need assistance from home. The issues raised by Micronesian migration are not fundamentally different from those raised by other immigrant groups, however, because of the Compact relationship, the United States has a special responsibility to the migrants, their home areas and the communities that receive them.

The Department of the Interior appreciates the work of the General Accounting Office. If you have any questions about this response, please feel free to contact the Acting Director of the Office of Insular Affairs, Nikolao Pula at (202) - 208-4736.

Sincerely,

acting for

P. Lynn Scarlett,
Assistant Secretary
Policy, Management and Budget

The following are GAO's comments on the Department of the Interior's letter dated September 7, 2001.

1. The report number has been changed from GAO-01-1028 to GAO-02-40.

2. We do not believe that it has become more difficult each year to measure the impact of Compact migration, and in fact may have become an easier task. For example, a Guam official told us that when the Compact was implemented, the territory could not quantify impact from available data; since that time, Guam agencies have collected the necessary data on FAS migrants. Further, the CNMI government has reported that it is now taking action to better review data in order to provide more specific information regarding FAS migrants and their use of public services. However, it is worth noting that over time the Department of the Interior will need to define the eligible Compact impact population as U.S.-born children of FAS migrants begin to have children of their own.

Appendix IV: Comments From the Department of State

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

United States Department of State

Chief Financial Officer

Washington, D.C. 20520-7427

AUG 2 2 2001

Dear Ms. Westin:

We appreciate the opportunity to review your draft report, "FOREIGN ASSISTANCE: Migration from Micronesian Nations Has Had Significant Impact on U.S. Island Areas," GAO-01-1028, GAO Job Code 320001.

The enclosed Department of State comments are provided for incorporation with this letter as an appendix to the final report.

If you have any questions concerning this response, please contact Alex Gisser, Office of Compact Negotiations, Bureau of East Asian and Pacific Affairs, at (202) 736-4632.

Sincerely,

Larry J. Eisenhart
Acting

Enclosure:

As stated.

cc: GAO/IAT - Mr. Loren Yager
State/OIG - Mr. Atkins
State/EAP/OCN - Mr. Gisser

Ms. Susan S. Westin,
Managing Director,
International Affairs and Trade,
U.S. General Accounting Office.

Department of State Comments on GAO Draft Report
FOREIGN ASSISTANCE: Migration From Micronesian Nations Has Had Significant Impact on U.S. Island Areas
(GAO-01-1028, GAO Code 320001)

The Department of State appreciates the opportunity to review the GAO draft report "FOREIGN ASSISTANCE: Migration From Micronesian Nations Has Had Significant Impact on U.S. Island Areas," GAO-01-1028, GAO Job Code 320001. This letter forwards substantive comments the Department wishes to make on the draft report. Technical changes that we feel should be incorporated into the final report have been provided to the GAO staff separately.

This report documents the impacts on Hawaii, Guam and the CNMI resulting from migration from Compact of Free Association countries that need to be addressed as we renegotiate some of the provisions of the Compact of Free Association. The Department concurs with the report's recommendation that the Compact Negotiator consider how to target future health and education funds provided to the FSM and the RMI in ways that will address some of the adverse impacts from Micronesian migration identified by the GAO analysis. In this regard, we note that the U.S. position in the ongoing negotiations allocates a significant portion of future U.S. direct economic assistance to the health and education sectors in support of the goal of improving the health and level of education of FSM and RMI citizens.

We agree that improving the health and education levels of citizens of the Freely Associated States (FAS) will have a positive, although indirect, effect on reducing the adverse impact of Micronesian migration. The benefits of requiring a machine-readable passport for FSM and RMI applicants for admission to the U.S. as a basis for establishing identity as FAS citizens, and thus the privilege to migrate to the U.S. under the terms of the Compact, are underestimated. The single most effective way of determining at the port of entry whether a person is an FAS citizen and therefore eligible for admission under the Compact, is by requiring a machine-readable, secure passport. In this regard, as the GAO has noted, the

See comment 1.

Immigration and Naturalization Service has recently published a proposed regulation that would require all FAS citizens to present a passport or "similar" documentation in order to establish identity as an FAS citizen. Further, such a machine-readable passport could be used to capture information relevant to the person's admissibility, such as criminal background, easily and expeditiously at a busy port of entry.

See comment 2.

We also feel that the scope of this report may be overly narrow since a large segment of FAS migrants--those who move to the U.S. mainland--are not considered. This report does not deal with a recent and very significant trend in FAS migration to the U.S. mainland. It appears that many of these migrants are coming to the U.S. under recruitment contracts and are headed to different kinds of industries such as nursing homes, agriculture, poultry and amusement parks. There is a concern that some of these migrants are misinformed with respect to their rights. The report also notes that possibly seventy percent or more of Compact migrants are under the age of thirty, but fails to analyze fully the significance of this figure. For example, these young migrants will be more likely to remain in the U.S. permanently and may choose not to return to their parents' country of origin. We understand that the GAO is planning to do a further review of FAS migration to the U.S. mainland.

See comment 3.

As a final comment, we think the GAO report should avoid too close a comparison between FAS citizens (who are nonimmigrants) and immigrants. As nonimmigrants, FAS citizens should receive essentially the same treatment with respect to establishing admissibility or eligibility for federal and state benefits as nonimmigrants from other countries. Moreover, unlike immigrants, an FAS citizen may become, among other things, subject to removal under the INS habitual resident regulations.

The following are GAO's comments on the Department of State's letter dated August 22, 2001.

1. The report recognizes that machine-readable passports would facilitate entry of travelers, determinations of admissibility, and links to criminal databases. It is worth pointing out that criminals have been identified upon entry into the United States using other means. For example, the U.S. embassy in the RMI is providing the INS with a list of convicted RMI felons for determining admissibility at the port of entry.

2. This report examined Hawaii, Guam, and the CNMI because these destinations received the initial influx of Compact migrants, comprehensive surveys of these migrants had been conducted in each location, and impact compensation is authorized for each of the three locations. As acknowledged by the Department of State in its letter, we intend to undertake a review of migration to the mainland following publication of this report.

3. We maintain that our comments on p. 8 of the report are accurate: While FAS migrants are classified as nonimmigrants, their behavior is often like that of immigrants in that they can stay indefinitely in the United States with few restrictions. Further, the habitual residence restrictions cited in the Department of State letter only apply to Guam.

Appendix V: Comments From the Government of the Federated States of Micronesia

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

EMBASSY OF THE
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August 31, 2001

Mr. Loren Yager
Director, International Affairs and Trade
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Yager:

It is with pleasure that I respond on behalf of the Government of the Federated States of Micronesia to the GAO Draft Report: Foreign Assistance – Migration From Micronesian Nations Has Had Significant Impact on U.S. Island Areas.

In general we find the draft report to be well researched and in many ways a positive contribution to understanding the migration phenomenon as it is integrated into the Compact relationship. However, we are concerned that the draft report is dangerously misleading by limiting its review to gross impact experienced by U.S. Island areas, without regard to positive factors such as strong employment, tax contribution, consumer spending and other related matters.

For clarity and ease of reference, we have listed our concerns numerically.

See comment 1.

1. Article IV of Title One of the Compact is not one of the expiring provisions of the Treaty. We are concerned that the draft report treats issues in Article IV too simplistically; The Article does much more than simply lay down the procedures and conditions for FSM citizens to travel to the US and vice versa. Article IV, in fact, goes to the very heart of the free association relationship between the US and the FSM. This provision of the treaty should be scrutinized not only in terms of its obvious and short-term benefits – employment and education – but also its less obvious and indirect yet significant roles in maintaining and further strengthening the bond between our two countries.

See comment 2.
Now on p. 16.

2. We are concerned about the fairness of this report when there is no consideration as to what might be the positive impact of FAS citizens in the US Island areas. Page 15 of the draft report, notes that "U.S. island area impact estimates do not include the positive impact of FAS migrants." We believe the net overall economic impact on the host communities of migrants

from the FSM to be positive. This would be consistent with findings of most studies of migration for economic purposes.

a. FAS citizens working in the US Island Areas and the Mainland, no matter how low their salaries, all contribute to the economy on many levels: They pay taxes, they purchase goods and consumables, they invest, they save.

b. The report fails to recognize the thousands of hard working Micronesians who are filling jobs that the hosts would deem "undesireable" such as employment in nursing homes, food service, cleaning services, etc.

c. While there may be some remittances of monies back to the FSM countries from citizens living abroad, one should look at the impact that Compact monies have had on American companies and businesses in Guam, Hawaii and California for example. FSM citizens and the FSM government have purchased equipment and goods in the host communities. The only airline, serving the FSM region (owned by an American company) benefits from Compact expenditures.

Now on p. 10.

3. The heading on page 9 of the draft report states that, "Thousands of FAS citizens have migrated to the US for employment opportunities but live in poverty". This sweeping, damning and probably inaccurate statement is even highlighted as a subject heading. In the very least, it unfairly leads the reader to picture very significant numbers of Micronesians coming to the United States to establish themselves in squalid ghettos, to live off of the US taxpayer. This is simply not a fair representation of the vast majority of FSM citizens in the US.

See comment 3.

See comment 4.

Do Micronesians choose to live in "poverty"? Do Americans choose to live in "poverty" for that matter? Or would they be living in "poverty" because the field of work for which they qualify does not lead to rapid ascension out of "poverty". There are Micronesians and Americans who pull two jobs or its equivalent in this country to "make ends meet" and would probably be considered in this report as "living in poverty". The GAO statement disregards the fact that most FSM citizens who come to reside in the US are hard working, law abiding tax payers.

4. The casual reader of this report might be misled to think that "thousands" of Micronesians are invading the US Island areas and US Mainland. One might also be misled to think this is a problem of mass proportions. The reported 14,000 Compact migrants would be miniscule compared to the millions of Asian and South American migrants (legal and illegal) to the United States and its outlying areas.

See comment 5.

See comment 6.

5. Mention should be made of U.S. employers who have gone great lengths to recruit FSM citizens for low wage jobs (such as nursing homes and factories) that do not offer sufficient income or medical benefits, thus forcing the FSM citizens to seek public assistance.

See comment 7.

6. The report fails to report the number of FSM citizens who do return to the islands after schooling or after a period of employment. The report would lead one to believe that Micronesians never return to their home islands. The report fails to recognize that Micronesian cultures and people are a very family oriented culture that retains very strong ties to the islands, as opposed to Americans who, in general, are more prone to relocate permanently to other states. Micronesians in the US remain loyal to their families back home and visit as often as finances will permit, even those who might be considered living in "poverty" by GAO standards. In practically every case where Micronesians die in the United States, the family will repatriate the dead to their home islands despite high cost.

See comment 8.

7. The report has lumped together the three Freely Associated States (FAS) – the Federated States of Micronesia (FSM), Marshall Islands (RMI), and Palau. These three nations are independent of one another and have their own policies and governmental structures. The FSM and the RMI are currently in negotiations although separately; Palau's Compact began in 1994 and is not currently in negotiation. Any effort to amend or restrict the free migration of FAS citizens would create a disparity in the treatment of FAS citizens.

See comment 9.

8. The report also fails to make any mention of hundreds of FSM citizens who have enlisted and served or are still serving in the United States Armed Forces throughout the Compact period. These citizens, also seeking different opportunities, sacrifice their time and risk their lives to serve and defend the principles of freedom and democracy for which the US and the FSM stand.

See comment 10.

9. It is clear in the GAO report that a large number of FSM citizens migrated to the US for employment after the Compact went into effect. Less clear, but just as important for policy purposes is whether there was also a significant increase in the number of FSM citizens during the same period for the specific purpose of seeking higher or professional education. The benefit in calculating such is obvious as to the long-term benefits of nation-building in the FSM.

See comment 11.

10. Without thoroughly understanding the mindset nor the culture of Micronesians, the report hastily recommends that more money in health and education would keep people "over there". Although thousands of Micronesians have taken advantage of the opportunities to see other shores and will continue to do so, as do many other foreign nationals, a survey of Micronesian opinion will most likely reveal that Micronesians also believe that there is "no place like their own home".

See comment 12.

11. In terms of re-thinking the stimulation of economies so as to improve services in health and education, per se, the report might have better lent itself to reviewing other areas where the US Government might be able to provide additional assistance to increase the opportunities in the islands such as: lifting restrictive barriers to agricultural and marine resource exports, improving cost and responsiveness of transportation to the region, helping establish fiber optic, satellite and other communication systems, or providing access to low-interest loans and financing packages for small businesses. Such assistance would simultaneously benefit American companies and businesses in the US Island Areas.

See comment 13

12. There is no confirmed report of any FSM citizen introducing Hansen's or any other communicable disease into the United States. Micronesians would seem more at risk by being exposed to AIDS upon arrival in the United States than Americans being threatened by Micronesians arriving on American soil.

Now on p. 22.

13. Page 20 of the draft report cites INS as acknowledging its responsibility for screening incoming arrivals for health purposes, yet it appears to advocate a procedure that would shift this duty to the FSM. It would not be practical to require a health screening of all FSM citizens traveling to the U.S. or other countries. Moreover, the FSM does not require this of incoming travelers nor does the US require such of other nation's travelers.

See comment 14.

While the FSM Government acknowledges the need to review migration trends and develop opportunities and facilities that will encourage its citizens to return home and participate in nation building, the Government also recognizes the need to facilitate the transition of those Micronesians who do choose to take advantage of opportunities overseas. We welcome the GAO reports in that they can encourage dialogue and cooperation as we review the first fifteen years of our Compact relationship with the United States Government, however we are concerned that its tendency to bias could be used to undermine the spirit and the foundation of the special relationship between the United States and the Federated States of Micronesia.

We appreciate being extended the opportunity to comment on this report.

Sincerely,

Jesse B. Marehalau
Ambassador E&P

cc: H.E. Leo A. Falcam, President of the Federated States of Micronesia
T.H. Ieske K. Iehsi, FSM Secretary of Foreign Affairs

The following are GAO's comments on the letter from the government of the Federated States of Micronesia dated August 31, 2001.

1. We agree that the Compact's migration provisions strengthen ties between the United States and the FSM and the RMI. As we discussed on p. 8 of this report, at the time of the Compact negotiations, the Compact negotiator stated that the migration rights were to strengthen ties between the United States and the Freely Associated States (FAS). The current Compact negotiator has reiterated this point, referring to the migration rights not only as an important "safety valve" for the FAS population, but as the "glue" between the nations. The negotiator further stated that because the children of FAS migrants born in the United States are U.S. citizens, ties between the United States and the FAS are further deepened.

2. As we reported on p. 16 of this report, the governments of Guam, Hawaii, and the CNMI all acknowledge that FAS migrants have had positive impacts such as contributing to the tax base and filling employment needs. However, the Compact enabling legislation specifically requires reports only on the adverse impact of the Compact. As noted on p. 16 of this report, the CNMI's impact estimate for 1996 quantified $3.6 million in positive benefits from the taxes paid by FAS migrants, compared with their reported cost of $11 million that year. The Congress authorized compensation in the Compact's enabling legislation for U.S. island areas that may have experienced increased demands on their educational and social services by Compact migrants, but did not include compensation for other impact costs, such as infrastructure. Consequently, the U.S. island areas are not submitting claims for total costs in their impact estimates. In addition, available data on investment and savings reported by FAS migrants in Department of the Interior surveys show that few migrants invest and save. For example, of 2,053 Compact FSM households surveyed, only 15 reported any interest, dividend, or net rental income in 1997 in Guam and Hawaii or 1998 in the CNMI. Reviewing the impact of Compact expenditures on U.S. companies is not within the scope of this review.

3. We believe our description of the number of FAS migrants and the income levels of these households is neither damning nor inaccurate. Surveys have identified thousands--about 14,000--of Compact FAS migrants in Guam, Hawaii, and the CNMI. FAS migrants reported their income in surveys conducted in Guam, Hawaii, and the CNMI. In total,

about 61 percent of FAS migrants lived in households with income levels below the poverty level, based on the U.S. poverty definition.

4. We do not suggest that FSM migrants "choose" to live in poverty, but report that their employment has been primarily in private sector jobs requiring few skills and paying low wages.

5. Our report does not contain data on the number of FAS migrants on the U.S. mainland. As reported on p. 11 of this report, according to OIA surveys, FAS migrants accounted for about 5 percent of Guam's total population in 1997 and around 4 percent of the CNMI's total population in 1998. These migrants accounted for 0.5 percent of Hawaii's population in 1997. As noted on p. 11, we believe that these figures underestimated the number of FAS migrants in these three U.S. locations.

6. Issues regarding U.S. employer recruitment were not raised by island government officials or FAS migrants concerning Guam, Hawaii, or the CNMI. We recognize that FSM officials have raised this issue regarding U.S. mainland employers who are recruiting FSM citizens for work.

7. The number of FAS citizens who return to the islands after schooling or a period of employment is not known. The FSM and RMI governments were not able to provide such data, although one FSM government official estimated that perhaps one-fourth of migrants return.

8. When reporting on OIA migrant survey information, we identified the FSM, the RMI, and Palau separately where notable data differences existed. For example, see table 1 on p. 11 and table 2 on p. 14. With respect to Compact impact estimates, we relied upon data provided to us by Guam, Hawaii, and the CNMI. These data often combined all FAS migrants, making it impossible for us to report on the impact of the three FAS nations separately. Guam, Hawaii, and the CNMI are eligible to receive Compact impact compensation for the impact of migrants from all three FAS nations.

9. The issue of FAS citizens who enlisted in the U.S. armed forces will be addressed in a separate GAO report on Compact defense and security issues. This report will be issued before the end of 2001.

10. As we reported on p. 13, the pursuit of educational opportunities was one of the motivations for migration, according to migrants and FAS

government officials. OIA migrant surveys for Guam, Hawaii, and the CNMI did not ask FAS migrants whether education was a reason for migration, and thus contain no data on this issue.

11. The report's recommendation was not drafted with the intent to end migration. The recommendation has two purposes. In addition to providing an option that could reduce some of the incentives to migrate, the recommendation also recognizes that improvements in the health and education systems in FAS nations could reduce the impact of migration on the receiving areas.

12. Consideration of alternatives available to the U.S. government to increase opportunities and improve conditions in FAS nations was beyond the scope of this report.

13. Our report does not contend that FAS migrants have introduced (i.e., provided the first case of) any communicable disease into the United States. However, Hawaii has repeatedly emphasized public health concerns regarding FAS migrants. According to a report prepared by Hawaii's Department of Health and included in Hawaii's January 31, 2001 Compact impact report, the FSM has the highest prevalence of Hansen's Disease (leprosy) in the world, at 35 cases per 10,000 people. For 1992 through 1999, 151 cases of this disease were detected among the Marshall Islanders and Micronesians in Hawaii. Hawaii also identified cases of tuberculosis, pertussis, and hepatitis A occurring within the FAS population communities in the state. In addition, Guam and CNMI health officials also raised public health concerns regarding FAS migrants.

14. We believe this report is objective and fair. It reports on the migration experience under the Compact of Free Association relying on the best available data.

Appendix VI: Comments From the Government of the Republic of the Marshall Islands

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

EMBASSY OF THE REPUBLIC OF THE MARSHALL ISLANDS
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September 4, 2001

Mr. Loren Yager
Director
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United States General Accounting Office
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Dear Mr. Yager:

Thank you for your letter to President Note of August 10, 2001, inviting the RMI to review and comment on the draft GAO report regarding implementation of the immigration provisions of the Compact of Free Association. Attached are the RMI's comments on the draft report, as well as recommendations for revisions which my government believes would enhance the value of the report for Congress and all those in the U.S. and RMI who will have the benefit of the information it provides.

While the RMI's views on the draft report are set forth in the attachment, please allow me to add that in my view the GAO has done an important service for both the U.S. and the RMI by gathering and presenting the information contained in the draft report. While the RMI does not concur with every statement or recommendation in the report, the conscientious professional effort clearly made in preparing this document reflects admirably on the GAO.

If open and accurate information is essential to the success of democracy, this report is an example of how facts can be gathered and shared to give political leaders and the public the knowledge needed for informed self-government. What we do with this information and additional facts that should also be considered remains to be seen, but the presentation of important factual information in this draft report is certainly consistent with GAO principles of accountability, integrity and reliability.

Sincerely,

Banny de Brum
Ambassador

RMI COMMENTS ON DRAFT GAO REPORT REGARDING MIGRATION UNDER COMPACT OF FREE ASSOCIATION

General Comments

The national government of the Republic of the Marshall Islands welcomes the focused attention that the United States General Accounting Office has brought to bear on the effects in the RMI and the U.S. of the immigration provisions of Title One, Article IV of the Compact of Free Association. The overall effect of the draft GAO report is to remind us that the Compact does not embody a simple exchange of U.S. military rights for economic assistance. Rather, free association between the RMI and the U.S. involves complex elements of the historical, strategic, social, political, moral and economic relationships that exist between our nations and our peoples.

Thus, the GAO draft report's examination of the issue of migration illuminates as well a larger truth. It is that in order to sustain the success of free association as a political status model Compact implementation policies must both recognize the separate national interests of the U.S. and the RMI, and at the same time respect, preserve and promote the complex and carefully woven fabric of mutual interests embodied in the Compact.

The GAO's draft report addresses some of the legal, fiscal and administrative issues of concern to the national and local governments in both our nations arising from implementation of the immigration provisions of the Compact. The issues identified by the GAO are among those that most immediately and directly affect individual citizens of both nations as they rightfully and properly engage in activities that are authorized by the Compact and beneficial to both nations. Like our governments themselves, the Compact exists to serve the people of our nations and ensure their ability to exercise their rights and privileges under applicable laws and treaties. For the private enterprises and civic endeavors of individual citizens are at the heart of the political, economic and social association created under the Compact.

The political, economic and social activities in which our peoples engage under the Compact include:

- Increasing levels of commerce between RMI businesses and businesses in the U.S. territories and states,
- Enjoyment of special travel, residence and employment rights for RMI citizens in the U.S. under the Compact,
- Business, governmental, social and educational activities of U.S. citizens who come to live and be employed in the RMI,

- Cross-cultural relationships form in the U.S. and in the RMI in connection with RMI-U.S. marriages, adoptions, business partnerships and inter-family visitation,
- Service by RMI citizens in the U.S. military,
- Presence of U.S. military, Defense Department and other federal personnel in the RMI,
- Frequent travel and prolonged residence in the U.S. by increasing numbers of RMI citizens, including nuclear test survivors and their caregivers, for medical care not available in the RMI,
- Religious worship and faith-based social activism of U.S. citizens in the RMI and RMI citizens in the U.S.,
- Dual RMI-U.S. citizenship resulting from marriage, birth of children of RMI citizens in the United States and vice versa, RMI citizen service in the U.S. armed forces.
- Joint RMI and U.S. military, diplomatic and other governmental activities in the region and globally,
- Bonds formed due to presence of U.S. teachers in RMI schools and experience of RMI students and teachers in the U.S.,
- Formation of RMI and U.S. corporations and capital base for RMI-U.S. enterprises.

The political, economic and social activities and relationships described above are sufficiently complex when conducted between U.S. citizens in the U.S., or RMI citizens in the RMI, under our respective legal and political systems. As headlines remind us every day, some of the same as well as much greater migration related problems than those reviewed by the GAO report arise from the conduct of the same complex relationships involving citizen and corporate nationals of third countries outside the special framework of free association.

At least where third countries are involved the ground rules for operation of the legal and political process governing more conventional international immigration policies are well defined and well established. In contrast, the mutually agreed special relationship of free association, including the immigration policy it established, perhaps inevitably has given rise to some of the unique issues identified in the GAO draft report. The report makes a good case that the RMI and the U.S. should work out additional measures to deal with some of the anomalies and burdens arising from the overall success of free association.

Mutually agreed upon measures by both the RMI and U.S. to address the issues identified in the GAO draft report may well be appropriate in order for free association to continue to evolve as a political status model, as the RMI and U.S. intended under the

terms of the Compact. Effective response to the GAO report will help prevent the success of the Compact as a unique combination of foreign and domestic policy measures based on the free association model from being impeded. The draft GAO report is a call to action by both governments affirmatively to adopt measures to improve upon the association so that it will grow stronger and become even more beneficial than it already has proven to be, and better serve the national interests of both the RMI and the United States.

Compact as Historical and Political Framework for Understanding Immigration Issues

See comment 1.

If the RMI has a thematic criticism of the GAO draft report, it would be that the document tends to focus on the admittedly difficult but manageable problems facing the RMI and U.S. as partners in the strategic alliance and its inter-societal mechanisms, without adequately placing those issues into the larger context of the mutually beneficial, and by the most important criteria extremely successful, features of free association. However, the thoroughness and professionalism of the draft report invite a constructive rather than simply critical response by the RMI in this regard, and the RMI views the draft report as so important, revealing and useful to policy-makers in both the RMI and U.S. governments that it must be taken very seriously and even improved so that its value is enhanced. In short, commenting on and recommending revisions to the report appears worthwhile because the report merits a serious response.

See comment 2.

That having been said, and without belaboring the point, the RMI is compelled to state for the record that applying U.S. standards for classifying people as, for example, "impoverished" or "uneducated" requires further explanation and qualification. Without taking offense where we believe none was intended, these terms may be hurtful and evoke painful feelings and memories among our people. However, the GAO report itself is a testimonial of sorts to the fact that the Compact is the instrumentality through which the people of the U.S. – the most powerful, prosperous and enlightened nation in the history of civilization – is redeeming its own national values, honor and obligations with regard to an ally nation which only recently in historical terms was a hunting and gathering society. As a result of U.S. exercise of plenary powers over the RMI for thirty years under the trusteeship, and the resulting close relationship continued under the Compact for the last fifteen years, the U.S. and the RMI now have a shared social, political, legal and economic legacy going back into the first half of the last century.

Against this backdrop, the GAO report must be understood, like the Compact itself, in the context of the historical facts in order to have legitimacy. Those facts include that the people of the Marshall Islands were well adapted to their environment and had a self-sustaining and culturally rich traditional way of life before the U.S. used its international political, diplomatic, economic and military power to assert and persuade the international community formally and legally to endorse U.S. assumption of control over -- and responsibility for -- nothing less than the very destiny of our people. While the people of the RMI were and remain largely unprepared to cope with the full burdens of the alliance that was formed by and with the U.S., true to the principles and precepts of

the American system of government and law the U.S. also promoted self-determination. Thus, by agreement between our democratically instituted governments we adopted free association as a political status model that allows the people of the RMI to gradually assume greater and more effective control over our destiny, sustained by an alliance with the U.S. from which both nations benefit. There is dignity in free association because in return U.S. global leadership in preserving international peace is sustained in a small but special and important way by its alliance with the RMI.

This political status model was freely chosen by our people over the U.S. offer of full independence and autonomy, as well as the offer of territorial annexation and political union, for the very reason that in offering terms for free association the U.S. promised that it would not walk away from its commitments and obligations after decades of imposing a political, social and economic order that served U.S. interests. The U.S. proposed the terms of free association that form the core of the Compact, and this was the beginning of a process for defining mutually agreed special relations under the Compact as approved by our nations in 1986.

The immigration provisions of the Compact that are the subject of the GAO report were critical to the viability of the free association political status model as proposed by the U.S. and negotiated by our governments. Without the immigration terms developed in the Compact negotiations the RMI may not have been able to accept the free association model.

The alternative might have been full independence, but perhaps only after many more years of trusteeship, possibly long after the U.S. asked the RMI to support early resolution of the status issue and termination of the trusteeship. In addition, independence probably would have come many years after the U.S. asked the RMI to support its desire to secure long-term rights to use Kwajalein missile range, and then only after political and legal processes to address the nuclear test claims had run their course in the U.S. and RMI courts without the benefit of the Compact's claims settlement provisions.

Or, without the immigration provisions and other features of free association that assured future close relations between our peoples, the RMI might have opted to accept the offer of commonwealth status in political union under the U.S. federal constitution. This would have required health care, education and federal programs to be brought up to the same standards as the U.S. territories and added the RMI to the domestic U.S. political system as an unincorporated territory.

The options of independence and commonwealth status were offered by the U.S., and were part of the self-determination education process prior to the U.N. observed status plebiscite in the RMI. This is history that the GAO report does not mention, but which needs to be recalled in order to understand the issues raised by the draft report.

Instead of simple independence or commonwealth status, the RMI accepted the U.S. offer of free association, including the immigration provisions that are the focus of the

GAO report. Here is not the place to resolve this question, but in commenting on the draft report the RMI would note that to date U.S. has been unwilling to address, in the current Compact negotiations on expiring economic provisions, issues of concern to the RMI such as the need for additional measures to address the nuclear test claims as contemplated by the Section 177 nuclear claims settlement. At the same time, the U.S. unilaterally has made the non-expiring and technically non-economic immigration provisions an item on the agenda of those negotiations.

This selective tolerance for adding some items arising under non-expiring Compact provisions to the negotiating agenda, while declining to add other matters outside the immediate scope of expiring economic provisions at the request of the RMI, not only defies logic and simple fairness, it ignores one of the central realities of which the GAO report reminds us. That reality is that all the political, social and economic elements of the Compact are too closely inter-related to be understood and addressed separately or in isolation from one another.

The GAO report makes a compelling case that the immigration provisions of the Compact are too closely related to the economic relationship to be viewed in a vacuum of legal and procedural law and policy. Reform of INS policy for implementing Section 141 of the Compact alone is not the problem or the solution. The results of the immigration provisions of the Compact in the RMI and the U.S. are closely related to how successful our governments are in working together to deliver appropriate health care in the RMI within available resources, achieve sufficient economic stability to enable family providers to stay home rather than going to Honolulu, sustain progress in the RMI schools that began during the trusteeship and must continue under the Compact, and respond to the changing circumstances of the nuclear test survivors.

The connections between strategic, political, economic and social aspects of the relationship between the U.S. and the RMI is the basis for the Compact and its related agreements implementing the negotiated relationship, including the strategic relations agreement referred to in Section 462(k) of the Compact, Article V of which includes the following provision:

> "The Government of the United States and the Government of the Marshall Islands recognize that sustained economic advancement is a necessary contributing element to the mutual security goals expressed in this agreement."

Managing Immigration Issues

See comment 3.

Contrary to what the GAO report implies, the RMI government does not as a matter of official policy view migration to the U.S. as a solution to the economic and social challenges facing our nation and our people. The immigration provisions of the Compact were accepted by the U.S. and RMI in the status negotiations because of the recognition that the U.S. had for decades implemented a policy of encouraging and even requiring RMI citizens to come to the U.S. for education and health care. In the case of health care, this was due to the fact that the U.S. acknowledged that its nuclear testing

program had contributed to and caused the most serious and widespread health problems of the people in the RMI.

While travel to the U.S. for education and employment is a positive experience that the RMI encourages, the RMI government hopes that its citizens will not just send money home, but will come home with new skills, new ideas, new ambitions and new enterprises to help build our nation. The notion of viewing migration of our population to the U.S. as a means of dealing with economic challenges in our homeland is nothing new to anyone familiar with these issues. Indeed, policies encouraging migration of islanders to the U.S. were more pronounced during the trusteeship than they are today. Any discussion of these matters in the policy development process aside, the RMI has not adopted a social engineering theory based on the export of population for purposes of alleviating economic problems at home. Our people are the RMI's most valuable resource, not just as wage earners, but as family and community members.

Similarly, instead of sending people to Honolulu for medical care, the RMI government also would like to improve health care so the significant travel of patients and family in connection with costly referrals to Honolulu can be reduced. If the RMI could, for example, afford to maintain permanent, high quality and widely available kidney dialysis in Majuro, the exodus of RMI citizens associated with that disease alone could be significantly reduced.

Similarly, the desire and motivation of the RMI to identify, treat and eradicate leprosy among our people is far greater in Majuro than in Honolulu. This is an example of an issue on which the RMI would be quite willing to work with the U.S. to adopt new procedures to address the concerns raised in the GAO report.

The GAO report also reminds us that it was a U.S. government policy during the status negotiations that RMI citizens could become U.S. citizens if they chose territorial commonwealth status instead of free association, but the U.S. supported free association as proposed in the Compact because it would enable the RMI to have its own nationality, sovereignty and citizenship, while still enjoying special immigration rights not available to any other nations. This special immigration policy was viewed as part of the unique alliance that gave the U.S. the same military operating rights in the RMI as it has in the territories and states, and so it was the U.S. position that it was fitting to offer freedom of cross-border travel, residence and employment rights effectively more similar to the treatment given to U.S. citizens in territories and the states than to foreign countries.

In offering open immigration, the U.S. was quite aware that it would make less difficult the decision to reject territorial status and chose separate sovereignty, nationality and citizenship. The RMI believes the national government and the people of the RMI made the right choice. However, we can not pretend that the U.S. did not intend and benefit from the awareness by the RMI and its citizens that open immigration would mean access to the U.S. would not be cut off in the future under the Compact.

In this context, the GAO report properly and quite powerfully poses the question: By what standard will the federal, state and territorial government now treat the RMI citizens to whom the U.S. offered -- and by approval of the Compact provided -- open immigration? The Compact negotiators did their best, but could not have contemplated precisely the problems that have arisen from the implementation of the immigration provisions of the Compact. Now we have a successful political status association, and it demands that we adapt and address the implementation challenges.

In a sense, the migration problems identified by the GAO draft report mean we are facing the consequences of our success under the Compact. So it is important that the GAO report not become the occasion for another round of confusion and selective memory about how these problems came about. Instead, the RMI hopes the GAO report will remind all concerned of the special relationship that Congress created in its exercise of its powers over the trust territory, leading to treatment of the RMI under the Compact as a unique ally with some of the features of a domestic territory, but with full sovereignty, nationality and citizenship in its own name and right.

In its discussion of the status of RMI residents in the U.S. under federal and state social programs, the GAO report raises important questions about how the Compact's immigration provisions can and should be implemented in the future. For RMI citizens must not be included in American society for some purposes, only to be excluded from the norms of civilized and humane treatment of all persons legally enjoying long term or "habitual" residence and employment rights in the United States.

The RMI is very concerned and interested in helping to address the problems that the local governments in the states and territories are experiencing. The RMI does not want its citizens to be perceived only as a dependent population, when in fact they are contributing to both capital and labor resources making possible economic growth in the U.S. territories and the mainland. The commerce between the RMI and both Hawaii and Guam is significant, and RMI citizens are participating in the economy at the middle and high end of the economy, as well as at the entry level.

The more fundamental question is whether RMI citizens, as non-immigrant aliens lawfully in the U.S. for indefinite periods of time, are to be treated the same as immigrant aliens for purposes of federal, state and local programs. In a sense, the Compact immigration provisions arguably create within the U.S. immigration system a sub-category of aliens somewhere in between immigrant aliens with permanent resident status and non-immigrant aliens with a visa. However, because migrants under the Compact do not have to meet visa criteria does not mean they can or should be treated as if they were legal aliens with only temporary residence rights, much less as illegal aliens.

Rather, RMI citizens should be allowed to enjoy the immigration rights agreed to by the U.S. under conditions and policies the recognize them as citizens of an ally nation who have a special right to be in the U.S. and enjoy a status most closely analogous to that of permanent resident aliens.

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At the same time, the RMI recognizes that the absence of visa screening of RMI citizens who remain non-immigrant aliens represents a unique challenge for the INS and federal, state and local authorities. Thus, the RMI is prepared to review the issues raised by the GAO report further and cooperate with the U.S. is determining how these matters can be addressed in a mutually agreed manner consistent with the Compact for Free Association.

The RMI's specific comments on the contents of the draft report are attached.

8

RMI PROPOSALS FOR REVISION OF GAO DRAFT REPORT:

The following suggestions are of a technical nature and do not address policy matters presented in the GAO draft report. Rather, these are editorial revisions that the RMI views as necessary to produce a more accurate and informative final report. RMI policy relating to how the recommendations of the GAO report should be addressed in the Compact negotiations or otherwise will be determined by the RMI in due course.

See comment 4.

1. Title page, delete "Foreign Assistance" heading and sub-heading that follows, and in lieu thereof insert "FREE ASSOCIATION: Legal Migration Under Compact with Micronesian Nations Has Had Significant Impact on U.S. Island Areas".

Explanation: The Compact and assistance to the RMI under it is not part of the U.S. foreign assistance program or foreign assistance budget. Compact funding is not authorized or appropriated under the Foreign Assistance Act of 1961, as amended, nor as part of the State Department budget account. Compact assistance is appropriated under the Department of the Interior budget account and is implemented under federal statutes and executive policy instruments which recognize the historical role of DOI, as well as the role of the State Department and Congress in managing the free association relationship. This results from the fact that free association is a separate field of federal policy distinct from foreign assistance for non-associated nations, as well as domestic territorial affairs. In addition, the specific issue of Micronesian and Marshallese migration should not be confused with general subject of cross border migration between non-associated nations that often involves illegal migration. Normally the RMI prefers not to be referred in a political context by the geographic term "Micronesia", but rather than unduly complicate this matter the RMI would accept and support as more accurate the heading suggested above.

See comment 5.

2. Page 1, first line, sentence of letter to Members, after "United States" delete "has international agreements, referred to as Compacts of Free Association, that grant" and in lieu thereof insert "is party to international agreements, in the form of Compacts of Free Association, that include provisions under which". Explanation: The compacts are not merely "referred to" as compacts, but rather "Compact of Free Association" is the name and term of art under these particular international agreements agreed to and promulgated on behalf of the United States by the President and Congress.

See comment 6.

3. Page 1, footnote, first sentence, between "and" and "defense" insert "certain of the Compact". Explanation: Not all defense obligations expire, including Kwajalein missile defense systems base rights and strategic denial powers of U.S. over third country military access to waters, airspace or territory of the RMI.

See comment 7.

4. Page 1, footnote, second sentence, after "provisions" delete all after "can" and in lieu thereof insert "continue from the 2001 expiration date to 2003 as provided in the Compact while negotiations are underway but not completed". Explanation: This would seem to be a more accurate characterization of Section 231 of the Compact.

See comment 8.

5. Page 3, last sentence, before "Government" insert, "In an anecdotal context rather than as a statement of official policy,", and after comma change "g" in word "Government" to smaller case. Explanation: The RMI acknowledges that GAO may have been told this as an informal view, but it is not official policy of RMI.

See comment 9.

6. Page 3, last sentence, after ""limited" insert "education, health care and". Explanation: The RMI believes the GAO and those who gathered the statistical and polling data relied upon in the report underestimate the extent to which travel, particularly to Honolulu, is motivated by health care needs, including for nuclear test survivors. As a result of nuclear testing legacy RMI citizens tend to be very health conscious and concerned about diagnosis and treatment of disease. Many of those who come and go to school or work in Honolulu and elsewhere originally come for health reasons, but often patients and family members stay and work to be near care services and to avoid costly travel back and forth between Honolulu and Majuro for on-going treatment for themselves or relatives.

See comment 10.

7. Page 6, delete paragraph from beginning at the top of page and end deletion before the sentence beginning "The Department of the Interior's Office of Insular affairs (OIA)…", and in lieu of deleted material insert:

> "In accordance with provisions of Chapter XII of the Charter of the United Nations regarding the international trusteeship system for administration of non-self-governing areas, in 1947 the United States and the Security Council entered into a Trusteeship Agreement under which the U.S. governed the Trust Territory of the Pacific Islands (TTPI) until the Compact of Free Association entered into force in 1986. The TTPI comprised the islands which under the Compact are within the national borders of the FSM, RMI, Palau, as well as the islands under U.S. sovereignty in the Commonwealth of the Northern Mariana Islands, which became an unincorporated U.S. territory under a political status agreement approved in 1976 and fully implemented with the Compact for the RMI and FSM in 1986. [footnote 7]. The TTPI was the only U.N. trusteeship recognized as "strategic" and placed under Security Council rather than General Assembly oversight pursuant to Article 83 of the U.N. Charter. This reflected, among other things, that in 1946 the U.S. had begun, and at the time the trusteeship was established was continuing, a program of atmospheric nuclear testing in the Marshall Islands. As Administering Authority under the trusteeship, the U.S. exercised all executive, legislative and judicial powers of government, including plenary powers with respect to military operations and use of the islands, as well as financial and administrative responsibility for the social, political and economic advancement of the inhabitants. In accordance with self-determination procedures prescribed by the Secretary of the Interior, limited civilian government authorities devolved upon the Federated States of Micronesia upon adoption of its local constitution, following its ratification by the voters of Pohnpei, Chuuck, Yap and Kosrae in a 1978 referendum. The Marshall Islands established its constitutional government and declared itself a republic in 1979, but both the FSM and the RMI remained subject to the authority of the Secretary of the

Interior under the U.N. trusteeship until the Compact of Free Association entered into force in 1986 and the U.S. recognized both as sovereign nations with the political status of free association with the United States. In addition to the political and strategic provisions of the Compact that define the political status of free association and relations between the parties until it is terminated or amended in accordance with its terms, under financial terms of the Compact that expire after the first fifteen years the U.S. has been providing substantial direct economic assistance to the free associated states. These economic assistance provisions and some of the defense authority of the U.S. are subject to renegotiations as already noted."

Explanation: The U.N. did not unilaterally create the TTPI. The islands concerned were simply categorized as the "formerly Japanese mandated islands" under U.S. occupation until the terms for trusteeship proposed by the U.S. were accepted and included in the trusteeship agreement which prescribed the terms for both creation of the TTPI and designation of the U.S. as the Administering Authority. Similarly, the FSM did not vote to become independent in 1978, nor did the RMI vote to be a Republic per se in 1979. Those U.N. observed votes were to establish constitutional government competent to represent the peoples concerned in political status negotiation with the U.S. that produced the Compact of Free Association in 1986. The description of this history suggested above is far more accurate and informative for Congress than the version prepared by GAO. The RMI would not expect the GAO staff to be entirely familiar with details of the events set forth above, but given the extremely high quality of the other material presented in the draft report, the RMI has made this effort to offer what we view as an objective and neutral version of those events.

3

The following are GAO's comments on the letter from the government of the Republic of the Marshall Islands dated September 4, 2001.

1. This GAO report is one in a series of reviews of U.S. relations with the FSM and the RMI under the Compact of Free Association. Previously, we have published an assessment of the use, effectiveness, and accountability of U.S. Compact economic assistance. In addition to this migration report, forthcoming reviews cover the use, effectiveness, and accountability of U.S. domestic programs extended to both nations, as well as defense and security relations. Taken together, these reports will illustrate the larger context of the free association relationship between the three countries.

2. The determination of poverty levels is based on the U.S. nationwide standard as established by the U.S. Bureau of the Census. These levels are adjusted annually for family size. The measure of poverty is required for statistical purposes by the U.S. Office of Management and Budget in Statistical Policy Directive No. 14. We have added a footnote on p. 14, stating that poverty levels are based on the single U.S. standard discussed previously.

   Regarding education, our report does not state that FAS migrants are "uneducated." Instead, we report that migrants have not been highly educated, based on OIA migrant survey data. According to U.S., Guam, and CNMI government reports, FAS migrants have lower educational levels than the overall population in Guam, Hawaii, and the CNMI. For example, 55 percent of Compact migrants over the age of 25 had high school degrees in Hawaii in 1997, while 84 percent of the total Hawaiian population over the age of 25 had a high school degree.

3. We have added text on p. 23 to state that the RMI government does not have an official policy regarding migration.

4. We have modified the title of the report in recognition that "foreign relations" is a more appropriate way to classify the migration relationship between the United States and FAS nations. We continue to believe that the Compact economic and program assistance is most accurately referred to as "foreign assistance."

5. We made the suggested change.

6. We made the suggested footnote change.

7. We made the suggested footnote change.

8. We did not make this change. The report states that migration is viewed as a "safety valve" by government officials; it does not state that this view constitutes a matter of official government policy.

9. While we did not alter this particular sentence, on p. 14 of the report we added text to note that, in Hawaii, a higher percentage of Compact RMI migrants reported that they migrated to Hawaii for medical reasons (10 percent) than reported moving for employment (7 percent). However, we note that 43 percent of Compact Marshallese surveyed chose "other" as their reason for migrating.

10. We have made some of the suggested changes.

Appendix VII: Comments From the Government of Guam

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

CARL T.C. GUTIERREZ
GOVERNOR OF GUAM

AUG 30 2001

Loren Yager
Director, International Affairs and Trade
U.S. General Accounting Office, Room 4T55a
441 C Street, NW
Washington, DC 20548-0001

Dear Mr. Yager,

Thank you for allowing the Government of Guam the opportunity to respond to your draft report entitled "Foreign Assistance: Migration from Micronesian Nations Has Had Significant Impact on U.S. Island Areas.

We are pleased that the General Accounting Office has recognized that migration from the Freely Associated States has a significant impact on Guam and that it is especially acute for Guam with our limited budgetary resources due to our small size and the effects of both the economic downturn in Asia and the economic slowdown in the United States.

Enclosed are our comments to the draft report.

Sincerely yours,

CARL T.C. GUTIERREZ
Governor

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Comments on the GAO Draft Report:

"Foreign Assistance: Migration from Micronesian Nations Has Had Significant Impact on U.S. Island Areas"

Overview

We are pleased that the General Accounting Office (GAO) has recognized that migration from the Freely Associated States (FAS) has a significant impact on Guam, Hawaii and the Commonwealth of the Northern Marianas (CNMI). The impact is especially acute for Guam and the CNMI with our limited budgetary resources due to our small size and the effects of both the economic downturn in Asia and the economic slowdown in the United States.

The draft report limited itself, however, to "review the migration provisions of the Compacts ... in order to assist Congress in the review of any migration proposals that may result from the current Compact negotiations". It had been hoped that this review of the impacts of the Compacts of Free Association on Guam and the other island areas would produce reporting guidance on the appropriateness of our efforts to document the increased burden to our educational and public welfare systems as a result of the immigration provision of the Compacts. As noted in your report, the Department of the Interior's Office of Insular Affairs (OIA) and its predecessor, the Office of Territorial and Insular Affairs (OTIA), has been giving conflicting information as to how the three island areas should prepare its impact reports. We concur that the lack of consistency of impacts costs and reports from the U.S. island areas is due to Interior's lack of leadership in this area.

The report's focus on education and health is perhaps appropriate in that these impact areas make up the bulk of the financial costs of the Compacts. However, other identifiable costs are considerable, such as in the area of public safety. Other systemic social impacts on the population of Guam, such as Guam's long-term absorption of significant immigrant populations from other areas and the additive effect of federally-directed migration from the FAS, are overlooked completely.

See comment 1.

Unfortunately, the report does not address what may be a long-standing federal policy with respect to the current FAS and those jurisdictions in the region that are affected by out-migration from the FAS. It is important to note that the creation of "...the safety valve of legally unlimited (and possibly financially-aided) immigration..." was a (classified confidential) recommendation of the Soloman Report to the President of the United States (pursuant to National Security Council Action Memorandum, October 9, 1963) on the future status of the Trust Territory of the Pacific Islands (TTPI). That the financial burden of the United States government's legal immigration policies vis-à-vis the former TTPI (a part of which is now the FAS) has been disproportionately borne by one of its small non-self-governing territories shows the caviler manner in which Guam's needs are responded to by the federal government.

1

See comment 2.

It is instructive to note that the U.S. policy recommendations for the TTPI in the early 1960s and the call for a migration "safety valve" were predicated on an assumption of rising levels of education and an absence of employment opportunities in the jurisdictions. It is a little more than ironic that a basis for long-term stability in the FAS through economic development and employment opportunities is essentially overlooked in this report.

Health and Education

Health and education have been the focus of recent impact reports because Guam has been challenged at every turn by OIA as to what they considered acceptable and would support, in a very limited way, as reimbursement to Guam for costs incurred. For years OIA has insisted that a "baseline" representing the number of citizens of the Freely Associated States (FAS) believed to be been present on Guam prior to the implementation of the Compacts, be subtracted from Guam's impact estimate. They have deliberately limited our reporting by restricting it to what Interior considered an acceptable impact cost. In order to meet the standards set by OIA, Guam has had to drop the cost incurred by the smaller Government of Guam agencies. Even with these changes it has only been in recent years that OIA has begrudgingly acknowledged that there is a significant financial impact on Guam.

The report suggests that directing future U.S. funding toward health and education might reduce some of the motivation to migrate. It is our view (and we believe that of the report too), upon careful examination, that such targeted funding will have limited effect.

See comment 3.

While increasing the funding for health in the FAS may help in the short term, FAS citizens will still migrate for health reasons. The fact that FSM officials believe that "migration will slow if FSM health care equaled that of the U.S. mainland" signals that having better primary care in such areas as prenatal care, communicable diseases, and immunizations will have little effect in reducing migration due to health care reasons. While better primary care in the FAS might ease the impact of migrants on the health care systems of Guam, Hawaii and the CNMI, FAS citizens with more serious conditions will still continue to seek treatment in Guam and other U.S. areas. Further, it is Guam's belief that FAS citizens do not travel to Guam for the purpose of receiving immunizations or treatment of communicable diseases. Better health care will not reduce migration, but it might reduce some of Guam's health care burden.

One of the areas were Guam has seen a dramatic rise in the use of health services is the number of children born to FAS-born women at Guam Memorial Hospital. This rise is likely related to more than just the health interest of FAS citizens, extending to political issues such as legal nativity. Births on Guam by FAS women has increased from a 197 in 1989 (5.5 % of all live births) to a high of 778 in 1998 (18.0 percent of all live births). While the number has dropped in 1999 to 673, the latest year which we have complete data, this still represents16.7% of all live births. In 1998, almost 16.0% of all births were to women whose birthplace was the Federated States of Micronesia. While births to women born in the Republic of the Marshall Islands has doubled in the period from 1994 to 1999 when compared to 1989 to 1993, they still represent less than one percent of the live births on Guam. Births by women born on Palau has been

relatively constant, averaged about 1.5% of all births over the years*.

Between 1993 and 1997 in the FSM, an average of 2,646 live births per year was recorded**. Looking at each FSM state individually, Kosrae had an average of 187 live births, Pohnpei averaged 1,065 live births, Chuuk averaged 1,146 live births and Yap averaged 248 live births. In the same period the total number of live births on Guam to women born in the FSM was 2,459 or an average of 491 live births per year. When combined with the live births from the FSM, almost 16% of all live births to FSM-born women occurred on Guam.

Similarly, the report suggests that increasing Compact funding for education would impact the migration stream and insure that FAS students who do migrate perform better in their new schools in the short term. But if issues raised in the report itself are instructive, the impact of education on outward mobility is one which encourages migration, with a correlation between education levels and the distance one migrates. For Guam this is particularly disturbing because it suggests that FAS citizens are replicating the step-migration pattern of other immigrants to Guam, acquiring basic education and language skills at Guam's expense before moving on and using these more assimilative skills in other jurisdictions. Ultimately, unless the FAS nations can provide these highly educated people with jobs and wages commensurate with their skills, many will not return to help their nations.

Employment

See comment 4.

We do take exception to references of employment "opportunity" in Guam in view of Guam's current 14% unemployment rate and the effect of the pool of unskilled labor from the FAS on the economy's natural wage rates. As reflected in the GAO report, Guam is the principal point of entry to the United States for FAS citizens from the Federated States of Micronesia (FSM) while Hawaii is the point of entry for citizens of the Republic of the Marshall Islands. As the report notes, those moving to Guam, Hawaii and the CNMI typically have limited education and job skills. They are willing to take low wage jobs that require few skills. Some consider this to be a positive impact to Guam's economy. While there are suggestions that these migrants have taken positions that were not desired by others, the effect has been that the willingness of FAS citizens to take low paying jobs keeps wages artificially low and depresses the economy's natural wage (and economic) growth.

Despite FAS citizens being able to obtain jobs on Guam, family and household incomes typically remain low as is evident from FAS citizen's disproportionate participation in social welfare programs that are available to them. While the income in Guam may be more that what would have been possible in the FAS nations, we find that many FAS migrants are living in what qualifies as poverty under federal guidelines and non-discriminatory immigration limitations. Many depend on government financial assistance that they or their U.S.-born children may qualify to receive. It could be possible that FAS migrants move to Guam based on an illusion of opportunity from a vantage point of their current state of poverty in their own homeland. Forty percent of all FAS migrants interviewed during the OIA surveys of 1997 and 1998 were born in Chuuk, FSM, one of the poorest areas of all the Compact states.

See comment 5.

See comment 6.

Financial Compensation and Limits to Migration

The report does not address how the two options available in the Compact and its enabling legislation - financial compensation and limits on migration - should be used to address the impacts caused by the migration from the FAS.

While we realize that the purpose of the report is to look at migration issues, the financial costs borne by Guam and the other island areas is an integral part of the migration equation. We recognize that it is outside this GAO report to examine the issue of past due compensation for assistance to FAS migrants or Interior's claim that budget constraints have prevented compensation to the extent that impact has occurred. However, as part of any recommendations on how the migration issue should be address in the future, we had hoped to see recommendations for meeting the continuing financial costs to Guam and the island areas. Resources are needed to offset the impact to our health and educational systems as well as other quantifiable areas of impact. Additionally, limiting Guam to using any impact reimbursements only for capital improvement projects does not allow Guam to target the money where it is needed the most.

Clearly, there is no effort by the FAS governments to stop migration by its citizens. The FAS governments look to migration as a safety valve, officially or unofficially, by promoting and encouraging it citizens to leave the country. This policy is evident by the FSM and RMI declaring that migration is not up for discussion during the renegotiation of the Compacts. The FSM's wanting any changes that may occur to "facilitate migration" will result in continual migration to Guam and other areas unless the overall economic situation in the FAS improves. The U.S. has known since the time of the Soloman Report that the lack of economic development necessitated out-migration as a "safety valve". U.S. policy towards the FAS continues to encourage out-migration. The effect of this "safety valve" policy directly impacts Guam in ways that promote the underdevelopment of educational, health and other social systems infrastructure.

Regulations developed by the Immigration and Naturalization Service (INS) on habitual residence and requiring a passport or official travel document issued by the FAS nations to its citizens is a start. INS claims that it does not track FAS citizens once they enter Guam because it has insufficient resources. They further claim that enforcement of the habitual residence regulations will be difficult because of the inability to track FAS citizens. Presently, the only information INS currently maintains is on FAS citizens with criminal records from Guam's Criminal Justice Automated Information System. Only FAS citizens with criminal records are excluded from entry into Guam by INS. It is important to note that Guam, through its own programs and federal program management, is a principal source of information that has consistently been offered in a coordinated arrangement but which has yet to be tapped.

The requirement that each FAS citizens seeking to enter Guam and the island areas present a passport or official travel document from the Compact country of which they are a citizen in

order to establish their entitlement to Compact privileges will help identify Compact migrants. A more fully coordinated information sharing process between the INS and Guam would result in our capturing data and information of greater integrity with respect to the impact of the Compacts on our health, education, and social welfare systems. Better tracking, possibly through the matching of passport numbers to Social Security number for comparison to SWICA files, would help identify and quantify the financial impacts of the Compacts to Guam as well as provide information about FAS citizens in Guam vis-à-vis non-discriminatory immigration limitations on habitual residence.

If the federal government does not provide Guam with financial compensation, then it should at least enforce U.S. immigration standards.

The Report Falls Short of Addressing the Issues Raised

See comment 2.

Increasing Compact funding for health and education does not address the fundamental reason for migrating - the lack of jobs and economic opportunity in the Compact areas. Without economic development and job creation in the FAS, migration is the only viable option to FAS citizens according to FAS officials. FAS migrants themselves say they moved to the U.S. areas to find a job because of the lack of employment opportunities at home. The GAO report does not address the critical issue of increasing economic development in the FAS to reduce migration.

The GAO recommendations for further action are addressed only to the U.S. Compact Negotiator. No recommendations are made for Office of Insular Affairs or the Immigration and Naturalization Service as to how they can increase their assistance to the island areas to mitigate the increase in cost of providing education and social services to Compact migrants as a result of the current migration provisions of the Compacts of Free Association or what is being proposed during the Compact renegotiation talks by the negotiators. The issues we have raised must be addressed if effective negotiations are to take place that do not have a continuing detrimental impact upon Guam, Hawaii and the Commonwealth of the Northern Mariana Islands.

* Vital Statistics Report, Office of Vital Statistics, Guam Department of Public Health and Social Services

** 1999 Second FSM Statistical Yearbook, Statistical Unit, Department of Economic Affairs, National Government, Federated States of Micronesia

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The following are GAO's comments on the letter from the government of Guam dated August 30, 2001.

1. The data we present on p. 17 of the report regarding the impact of FAS migrants on Guam, Hawaii, and the CNMI include public safety costs. We acknowledge that FAS migrants create impact on the criminal justice system in Guam. For example, in Guam, where FAS migrants make up about 5 percent of the population, 12 percent of the cost of the corrections system was attributed to FAS migrants in fiscal year 2000. FAS migrants represented 26 percent of all convictions in fiscal year 1999/2000 in Guam. We did not separately discuss this area of impact in our report because it is smaller than the impact reported on the health and education systems. For example, for fiscal year 2000 public safety costs estimated by Guam was 6 percent of the total impact amount, compared with 54 percent for education and 40 percent for health and welfare.

   Reviewing the impact immigration to Guam from countries other than FAS nations was beyond the scope of this report.

2. The issues of economic development and employment opportunities in the FSM and the RMI have been addressed in a prior GAO report. In this review, we reported that the considerable funds provided to the FSM and the RMI under the Compact had resulted in little economic development. See *Foreign Assistance: U.S. Funds to Two Micronesian Nations Had Little Impact on Economic Development* (GAO/NSIAD-00-216, Sept. 22, 2000). We have not assessed the extent to which long-term stability in FAS nations can be created in the future through economic development and employment opportunities.

3. We maintain that the report's recommendation provides an option that could reduce some of the incentives to migrate. For example, targeted investments for dialysis treatments would allow some FAS citizens to remain at home instead of moving to U.S. locations. Further, the recommendation also recognizes that improvements in the health and education systems in FAS nations could reduce the impact of migration on the receiving areas. For example, improved immunization in FAS nations could reduce the public health concerns currently voiced by Guam, Hawaii, and the CNMI with regard to FAS migrants.

4. OIA migrant survey data have shown that employment has been a key reason for FAS migration to Guam, Hawaii, and the CNMI since the

Compacts were implemented. However, we noted on p. 15 of our report that "…Guam government officials told us that as Guam's unemployment rate has reached about 15 percent in recent years, the demand for FAS workers may have decreased." This development does not necessarily mean, however, that Guam is now viewed in FAS nations as a location without employment opportunities. For example, an elected Guam official pointed out to us that as difficult as the employment situation may be in Guam, conditions are worse in the FSM state of Chuuk (the poorest state in the FSM and the birthplace of the largest group of FAS migrants in Guam).

5. As Guam rightly states in its comments, our report does not address how the two options available in the Compact and its enabling legislation should be used to address the impact caused by the migration from FAS. As our report points out, however, the Compact's enabling legislation does not require compensation for impact costs. Rather, it says that the Congress will act "sympathetically and expeditiously" to redress adverse consequences. As such, it is at the Congress' discretion to compensate for Compact impacts. Similarly, since the INS recently instituted regulations on habitual residents in the territories, we felt it was premature to recommend further regulations until the results of the new regulations can be assessed.

6. We added language on p. 25 of this report noting that the Guam government believes that restricting the use of compensation funding to capital improvement projects does not target the money where it could be best used.

Appendix VIII: Comments From the Government of Hawaii

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

EXECUTIVE CHAMBERS
HONOLULU

BENJAMIN J. CAYETANO
GOVERNOR

August 31, 2001

Mr. Loren Yager
Director, International Affairs and Trade
U.S. General Accounting Office, Room 4T55a
441 G Street, NW
Washington, D.C. 20548-0001

Dear Mr. Yager:

Thank you for the opportunity to comment on the draft report, "FOREIGN ASSISTANCE: Migration From Micronesian Nations Has Had Significant Impact on U.S. Island Areas." We appreciate the careful data analysis and hard work that went into the report. However, we would like to suggest that you strengthen the section entitled "Recommendations for Executive Action" in several respects.

Health Care Costs

Although we agree with the recommendation that the United States target future aid to the Federated States of Micronesia ("FSM") and the Republic of the Marshall Islands ("RMI") in a way that will address Hawaii's problems with communicable diseases among Compact migrants, this recommendation does not go far enough. As our yearly Compact import reports describe, our public and private health care facilities are struggling under the burden of unreimbursed health care costs for Compact migrants. We suggest that you include the following recommendations in the report.

See comment 1.

- The Administration should support legislation to restore Compact migrants' Medicaid eligibility. The Department of the Interior's comments for Congress on my January 31, 2001 letter about Hawaii's Compact impact stated that Hawaii "makes a strong argument for reinstating Hawaii's eligibility for federal funding of Medicaid costs for Compact migrants." My letter explained our strong disagreement with the decision of the U.S. Department of Health and Human Services that the State is not entitled to federal financial participation to defray the State's Medicaid costs for Compact migrants. Two of the primary rationales underlying the 1996 welfare reform act's restrictions on non-citizens' eligibility for federal public benefits are completely inapplicable to Compact migrants.

First, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) was designed to discourage illegal immigration. Migration to the United States pursuant to the Compact's generous entry rights is not only legal, but a cornerstone of the United States' foreign and defense policy. Second, PRWORA's denial of benefits to aliens who have been in the United States for five years or less is based on the idea that aliens' eligibility should turn on the strength of their ties to the United States. However, Compact migrants have stronger ties with the United States than *any* other aliens because they come from one of the three countries in the world that are perpetually bound to the United States in free association.

Last November, Congress passed P.L. 106-504, once again making Compact migrants eligible for federal housing programs, as they had been before PRWORA. The fact that Congress did not also restore such eligibility to immigrants from other countries shows that it recognizes that it can make principled distinctions between Compact migrants' and other aliens' eligibility for federal public benefits. Congress should apply the same principle it applied in P.L. 106-504, and restore Compact migrants' Medicaid eligibility.

See comment 2.

- A portion of the United States' health sector assistance to the FSM and the RMI should be targeted to pay those governments' staggering bad debt to our public and private health care facilities. I discussed this problem at length in my enclosed January 14, 2000 letter, which I incorporate as part of my comments.

See comment 3.

- In the immediate future, prior to migration to the United States, Compact migrants should be required to undergo the same health examinations as immigrants, to screen for such serious communicable diseases as Hansen's disease, tuberculosis, and hepatitis B, which are endemic in the FSM and RMI, and which pose a very real public health threat to Hawaii.

See comment 4.

- The State of Hawaii should receive direct federal financial assistance to compensate for the additional health care screening, disease prevention, disease outbreak investigation, and medical care activities that have been and still are necessary to address health care problems caused by Compact migration.

See comment 4.

Educational costs

The "Recommendations for Executive Action" section should include a recommendation for financial compensation to reimburse Hawaii's public school system for Compact costs. As my January 31, 2001 letter pointed out, we have spent over $64 million since 1986 to educate Compact migrants and their children. Because our Department of Education's costs are based on only post-1986 migrants, we think that the report's criticism of the Department of Interior's failure to provide guidance to Hawaii may be misleading, unless the report clarifies that Hawaii has developed and adhered to appropriate methodology on its own initiative.

See comment 5.

Other comments

We understand that GAO's use of the term "U.S. island areas" to refer to Hawaii, Guam, and the Commonwealth of the Northern Mariana Islands ("CNMI") was an attempt to find a short-hand term to refer to three entities with distinctly different political status. Nevertheless, we object to the term because it obfuscates Hawaii's unique status as a state, and especially as the only state to which Congress made a specific commitment when it enacted the Compact's enabling legislation. The report should set forth the specific language of 48 U.S.C. § 1904(e)(4) that contains Congress' commitment to redress the Compact's adverse consequences:

> The Congress hereby declares that, if any adverse consequences to 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.

Without this language, the report will not be intelligible to all members of Congress. After the report gives the definition of U.S. territories and commonwealths found in subsection 1904(e)(5), the report could either refer to Hawaii, Guam, and the CNMI by name, or say "Hawaii and the U.S. territories and commonwealths." It bears pointing out that as a practical matter, Puerto Rico, the Virgin Islands, and American Samoa experience no Compact impact. The term that the U.S. Department of State sometimes uses, "U.S.-affiliated islands," would not be clear enough for your report because it could be understood to include islands such as those in the FSM and RMI that are affiliated with the United States through free association.

See comment 6.

We were pleased that the report acknowledges that the Compact migrant population in Hawaii is probably undercounted, that Compact migration has clearly had a significant impact on Hawaii, that most Compact migrants live in poverty, and that the budgetary impact on Hawaii is expected to grow. However, the report could better highlight Compact migration's relative burdens on Hawaii, Guam, and the CNMI. Unfortunately, the Department of the Interior's conclusion that Hawaii's and Guam's annual Compact impact is comparable is buried in footnote 42. Furthermore, the first paragraph of the section "Financial Compensation" on page 23 omits Hawaii's conservatively estimated partial costs of $85 million, while providing Guam's and the CNMI's total estimated costs. This obscures the fact that Hawaii has an outstanding claim for more than $85 million. The report does appropriately point out that the recent INS regulations imposing limitations on habitual residence help Guam, but do nothing for Hawaii because they apply only in U.S. territories or possessions.

See comment 7.

See comment 8.

Finally, we are skeptical about the report's conclusion that targeting U.S. assistance to the FSM and RMI for their health and education might reduce migration and its impacts. That may be true in the very long term, but the demonstrated inability of the FSM and the RMI to develop functioning health and educational systems despite 15 years of targeted U.S. aid suggests that this is an illusory hope at best, absent profound changes in the way such assistance is delivered.

See comment 9.

From FY 1987 to the end of FY 2001, the United States has given the FSM over $1.3 billion and the Marshall Islands over $623 million in economic assistance, yet both owe our hospitals millions. Unless U.S. assistance is provided through grants with strict conditions, and accompanied by a political will to enforce them, "targeted" assistance will do nothing to alleviate Hawaii's Compact impact.

We hope that you will incorporate our suggestions in your final report, and we look forward to receiving a copy of it.

With warmest personal regards,

Aloha,

Benjamin J. Cayetano

BENJAMIN J. CAYETANO

Enclosure

EXECUTIVE CHAMBERS

HONOLULU

BENJAMIN J. CAYETANO
GOVERNOR

January 14, 2000

Mr. Ferdinand Aranza
Director, Officer of Insular Affairs
Office of the Secretary
U.S. Department of the Interior
Washington, D.C. 20240

Dear Mr. Aranza:

In accordance with section 104(e)(3) of Public Law 99-239 of January 14, 1986, I am sending you the State of Hawaii's views for your transmittal to Congress as part of your January 2000 annual report to Congress on "The Impact of the Compacts of Free Association on the United States Territories and Commonwealths and on the State of Hawaii."

The Compact of Free Association with the Federated States of Micronesia ("FSM") and the Republic of the Marshall Islands ("Marshall Islands") continues to have much more impact on Hawaii than the 1994 Compact of Free Association with the Republic of Palau. Because the former Compact has not resulted in the hoped-for economic development in either the FSM or Marshall Islands, their citizens continue to avail themselves of their rights under the Compact to freely enter and reside in the United States without the immigration restrictions applicable to citizens of other countries.

The largest impact of the Compact continues to be on our educational and health care systems. Congress' continuing failure to fulfill its promise to redress the adverse effects of the Compact on the State places us in the untenable position of having to assume an extraordinary share of our country's legal and moral obligations under the Compact. During the past year alone, the State spent well over $14 million in public funds to care for Compact migrants.

Impact on Health Care System

At a time when our newspapers are full of stories about our hospitals' financial problems, staff lay-offs, and cuts in service, we are absorbing Compact migrants who simultaneously suffer from the malnutrition and contagious diseases common to developing countries and the diabetes, heart disease, and cancer common to developed countries. I urge you to review "Pacific Partnerships for Health," a 1998 publication by the Institute of Medicine, which operates under the charter of the National Academy of Sciences. This report provides independent corroboration of the magnitude of the current and impending Compact impact, and repeatedly discusses reforms

necessary to address two of our continuing critical problems: (1) the enormous costs of the Pacific islands' off-island medical referrals,[1] and (2) the need for the islands to be more accountable for their citizen's medical care.[2]

Our private hospitals and health care providers have to contend with a staggering bad debt from the FSM and Marshall Islands governments' health care referrals to Hawaii. We are still tabulating the figures. For example, the Queen's Medical Center, which is Hawaii's largest health care provider and is in its third year of operating costs, reports a $11 million bad debt from Pacific Island nations, primarily the FSM (Exhibit A-1). The Kapiolani Medical Center reports that for South Pacific island patients: (1) it wrote off over $700,000 in bad debt in just the first six months of the fiscal year beginning July 1, 1999; (2) it typically writes off from $.5 million to $1.5 million *per year*; and (3) and as of December 31, 1999, its outstanding receivables were $1.3 million (Exhibit A-2). These entire amounts are not attributable to the FSM and Marshall Islands, but they are indicative of the problem. The reporting community health centers have about $420,000 a year in uncompensated costs for primary are services to Compact migrants from the FSM, Marshall Islands, and Palau (Exhibit A-3). One of these small centers, the Queen Emma Clinics, recently collected from the State of Chuuk in the FSM only after exhaustive collection efforts, including implementation of a co-payment requirement for governmentally-referred Chuukese patients (Exhibit A-4).

The problem is bigger than that documented in the above letters from a few of our health care providers. We are still compiling costs. For example, one private medical group that has severely cut back on accepting government referrals from the FSM because of problems declined to provide a letter for transmittal to Congress because of its staff's continuing sympathetic feelings toward the patients themselves. The doctors at our local clinics and hospitals frequently find themselves faced with people who have easily entered the country because of the Compact's generous entry provisions, but who cannot pay for the medical care they need. The doctors then face the dilemma of either turning people away simply because they are poor, or treating them despite the impact it has on our community's health resources. Although some medical suppliers simply refuse to work with certain Pacific island jurisdictions because their accounts are so far in arrears,[3] that is not an easy choice for a doctor confronted with a sick person in need.

Unless Congress takes action, we can expect the 2001 expiration of the Compact's 15-year provisions for economic support to dramatically increase migration to Hawaii from the FSM and

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[1] Institute of Medicine, Pacific Partnerships for Health: Charting a New Course, National Academy Press, 1998) ("Pacific Partnerships") at 7, 34, 60, and 113.

[2] Pacific Partnerships at 7-8, 36, 38, 40, 48, 60, and 117.

[3] *Id.* at 48 .

Marshall Islands. If Compact funding ends as scheduled and no more U.S. aid is provided, the FSM estimates that its funds for health services will decline by as much as 75 percent of its 1996 health budget.[4]

The impending expiration of Compact funding combined with the changing demographics of the migrant populations portend a looming crisis for Hawaii's health care system. The Marshall Islands' population has one of the world's highest growth rates, and half its population is already under the age of 16.[5] With the population expected to double in the next twenty years and the population density of Kwajalein Atoll's Ebeye Island already one of the highest in the world,[6] we can expect thousands more Marshallese to use their Compact entry rights to come to Hawaii to seek a better life.

The demographics of the FSM are similar. In 1998, about 44 percent of the population was under 15.[7] According to the U.S. Department of Interior, in 1995 only a third of FSM households had flush toilets, about 18 percent were connected to a public water supply, about 11 percent were connected to a public sewer, and only about half had electricity.[8]

In light of these statistics, it is not surprising that Hawaii once again has spent several hundred thousand dollars in one year just to treat contagious diseases among Compact migrants. During the last year, in addition to the unpaid-for medical care that the private sector provided for those with contagious diseases, the State spent about $312,00, including about $235,246 for Hansen's disease (leprosy), and about $60,000 for tuberculosis. We continue to have to screen and treat Compact migrants for hepatitis. We also spent about $300,000 on Medicaid payments for them, and about $120,000 for community health nursing services for them.

Impact on Social Services

Last year, we had to spend about $1.7 million for welfare payments to needy Compact migrants (Exhibits B-1 and B-2). The U.S. Census Bureau's 1997 census of Micronesians in Hawaii showed that almost 40 percent live below the poverty level and more than half of these live below 50 percent of the poverty level. Because of their limited English skills and generally low education, they need time and training to enter the work force. We spent about $163,000 of the

[4] *Id.* at 114.

[5] *Id.* at 142, 24.

[6] *Id.* at 143.

[7] *Id.* at 111.

[8] *Id.* at 112.

$1.7 million through our entirely State-funded Aged, Blind, and Disabled program, which we created to help those with little or no income who either are not eligible for federally-funded Supplemental Security Income ("SSI") or are eligible for only partial SSI payments. We spent the remaining approximately $1.5 million through our entirely State-funded TAONF (Temporary Assistance to Other Needy Families) Program, created for those families who are ineligible for TANF (Temporary Assistance to Needy Families).

Impact on Educational System

The largest Compact impact continues to be on our educational system. We have spent about *$54 million* since 1988 to educate Compact migrant children in public schools' kindergarten through 12th grade--over $9 million in the last year alone (Exhibit C). We have had to absorb this loss as best we could, at a terrible cost to our own children. It is one reason that Hawaii is last among the 50 states in per pupil expenditures for its public school children in kindergarten through 12th grade. Our schools need that $54 million back.

The State also spent about $1.3 million last year for college education of Compact migrants at the University of Hawaii, including its community colleges system. We have allowed the college students from the FSM and Marshall Islands to pay in-state tuition without meeting the durational residency requirements we apply to students from the mainland. A federal government representative recently suggested to one of my staff that despite these students' entry rights under the Compact, we might be able to legally charge them out-of-state tuition. However, we do not think that would be the right stand to take or litigate. These students, almost without exception, have difficulty paying even in-state tuition, and have virtually no family resources to help them. Although government workers in both the FSM and Marshall Islands make much more than most other people there, even their incomes are very low by U.S. standards. For example, in the early 1990's, many full-time police officers in the State of Chuuk made only $2000 to $3000 a year. To require FSM and Marshallese college students to pay out-of-state tuition would virtually foreclose their opportunities for a college education.

Impact on Criminal Justice System

We also continue to feel the impact of the Compact on our criminal justice system. About 143 Compact migrants were convicted of 237 offenses last year--at a time when we are having great difficulty finding and funding enough bed space for all those who are incarcerated. These numbers are up from last year's figures of 111 Compact migrants convicted of 186 offenses, and the numbers have gone up every year.

A look forward

Compact migration to Hawaii is costly. There is a lack of congruity between the Compact's generous entry rights and the welcome that the federal government is giving the people who use those rights. It is all too clear that Hawaii will continue be faced with the Hobson's choice of either filling the gap or refusing to do so. The State of Hawaii takes pride in having created a

diverse community that welcomes and cares for both citizens and strangers. It is hardly a solution to the problem of unredressed Compact impact for us to respond by further tightening our laws to minimize aid to the needy whom the Compact allows to enter so freely. It is *our* doorsteps on which the Compacts migrants are arriving.

The rest of the nation may think that continued U.S. aid to the FSM and Marshall Islands is a fair price to pay for the United States' strategic air and water rights to the islands' vast area of the Pacific. The rest of the nation may even recognize that the United States' national security interests are one of the cornerstones of the Compact relationship. But the fact remains that the nation as a whole is not footing the bill. Until the United States, FSM, and Marshall Islands together design and implement Compact provisions that make the FSM and Marshall Islands more self-sufficient, the State will inevitably incur social costs from Compact migration, and we will look to the Congress to redeem its promise to redress the adverse consequences.

If inadequate medical care in the FSM and Marshall Islands, along with those governments' poor fiscal management and unpaid medical debts, are the fifteen-year legacy of the Compact of Free Association and the 40-year legacy of the former United Nations Trust Territory of the Pacific Islands, perhaps the federal government ought to ask itself some hard questions about the extent to which it fulfilled its duties as either U.N. Trustee or a party to the Compact.

Unquestionably, the successive periods of Spanish, German, and Japanese colonialism, followed by the period of American dominance as U.N. Trustee undermined traditional social controls and authority and ended the previous self-sufficiency of the islands. We view it as an abrogation of the United States' moral responsibility to either: (1) save money by denying medical care or educational opportunities to the people of the former Trust Territory who are allowed to come here, or (2) buy strategic access to the Western Pacific by throwing money at societies damaged by colonialism. From FY 1987 to the end of FY 2001, the United States will have given the FSM over *$1.3 billion* and the Marshall Islands over *$623 million* in economic assistance, and yet they owe our hospitals millions. We agree with the Institute of Medicine's recommendation that the federal government should reevaluate its funding mechanisms for Pacific island health care and adopt measures that require meaningful accountability.

We appreciated the June 28, 1998 Senate Appropriation Committee's report that "Hawaii has not received impact aid authorized under the compacts of free association in the past," and that "the financial costs to Hawaii associated with such migration are substantial." S. Rept. 106-99, Department of the Interior and Related Agencies Appropriations Bill, FY 2000, at 58-59. The committee also directed that "[i]f additional funds are necessary for Guam or other governments, this issue should be addressed as part of Compact renegotiation," and directed the Secretary of Interior "to ensure that representatives of the State of Hawaii are provided with an effective opportunity to participate in the upcoming compact renegotiations." The November 17, 1999 Senate and House conference report accompanying the FY 2000 Omnibus Appropriations Act

reiterated this directive: "The Secretary should ensure that representatives of Hawaii are consulted during the upcoming compact renegotiation process so the impact to Hawaii of migrating citizens from the freely associated states is appropriately considered." H. Rept. 106-479 at 470.

If it would be easier for Congress to redress Compact impact on Hawaii as part of the renegotiation process rather than the annual budget process, we have no objection to that procedure. As you know, House Joint Resolution 187, approving the Compact of Free Association, P.L. 99-188, provided funds to pay the accrued medical debts of the FSM and Marshall Islands for the use of medical facilities in the United States before September 1, 1985. 48 U.S.C. § 1905(d).

Although we realize that this year's $3 million-increase in Guam's annual Compact impact aid from $4.58 million to $7.58 million was largely a result of a personal commitment that the President made to Guam during a visit there last year, it is certainly ironic that a U.S. Territory that for several years has been getting several million dollars a year in Compact impact reimbursement has just been given another $3 million a year, while the State of Hawaii has never received *any* reimbursement. We understand Guam's need and do not doubt that the additional aid was appropriate. Nevertheless, it is time for Congress to reimburse Hawaii.

We have been pleased with the State Department Office of Compact Negotiation's response to the Committee's mandate, and we look forward to working with that office and the Congress in 2000 on our many mutual Compact concerns.

With warmest personal regards,

Aloha,

Benjamin J. Cayetano

BENJAMIN J. CAYETANO

THE QUEEN'S MEDICAL CENTER

January 10, 2000

The Honorable Benjamin J. Cayetano
Governor
State of Hawaii
Executive Chambers
State Capitol Building
Honolulu, Hawaii 96813

Dear Governor Cayetano:

The Queen's Medical Center appreciates the opportunity to provide you with the impact the Compact of Free Association has on us, the largest health care provider in the State of Hawaii. We understand you will use this as input to your annual impact report on the Compact.

Over the past 3 years, we have seen a 300% increase in the number of patients from the Pacific Basin. Not only has the number of patients increased substantially, the charge per patient has increased dramatically as well, indicating more and sicker patients are coming to Queen's from these island states.

This has had a dramatic impact on the financial status of Queen's. As you know, we are in our third year of operating losses and a large component of this is our bad debts and charity care. This component of our costs has ballooned from $7.2 million in 1995 to $16 million in 1999, an $8.8 million or 120% increase in this short 5-year period. The Pacific Basin states constitute a large part of this increase.

These states currently owe Queen's $11.4 million. They are terribly slow payors, often taking 2 to 5 years to pay their bills. They have very unrealistic budgets for care delivered "off-island," generally 10% of their actual annual obligations. Because of the above-factors, we receive on average 30 cents on the dollars in payment.

This long and low payment history does impact our ability to care for the people of Hawaii. It has contributed to our losses and decreases in cash balances; thereby, decreasing our expenditures for medical equipment and building renovations.

Exhibit A-1

1301 Punchbowl St. · Honolulu, HI 96813 · Tel: (808) 538-9011
A Queen's Health Systems Company

We understand that the Compacts are due to be renegotiated in April of this year. We would suggest that the Dept. of Interior use the negotiations as an opportunity to revise the payment flow for medical care delivered in the United States. We believe that due to the Compact states' inability to make timely payments, U.S.-based health care providers should receive payment directly from the Dept. of the Interior, having the Dept. deduct the amount from subsequent Compact payments. This will ensure the continuation of "off-island" health care for the people of these Compact states, that providers receive adequate and timely compensation for the care provided and that this will not continue to be a burden on the people of Hawaii who ultimately shoulder the responsibility and suffer the consequences.

Governor, we sincerely appreciate your interest and support in resolving this ongoing and escalating problem. Please have your staff contact me at 547-4329 if I can answer any questions or provide additional information.

Mahalo nui loa,

Rix Maurer III
Vice President - Finance

cc: Arthur A. Ushijima, President and CEO
Daniel Jessop, Executive Vice President & COO
Madeleine Austin, Deputy Attorney General, State of Hawaii

KAPI'OLANI
MEDICAL CENTER
for Women & Children

January 5, 2000

The Honorable Benjamin J. Cayetano
Governor, State of Hawaii
State Capitol
Honolulu, HI 96813

Dear Governor Cayetano:

The following summarizes our current situation with South Pacific island patients at Kapi`olani Medical Center for Women & Children (KMCWC).

As of December 31, 1999, our receivables due from South Pacific island nations total $1.3 million. Based on historical experience, we expect to collect less than 30% of this amount. In addition to the expected write off on these outstanding accounts, during the first six months of our current fiscal year to date beginning July 1, 1999, we already have written off $717,000 in bad debt related to South Pacific island patients. Our experience this year is typical of the magnitude of our annual write offs for South Pacific island patients which typically range from about $500,000 to $1,500,000 per year.

Such large write offs are experienced due to several factors, of which a few are listed below:

- Coverage is limited -- in general, most are limited to $30,000 per year and $100,000 per lifetime. The patients that are referred to KMCWC are the most critically ill pediatric cases, for example pediatric cardiac surgery, congenital anomalies, and very premature infants. These limits are not sufficient to cover the cost of care for such critically ill patients. A critically ill baby sent to our specialized Neonatal Intensive Care Unit could exhaust the limit in 8-12 days vs. their actual necessary length of stay of weeks or months. Once the coverage limit has been exhausted, the patient or family is deemed to be responsible for the remainder of the bill. Generally, the patient's family is not able to afford any additional financial burden, which then results in KMCWC absorbing the loss.

- Governmental agencies for the South Pacific islands frequently "run out" of funds or deplete the revolving funds of local third party administrators. Thus providers are made to wait months until funds are released again. It is not unusual for us to wait a year or more for payment.

Exhibit A-2

1319 Punahou Street
Honolulu, Hawaii 96826
Telephone (808) 983-8600

- Referral and preauthorization processes are cumbersome and slow. Although this is improved where local third party administrators handle the claims, it continues to be difficult. Also, patients occasionally present at our Emergency Room or arrive at the airport on their own and then require ambulance transport to our facility. Due to regulatory requirements we are unable to obtain any preauthorization for admission and then have difficulty collecting any payment at all.

- It is difficult, if not impossible, to transfer back the patient once stable enough to be cared for back in their home island. For those that become technologically dependent, it is sometimes the case that the child never returns home as their home island is unable to sustain care at "American standards of care."

Despite financial pressures due to declining reimbursements, KMCWC has not refused any patient from South Pacific island nations because of financial inability to pay or ethical concerns about ability to return home, however, it is becoming increasingly difficult to maintain such practices. Assistance or financial relief by the Governor and our Congressional delegation is greatly needed. Please feel free to call me at 535-7376 should you have any further questions or concerns about this issue.

Sincerely,

Dew-Anne M. N. Langcaon

Dew-Anne M. N. Langcaon
Vice President, Finance and Hospital Operations

Hawai'i State Primary Care Association

345 Queen St., Suite 702, Honolulu, HI 96813-4718 • Tel (808) 536-8442 • Fax (808) 524-0347

September 17, 1999

Ms. Madeleine Austin
Department of the Attorney General
Regulatory Division
465 S. King ST., Room 200
Honolulu, HI 96813-2913

VIA FACSIMILE: 587-3077

Re: Health Costs Associated with Habitual Residents

Dear Ms. Austin:

I have been informed that you are taking the lead for the state in collecting information about uncompensated costs associated with people who come here from the Federated State of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau. I would like to report to you costs associated with providing primary care services to these individuals and their children at reporting community health centers (Bay Clinic, Community Clinic of Maui, Kalihi-Pālama Health Center, Kōkua Kalihi Valley, and Queen Emma Clinics) and the family practice residency program in Wahiawa/Mililani. Their figures are annualized estimates of visits by habitual residents and their children:

O'ahu	2,968 visits	$374,035
Island of Hawai'i	215 visits	$ 21,500
Island of Maui	197 visits	$ 24,625
TOTAL	3,380 visits	$420,160

We hope that this information is useful to you and that the State succeeds in drawing federal funds to compensate for costs. In that event, we further hope that an appropriate amount of federal funds will be made available to the health centers and the residency program that are currently struggling with uncompensated costs.

Sincerely,

Beth Giesting
Executive Director

cc: D. Noelani Kalipi (Senator Daniel Akaka's office)
Jean Kajikawa, DHHS

Exhibit A-3

Primary Care Centers: Bay Clinic • Community Clinic of Maui • Hāmākua Health Center • Hāna Community Health Center • Kalihi-Pālama Health Center • Kōkua Kalihi Valley • Queen Emma Clinics • Wai'anae Coast Comprehensive Health Center • Waikīkī Health Center • Waimānalo Health Center

THE QUEEN EMMA CLINICS

1301 Punchbowl Street ▪ Honolulu, Hawaii 96813 ▪ Phone (808) 547-4618

4 January 2000

Governor Ben Cayetano
State Capitol
Honolulu HI 96813

Dear Governor Cayetano

I would like to bring your attention to the financial hardship Queen Emma Clinics (QEC) has endured over the past years and our fears that they may continue. This is in respect to untimely payments for medical services rendered to Chuuk State Government citizens at our clinic.

An outstanding bill of $9,687 for services for the period 1/1/98 through 9/22/99 was paid 11/15/99 (almost 23 months later) after extraordinary efforts were made. These efforts included phone calls, negotiations, certified letters to Chuuk's Governor Ansito Walter, Chuuk's Department of Treasury, Health Services, and our implementation of a requirement that the FSM patient pay a refundable copayment. Yes, the $9,687 bill for the 21 month period was paid eventually, but during the next 4 weeks (9/23/99-10/21/99) almost the same amount of visits and services were made as were made in the previous 21 months (90 weeks). QEC has become very popular with Chuuk citizens. Besides that, we have billed 3 times (every 4 weeks) since then and nothing has been paid yet. The current arrears are:

4 November 1999 batch of claims for $9,364
10 December 1999 batch of claims for $4,476
30 December 1999 batch of claims for $5,510
Total $19,450

QEC fears that this even larger bill will be left unpaid for a long time. Governor Cayetano, we ask if you would do all you can to influence payment of these bills. Please mention in your annual report to Congress that unpaid bills of the FSM impact the private economy here also. If the federal government has given money to FSM and Chuuk, why aren't they paying the clinics which provide medical care for their citizens? Thank you so much for your help.

Sincerely,

Susan A.M. Lee-Dickson
Manager, QEC Business Office

Exhibit A-4

A Queen's Health Systems Company

Department of Human Services
Data on Recipients from Micronesia, the Marshall Islands, and Palau
State Funding Only
FY 1999 Annual Figures
(From average monthly figures for the period July 1998 to April 1999 excluding March 1999)

1. Estimated Average Monthly Recipients

	State Aged,Blind,or Disabled Program	State TAONF Program (formerly part of AFDC)	State General Assistance Program	Medicaid-Only Program	TOTAL
Micronesia	44	511	19	182	756
Marshall Islands	17	422	4	148	591
Palau	1	10	1	1	13
TOTAL	62	943	24	331	1,360

2. Estimated Annual Money Payments (Welfare Checks)

	State Aged,Blind,or Disabled Program	State TAONF Program (formerly part of AFDC)	State General Assistance Program	TOTAL
Micronesia	$116,652	$792,504	$78,360	$987,516
Marshall Islands	$43,620	$653,748	$15,912	$713,280
Palau	$2,928	$15,672	$3,612	$22,212
TOTAL	$163,200	$1,461,924	$97,884	$1,723,008

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

	State Aged,Blind,or Disabled Program	State TAONF Program (formerly part of AFDC)	State General Assistance Program	State Funding for Medicaid-Only Program	TOTAL
Micronesia	$215,184	$460,296	$16,896	$163,704	$856,080
Marshall Islands	$80,556	$379,596	$3,396	$132,396	$595,944
Palau	$5,412	$9,096	$804	$804	$16,116
TOTAL	$301,152	$848,988	$21,096	$296,904	$1,468,140

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.

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

Estimated 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. 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 B-1

Department of Human Services
Data on Recipients from Micronesia, the Marshall Islands, and Palau
State Funding Only
Average Monthly Figures for the Period July 1998 to April 1999 excluding March 1999

1. Average Monthly Recipients

	State Aged,Blind,or Disabled Program	State TAONF Program (formerly part of AFDC)	State General Assistance Program	Medicaid-Only Program	TOTAL
Micronesia	44	511	19	182	756
Marshall Islands	17	422	4	148	591
Palau	1	10	1	1	13
TOTAL	62	943	24	331	1,360

2. Average Monthly Money Payments (Welfare Checks)

	State Aged,Blind,or Disabled Program	State TAONF Program (formerly part of AFDC)	State General Assistance Program	TOTAL
Micronesia	$9,721	$66,042	$6,530	$82,293
Marshall Islands	$3,635	$54,479	$1,326	$59,440
Palau	$244	$1,306	$301	$1,851
TOTAL	$13,600	$121,827	$8,157	$143,584

3. Average Monthly Medicaid Payments (Payments to Medical Providers)

	State Aged,Blind,or Disabled Program	State TAONF Program (formerly part of AFDC)	State General Assistance Program	State Funding for Medicaid-Only Program	TOTAL
Micronesia	$17,932	$38,358	$1,408	$13,642	$71,340
Marshall Islands	$6,713	$31,633	$283	$11,033	$49,662
Palau	$451	$758	$67	$67	$1,343
TOTAL	$25,096	$70,749	$1,758	$24,742	$122,345

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.

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

Average Monthly Money Payments were based on the average monthly money payments for recipients for the indicated period.

Average Monthly Medicaid Payments were based on the average monthly medicaid payments for recipients for the indicated period. 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 B-2

Exhibit C

Report on Impact of FSM and RMI 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	$5,170.22	$3,040,089.36	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%
		TOTAL	**$53,757,492.67**	

12/21/99

The following are GAO's comments on the letter from the government of the State of Hawaii dated August 31, 2001.

1. We recognize in our report that FAS migrant eligibility for Medicaid is an important issue for the state of Hawaii. As Hawaii noted in its letter, the Congress recently reinstated FAS citizen eligibility for federal housing programs; a similar reinstatement of eligibility for federal Medicaid benefits would require a congressional policy decision.

2. We have not undertaken an analysis to determine whether there might be sufficient potential Compact health sector funds to pay FAS debts to U.S. health care facilities or what the impact of such payments would be on the FAS health care systems.

3. We have discussed the possibility of requiring health screenings with Department of State officials. They informed us that such screenings are not feasible, as the Department does not have sufficient resources to administer such a system in FAS countries. Further, INS officials noted that requiring such screenings would be unfair treatment against FAS migrants, as nonimmigrants are not required to undergo health screenings. While we recognize that requiring health screenings would address a key concern for all three U.S. locations, we believe that the likelihood of the U.S. government implementing such a recommendation is low.

4. Financial compensation is not required under the Compact or its enabling legislation, but can be made at the discretion of the Congress.

5. While we agree that Hawaii has developed its own methodology for calculating impact, we note that Hawaii officials have told us that the state's Department of Education includes pre-1986 migrants in its Compact impact estimates.

6. On p. 1 of our report, we have better highlighted the fact that Hawaii is a state with a different status than Guam and the CNMI. We then explain in a footnote that we chose the term "U.S. island areas" to refer collectively to a U.S. state, a U.S. territory, and a U.S. commonwealth. We view this term as a neutral, concise reference to the three locations. Further, we list "Guam, Hawaii, and the CNMI" in descending order based upon the number of FAS Compact migrants each location has received.

7. We have retained the footnote as is. We do not believe that Interior's recalculation of Compact impact estimates for 1 year out of 15 merits inclusion in the body of the report. Further, we are not convinced that OIA's approach to adjusting the data was valid.

8. We have modified the text to note that Hawaii has estimated $86 million in Compact impact costs, but has received no compensation to date.

9. We agree, and have recommended in a previous report that future Compact economic assistance include specific measures (including grant requirements) that will ensure the effectiveness of, and accountability over, future spending. See *Foreign Assistance: U.S. Funds to Two Micronesian Nations Had Little Impact on Economic Development* (GAO/NSIAD-00-216, Sept. 22, 2000).

Appendix IX: Comments From the Government of the Commonwealth of the Northern Mariana Islands

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Pedro P. Tenorio
Governor

Jesus R. Sablan
Lt. Governor

Caller Box 10007
Saipan, MP 96950
Telephone: (670) 664-2200/2300
Fax: (670) 664-2211/2311

2 9 AUG 2001

Mr. Loren Yager
Director, International
Affairs and Trade
U.S. General Accounting
Office, Room 4T55a
441 G Street, NW
Washington, D.C. 20548

Dear Mr. Yager:

We received the General Accounting Office draft report entitled FOREIGN ASSISTANCE: Migration From Micronesian Nations Has Had Significant Impact on U.S. Island Areas (GAO/01-1028). Thank you for providing us with the opportunity to comment on this document.

Overall, we felt that the report provided a valuable picture of the cumulative fiscal impact felt by the Commonwealth of the Northern Mariana Islands (CNMI), Guam and Hawaii from the Compacts of Free Association. We are pleased that the General Accounting Office has done this study because we hope that it will provide additional support for the requests that have been made by the CNMI, Guam and Hawaii for many years for assistance in dealing with the fiscal consequences of the Compact Agreements.

Our comments on the report are as follows:

Now on p. 29.

- On page 27, the first paragraph states that an Office of Insular Affairs ("OIA") official reported that he had submitted guidelines to the CNMI for calculation of impacts. The report recognizes that we were not able to confirm that we had received such guidelines. We have checked further with our staff and still have no record of having received an OIA approved methodology. At the beginning of the current Commonwealth Government administration (early 1998), CNMI Department of Commerce officials had discussions with OIA requesting an approved methodology. At that time, they were told that none existed. For this reason, we began following Guam's methodology and have used it for the FY98-99, 1999 and 2000 reports we prepared. If such guidelines exist, we would like to receive a copy of them.

Now on p. 15, footnote 21.

- Page13, footnote 19 contains a statement that CNMI garment manufacturers want to hire

employees from the Freely Associated States (FAS) because they count toward the 20 percent "local workforce" immigration requirement. That FAS employees count toward the 20% local workforce requirement is a benefit to employers who hire them, but is neither the sole nor compelling reason that the garment industry values them as employees. One relevant factor is that it is far more cost effective to hire a FAS citizen given the immigration filing expenses and other costs associated with hiring a non-resident worker.

See comment 1.

- The text on page 18 and footnotes 27 and 28 give the impression that the medical issues and Medicaid changes are more compelling to Hawaii because they do not have a medicaid cap and because their impacts are felt by private hospitals rather than state-funded facilities. The CNMI only has one hospital and, while it is government funded, the impact of FAS expenses is considerable.

Now on p. 19, footnotes 29 and 30.
See comment 2.

The CNMI Department of Public Health budget for FY99 was approximately $39 million. Of this, approximately 19% was expended on FAS citizens. The 1998 Micronesian Census revealed that FAS migrants and their children living in the CNMI only represent 4.4% of the total population . This is a significant impact which inevitably affects the level of service we are able to provide to the rest of the community. The CNMI and Guam feel the financial burden of providing health care to FAS citizens as much, if not more, than Hawaii because of restricted Medicaid assistance access and because of the lack of additional facilities to absorb the costs. Currently, Guam and the CNMI are pursuing an amendment to the Medicaid caps for their jurisdictions with Congress and the Bush Administration. One way to provide assistance would be to lift or increase Guam and the CNMI's Medicaid caps and allow all three jurisdictions to submit Medicaid claims for FAS patients.

See comment 3.

- The report recognizes that most of the mitigation assistance given to the CNMI has been in the form of capital improvement grants. We have expressed concern to OIA regarding this issue in the last year. During this period of economic downturn when the CNMI is operating under strict austerity measures and each of our departments has had to function under funding constraints, the CNMI is sorely pressed to meet the extra burden of the FAS associated expenses. Although we welcome and seek any assistance, it would be far more helpful if Compact assistance were in the nature of true reimbursements rather than capitol improvement project grants. We could use them to refund accounts we had depleted to finance FAS costs. For instance, our hospital is sorely understaffed and funded. In FY99 our FAS impact in the area of public health was $7.5 million. It would have had greater benefit to our community to use the $1 million we received in compact reimbursement in October 2000 to reimburse hospital expenses rather than to create a new capitol improvement project that will cost money to maintain.

- One of the solutions offered by the report is to increase financial assistance to the FAS

nations in the areas of health and education. We agree that such action would be beneficial both to the FAS nations and the CNMI, Guam and Hawaii, but continue to be concerned that this would not create a solution to the out migration experienced by these areas due to the lack of local employment opportunities. So long as this situation persists, we will continue to experience migration by FAS citizens seeking jobs.

While the impact of an FAS citizen who migrates to the CNMI and finds employment would, in most instances, be less than that of an unemployed individual solely seeking medical or educational assistance, burdens on the hosting islands will continue because these citizens are usually not medically insured and often bring their families or extended families who require schooling and medical attention. Assistance to the FAS countries to develop their economies and to create employment should be a part of the long-term solution.

See comment 4.

- The report focuses on solutions to the current and future impact of the Compact Agreements. While we are pleased that this important issue is being considered, we hope that attention will be given to addressing the outstanding past financial impact. The report recognizes that the CNMI incurred a cumulative impact for the entire Compact period (1986-2000) of about $105 - $133 million. The CNMI has only received $3.8 million in Compact assistance to date. This leaves the CNMI having to bear $101.2-129.2 million.

- In addition, while we appreciate any attention given to seeking solutions through the renegotiation of the Compact Agreements, we are concerned about the impacts that will accumulate between now and 2003. The dividends of the proposed changes will not be realized for years to come. In the meantime, the hosting islands will continue to bear and accrue the financial burden. At the CNMI's FY2000 impact level, this could amount to approximately an additional $20 million in costs before any adjustments are made through the new agreements. This is an enormous burden for a community of our size to bear especially given that the economic forecast for the CNMI still is gloomy.

My staff has expressed that they have enjoyed working with your office on this report and we hope that these comments are helpful in clarifying some of the concerns felt by the CNMI. We thank you again for the opportunity to comment and look forward to receiving a copy of the final report when it is available for release.

Sincerely,

PEDRO P. TENORIO

The following are GAO's comments on the letter from the government of the Commonwealth of the Northern Mariana Islands dated August 29, 2001.

1. We added text in footnote 21 on p. 15, stating: "Further, CNMI government officials have reported that it is far more cost effective to hire a FAS citizen, given the immigration filing expenses and other costs associated with hiring other foreign workers."

2. The report does not suggest that FAS migrant health costs are unimportant in the CNMI. In fact, on p. 18, we noted that health costs were the greatest impact for the CNMI in 2000.

3. We added language on p. 25 of the report, noting that the CNMI government believes that restricting the use of compensation funding to capital improvement projects does not target the money where it could be best used.

4. The issues of economic development and employment opportunities in the FSM and the RMI have been addressed in a prior GAO report. In this review, we reported that the considerable funds provided to the FSM and the RMI under the Compact had resulted in little economic development. See *Foreign Assistance: U.S. Funds to Two Micronesian Nations Had Little Impact on Economic Development* (GAO/NSIAD-00-216, Sept. 22, 2000). We have not assessed the extent to which long-term stability in FAS nations can be created in the future through economic development and employment opportunities.

Appendix X: GAO Contacts and Staff Acknowledgments

GAO Contacts

Emil Friberg (202) 512-8990
Leslie Holen (415) 904-2277

Acknowledgments

In addition to those named above, Tama Weinberg, Ron Schwenn, Mary Moutsos, and Rona H. Mendelsohn made key contributions to this report.

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