

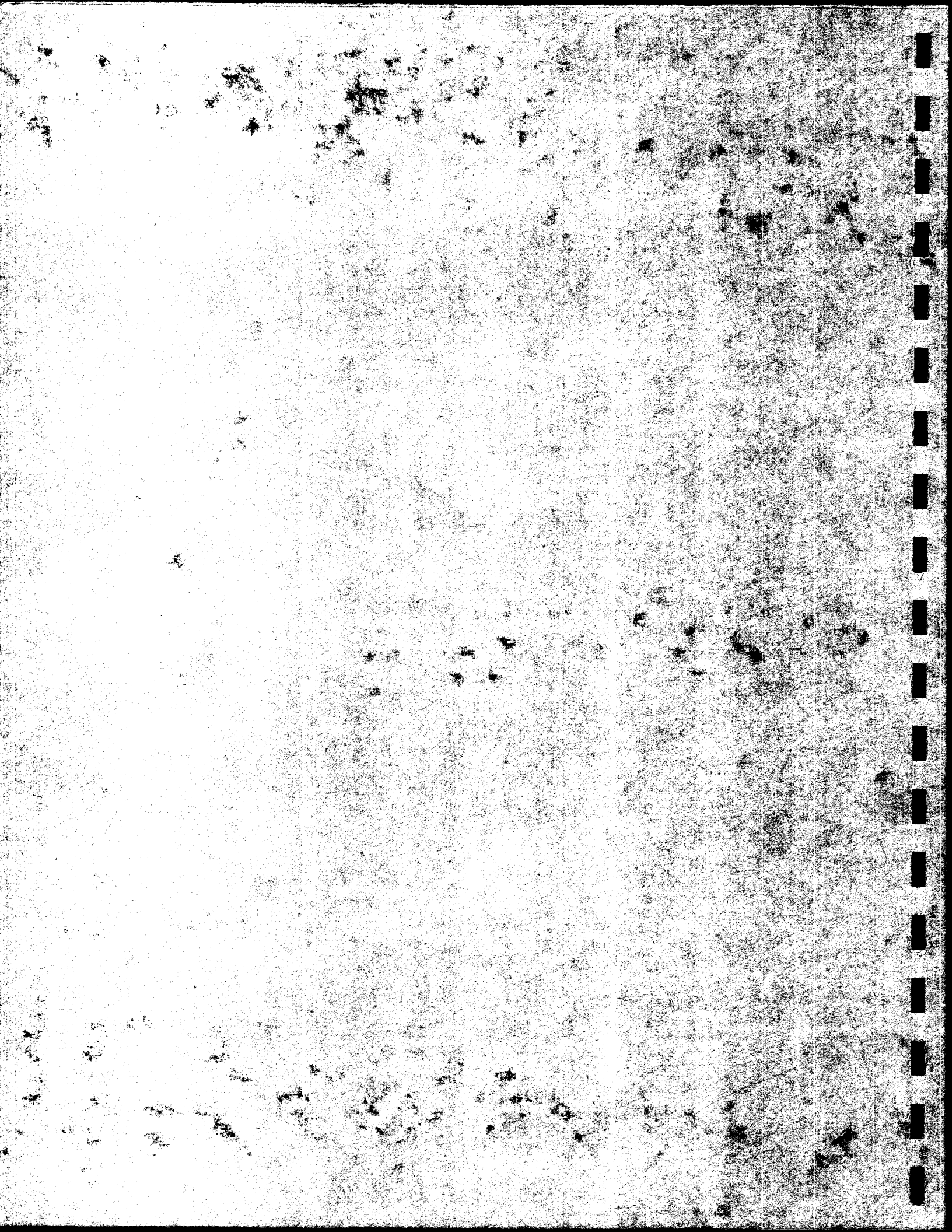
**Report of the Impact of the Compact of Free Association
Associated States on the Commonwealth of the
Northern Mariana Islands**

**Final Report
2001 and 2002**

July 2003

**The Chief Executive
Juan N. Babelo, Governor**

**The Department of Government
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**Report of the Impact of the Compact of the Freely
Associated States on the Commonwealth of the
Northern Mariana Islands**

**Fiscal Years
2001 and 2002**

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Contents

EXECUTIVE SUMMARY	1
INTRODUCTION	4
Background	4
Compacts of Free Association	5
METHODOLOGY ON COST ESTIMATES	6
Methodological Constraints	7
Agency Data Collection Procedures	8
PROFILE OF FAS POPLATION IN THE CNMI.....	9
Pre-and Post-Compact FAS Migrants.....	9
Selected FAS Population Demographic Characteristics.....	10
Labor Force Participation of Post-Compact FAS Persons.....	12
Student Population of Post-Compact FAS Persons	12
SELECTED GOVERNMENT AGENCIES	15
Department of Community and Cultural Affairs, Division of Youth Services	15
Department of Public Health	18
Department of Public Safety.....	23
Office of the Public Defender	27
Public School System	30
CONCLUSION.....	33
REFERENCES	36

List of Tables

Table E1.	Overall Cost of Service Delivery to FAS Individuals Residing in the CNMI by Agency: 1998 to 2002	2
Table 1.	Cost Allocation Methodology	7
Table 2.	FAS Migrants and Dependants in the CNMI: 1980 to 2003	9
Table 3.	Post-Compact FAS Individuals in the CNMI: 2003	10
Table 4.	Selected Demographic Characteristics of FAS Post-Compact Persons in the CNMI 2003	11
Table 5.	Labor Force Participation of Post-Compact FAS Population in the CNMI: 2003	12
Table 6.	FAS Post-Compact Student Population in the CNMI: 2003	13
Table 7.	Division of Youth Services, Department of Community & Cultural Affairs	17
Table 8.	The Department of Public Health: Fiscal Year 2002 Expenditure	21
Table 9.	The Department of Public Health: Fiscal Year 2001 Expenditure	22
Table 10.	Basis of DPS Cost Allocation to FAS Individuals	24
Table 11.	DPS Fiscal Year 2001 Local Expenditures	25
Table 12.	Descriptive Statistics on CNMI's Arrested Population, Fiscal Year 2001 and Fiscal Year 2002	26
Table 13.	Office of the Public Defender FY 2000 to FY 2002 Expenditures	29
Table 14.	Number of FAS Students in the CNMI Public School System	31
Table 15.	CNMI Public School System Enrollment by Student Ethnicity	31
Table 16.	CNMI Public School System	32
Table 17.	Overall Cost of Service Delivery to FAS Individuals Residing in the CNMI by Agency, FY 2002	34
Table 18.	Table Historical Costs of Providing Services to FAS residents of the CNMI: FY 2001 and FY 2000	35

EXECUTIVE SUMMARY

This report, like the ones prior, profiles the immigrants originally from the Federated States of Micronesia (FSM), the Republic of Palau (ROP), and the Republic of the Marshall Islands (RMI), collectively referred to as Freely Associated States (or FAS) and estimates the cost of providing medical and social services to FAS population in the CNMI. This report shows estimated costs for FY 2001 and FY 2002.

Based on the most recent census of Micronesians in the CNMI, conducted in the summer of 2003,

- There were 4,244 FAS immigrants in the CNMI;
- Of these, 3,570 (or 84%) were post-Compact while 674 (16%) were pre-Compact migrants;
- About 65% (or 2,312 persons) of post-Compact migrants were from FSM, 33% (1,163) were from Palau, and less than 3% (or 95) were from RMI.
- Almost half (about 48%) of post-Compact migrants were below age 15; the median age was 16.1 years old;
- Close to half, about 43% (1,525 persons) of post-Compact migrants were US citizens;
- 1,096 or 62.2% of all 16 years and older were in the labor force: 900 were employed and about 200 (or 18.2%) were unemployed;
- 1,242 of post-Compact migrants were enrolled in public schools.

To estimate the costs of delivering social and medical services to FAS immigrants in the CNMI, researchers obtained service utilization data from five CNMI government agencies and derived estimated service provision costs incurred by the CNMI government for fiscal years 2001 and 2002. The methodology used in the cost estimates is similar to the one used in the 2000 report and is described in detail in the Methodology section.

As in previous years, data were gathered from the following agencies: Division of Youth Services, Office of the Public Defender, the Public School System and the Departments of Public Health and Public Safety, respectively. Agency staff submitted documentation on the total caseload and estimated number of FAS recipients and the estimated cost of providing services to FAS persons.

Base on the reviews, it is estimated that in Fiscal Year 2002 the CNMI Government spent \$9,262,775 to deliver medical and social services to FAS individuals, see table 1 below. This total amount was lower than the estimated cost of delivering the similar types of services in FY 2001 (\$11,352,547). As shown Table 1. FY 2001 total cost was higher than the \$9,237,547 estimated

cost in FY 2000, which was the last time annual cost estimates were prepared. As a proportion of the total local annual expenditures on FAS, the 2002 is the lowest it has ever been at 10.78%.

Based on past estimates, it appears that, in general, the cost of providing services to FAS persons has consistently increased for DYS; for DPH, it declined from 1998 to 2001 but increased again in 2002; for DPS and OPD the costs declined from 1998 to 1999, increased in 2000 and 2001, but declined in 2002; and for PSS, the cost has fluctuated from year to year, but lowest in 2002.

Table 1. Overall Cost of Service Delivery to FAS Individuals Residing in the CNMI by Agency: 1998 to 2002

Agency	Total Local Expenditures				
	2002	2001	2000	1999	1998
Division Of Youth Services	\$ 854,481	\$ 849,237	\$ 753,040	\$ 761,515	\$ 893,076
Department of Public Health	35,263,709	\$ 34,621,942	33,073,380	39,777,489	39,688,386
Department of Public Safety	14,836,287	\$ 15,278,284	13,667,181	14,610,500	17,600,000
Office of Public Defender	592,449	\$ 664,076	664,076	644,076	600,756
Public School System	37,230,542	37,230,198	36,244,398	41,016,168	41,016,168
Total	88,777,468	88,643,737	84,402,075	96,809,748	99,798,386
Local Expenditures Allocated to FAS Persons					
Division Of Youth Services	\$ 314,873	\$ 310,172	\$ 235,933	\$ 195,941	\$ 160,907
Department of Public Health	4,221,504	\$ 3,807,970	4,004,932	7,580,809	7,468,402
Department of Public Safety	2,872,485	\$ 3,068,487	2,011,666	1,522,073	4,155,969
Office of Public Defender	129,055	\$ 163,259	156,630	153,919	130,599
Public School System	2,034,107	4,002,676	2,828,386	3,177,244	3,121,928
Total	9,572,024	11,352,564	9,237,547	12,629,986	15,037,805
Local Expenses on FAS Persons as a % of Total Local Expenses					
Division Of Youth Services	36.85	36.52	31.33	25.73	18.02
Department of Public Health	11.97	11.00	12.11	19.06	18.82
Department of Public Safety	19.36	20.08	14.72	10.42	23.61
Office of Public Defender	21.78	24.58	23.59	23.90	21.74
Public School System	5.46	10.75	7.80	7.75	7.61
Total	10.78	12.81	10.94	13.05	15.07

The results are still largely illustrative, as no agency presently has the capacity to measure service use by a participant's date of CNMI immigration. In the absence of such data, estimates produced on service utilization are based on participants' ethnicity, which may not accurately reflect the actual post-Compact figures. But it is important to note that the cost estimates for 2002 are probably more reliable than in the previous years estimates, as the methodology and the knowledge of

persons involved in the estimates have improved. Also, the number of FAS recipients of services is more inline with the most recent reliable census data on the number of FAS population in the CNMI, as discussed in detail in the body of the report.

The cost estimates must be used with caution. In order to conduct a more accurate cost analysis, agencies involved in the provision of services must continue to improve data collections procedures and improve the methods used in cost allocation to FAS individuals. In particular, agencies need to continue efforts to collect information on participants' citizenship status and migration date. This is a somewhat laborious process that competes with the time demands of service delivery, but it is vital in being able to appropriately and accurately assign cost to post-Compact FAS individuals.

INTRODUCTION

Annual assessments, dating back to Fiscal Year 1997, have been conducted by the Commonwealth of the Northern Mariana Islands (CNMI) Department of Commerce, on the estimated costs of providing medical and social services to individuals from the Federated States of Micronesia (FSM), the Republic of the Marshall Islands (RMI), and the Republic of Palau (ROP). Individuals from these sovereign island nations (collectively referred to as Freely Associated States, or FAS) obtained unrestricted access to the CNMI under contractual agreements with the United States in what are known as the Compacts of Free Association.

Like those before this, the primary objective of this report is to document and describe the costs, incurred by the CNMI government, associated with administering services to the FAS population. The research team has performed this evaluation to supply policy makers with data necessary to make informed decisions regarding FAS population in the CNMI.

As in the past reports, in cooperation with the following CNMI government agencies: The Division of Youth Services (DYS) within the Department of Community and Cultural Affairs, the Department of Public Health (DPH), the Department of Public Safety (DPS), the Office of the Public Defender (OPD), and the Public School System (PSS), the Department of Commerce was able to obtain annual information to evaluate the fiscal impact of providing services to FAS population. Service utilization information provided by these agencies, which provide an extensive array of critical social and medical services, illustrates the effects FAS migration has had on the CNMI government. The specifics on the data collection procedures and cost estimates are discussed below under the section "Methodology on Cost Estimates". In light of better, reliable data on FAS migrants in the CNMI that have become available since the last report, an updated profile of FAS migrants is presented under the section "Profile of FAS Population in the CNMI". This section present historical data on and gives the most current profile of FAS migrants in the Commonwealth. The report ends with a Conclusion. The rest of this introduction gives brief background information about the CNMI and the Compact of Free Association.

Background

The northernmost group in a region of the Pacific, commonly referred to as Micronesia, the Commonwealth of the Northern Mariana Islands comprises fourteen small islands arranged in two gently curving arcs between 13 and 21 degrees north latitude and approximately 145 degrees east longitude. The islands, just north of Guam, lay roughly 3,200 nautical miles west of Honolulu, 5,500 miles west of Los Angeles, and 2,500 kilometers southeast of Japan.

Following World War II, the United States Government served as Trust Territory administrator of the Northern Mariana Islands in exchange for military use of the land. Desiring close political association with the United States, negotiations were

undertaken to separate the Northern Marianas from the Trust Territory government and to establish a permanent political union with the United States. Signed into law on March 24, 1976 by President Gerald Ford, and later implemented in 1978, the "Covenant to Establish a Commonwealth in Political Union with the United States of America," created the Commonwealth of the Northern Mariana Islands as a self-governing political entity with special ties to the United States.

Currently, it is fair to characterize the CNMI as a newly developed Pacific Islands region. The transformation from a small island economy to a participant in the world system accelerated CNMI immigration flows in the late 1980s to the present. Although the majority of individuals migrated from Asia as temporary CNMI workers, the total number of migrants from FAS also increased over this period as well. This study examines various socio-demographic and economic characteristics of persons from FAS ethnic groups to help sharpen our understanding of this population and to draw inferences about the fiscal impact of increased service use by this group.

Compacts of Free Association

In 1986, the Federated States of Micronesia (FSM) and the Republic of the Marshall Islands (RMI) implemented joint congressional-executive agreements with the United States known as the "Compacts of Free Association." Eight years later, in October 1994, the Republic of Palau (ROP) implemented its own Compact of Free Association with the United States. These agreements articulated future partnerships between the United States and the three island nations, or "Freely Associated States" (FAS). Under the Compacts, the U.S. provides for resources to FAS for a range of development programs, use of U.S. currency, immigration privileges, federal processing of applications for air services, U.S. transportation of mail, and other benefits, in exchange for military use of land.

This evaluation was designed to address several key provisions of the Compacts between the FSM, the RMI, and the United States as discussed in Section 104(e) of P.L. 99-239 and with Section 102(a) of P.L. 99-658, Compact of Free Association with the Government of Palau. Section 104(e)(1) of P.L. 99-239 established congressional intent to avoid causing adverse consequences for the U.S. territories, Commonwealths, or the State of Hawaii. The U.S. Congress vowed to ameliorate any deleterious consequences that might result from the implementation of the Compacts.

The concerns among CNMI legislators and service providers pertain to Compact section 104(e)(6), which authorizes the U.S. Congress to appropriate sums as were necessary to "cover the costs...resulting from increased demands placed on educational and social services by immigrants from the Marshall Islands and the Federated States of Micronesia." Section 102(a) of P.L. 99-658 applied all of section 104 of P.L. 99-239 to the Compact of Free Association with the Government of Palau.

METHODOLOGY ON COST ESTIMATES

The same data collection procedure used in the prior report was followed in this report. Staff from the Department of Commerce met and coordinated data flows from the appropriate agencies, namely, the Division of Youth Services within the Department of Community and Cultural Affairs, the Department of Public Health, the Department of Public Safety, the Office of the Public Defender, and the Public School System. Similar table format used in the prior report were used to arrive at estimated figures for 2001 and 2002.

Assessing service utilization requires the compilation of specific information from agencies, depending on the nature of services administered. Agencies were asked to participate in this study because of their far-reaching consumer base and wide range of services. The research team initially sent data sheets to all participating agencies, requesting information on the characteristics of clients and their use of services.

Specifically, study results are based on a review of the following information sources:

- Agencies' cost calculation and service utilization data sheets;
- Frequency distributions of CNMI's inmate population as provided by the DPS Division of Correction;
- Spreadsheet cross-tabulations on CNMI's arrested population provided by the DPS Criminal Justice Information Systems (CJIS);
- Government personnel figures, as obtained from the Office of Personnel Management;
- Prior studies on the Impact of the Compact of Free Association conducted annually by the CNMI Department of Commerce (FY 1997, 1998, 1999 and 2000) used for comparative purposes;
- The 1998 Northern Mariana Islands Commonwealth Code;
- Enrollment levels for public education obtained from PSS representatives;
- Historical costs of DC&CA, DPH, DPS, OPD, and PSS, as provided by representatives of those agencies;
- Historical demographic data captured in censuses; and
- Newspaper reports.

The analytical approach agencies used for this evaluation depended on the type of services administered. In some cases, agencies reported figures on the total number of "participants" during each fiscal year, as well as the number of participants from FAS ethnic groups. Additionally, agencies reported local and federal financial information to measure the costs associated with delivering services to the total CNMI and FAS population.