

THE IMPACT OF THE COMPACTS OF FREE ASSOCIATION
ON THE UNITED STATES TERRITORIES AND COMMONWEALTHS
AND ON THE STATE OF HAWAII

Pursuant to Public Law 99-239
Section 104(e)(2)

Submitted by the Office of Insular Affairs
U.S. Department of the Interior
January 1998

EXECUTIVE SUMMARY

The Compacts of Free Association with the Federated States of Micronesia and the Republic of the Marshall Islands and with Palau have had significant impacts on the Guam, the Commonwealth of the Northern Marianas and the State of Hawaii. While this migration has undoubtedly provided benefits to the receiving areas, the immediate impact on the cost to the local governments of providing educational and social services to the migrants and their children has imposed a net burden on those governments. The most significant of these costs, not covered by Federal grants, have been in public education.

Based on data from censuses and public school systems, the annual additional cost of providing public education to Compact migrants and their children would be about \$3.5 million for the CNMI and about \$6 million for Hawaii. For Guam, a good estimate of education and other social costs is expected soon under a contract with a private firm financed through OIA technical assistance. Guam reported an expenditure of about \$9 million for education of Micronesian migrants in school year 1995-96.

Estimates of other social costs are being gathered in the CNMI, Guam and Hawaii and will be forwarded to Congress as soon as they are available during 1998.

In order to update current population data, censuses of Micronesians were performed in Hawaii, Guam and the CNMI during 1997, with assistance from the Bureau of the Census and funding from OIA. The Hawaii and Guam censuses are complete, although there may be revisions in the Guam data. The most recent figures for migrants who have arrived since implementation of the Compacts for their areas are as follows:

Hawaii (1997 Micronesian census):	4,815
Guam (1997 Micronesian census, preliminary):	4,568
CNMI (1995 CNMI census):	1,803

In order to continue to respond to the needs of these three areas, we are recommending: 1) continued direct impact funding for Guam as provided by Congress and consideration of extension of funding in the future, 2) implementation of limits on habitual residence of migrants in Guam and the CNMI, and 3) continued cooperation between OIA and the governments of Guam, CNMI and Hawaii to better document Compact impact.

TABLE OF CONTENTS

<u>1.</u>	<u>Background</u>	1
	a) The Statute	1
	b) Federal Government Actions regarding Impact	2
	c) Actions of other Federal Agencies	3
<u>2.</u>	<u>The Impact</u>	4
	a) Trade	4
	b) Taxation	4
	c) Immigration	5
	d) Labor Laws and Minimum Wages	5
	e) Social Systems and Infrastructure	9
	f) Environmental Regulation	9
	g) The Number of Compact Migrants	10
<u>3.</u>	<u>Fiscal Effects</u>	13
	a) Fiscal Effects, Guam	14
	b) Fiscal Effects, CNMI	16
	c) Fiscal Effects, Hawaii	17
<u>4.</u>	<u>Recommendations</u>	18
<u>5.</u>	<u>Methodology and Sources</u>	19

Appendix A: Micronesians Migrants to Guam, the Commonwealth of the Northern Mariana Islands, and Hawaii.

Appendix B: Letters with the Views of the Governments of Affected Areas