GRASSROOT
INSTITUTE OF HAWAII

POLICY BRIEF

Returning Power to Micronesians in Hawaii

The Problems with Political Intervention in the Pacific

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EXECUTIVE SUMMARY

Federal treaties let Micronesians live in the US, often at great costs to state taxpayers. High rates of Micronesian homelessness are a tragic example. Until US aid programs are revamped to grow the Micronesian economies, the situation will worsen. Rigid labor, housing and tax policies are removable barriers to migrants' advancement in the US. States can also look to options under federal law to recoup costs or lessen the fiscal impact.

TREATIES ALLOW FOR EASY MIGRATION

Independent nations, the Republic of Palau, Federated States of Micronesia, and Republic of the Marshall Islands are comprised of many small islands in the Western Pacific Ocean. Each is signatory to a Compact of Free Association (COFA), providing the US with military access for aid payments. Over $230 million in foreign aid is provided annually by the US for 200,000 native Micronesians.

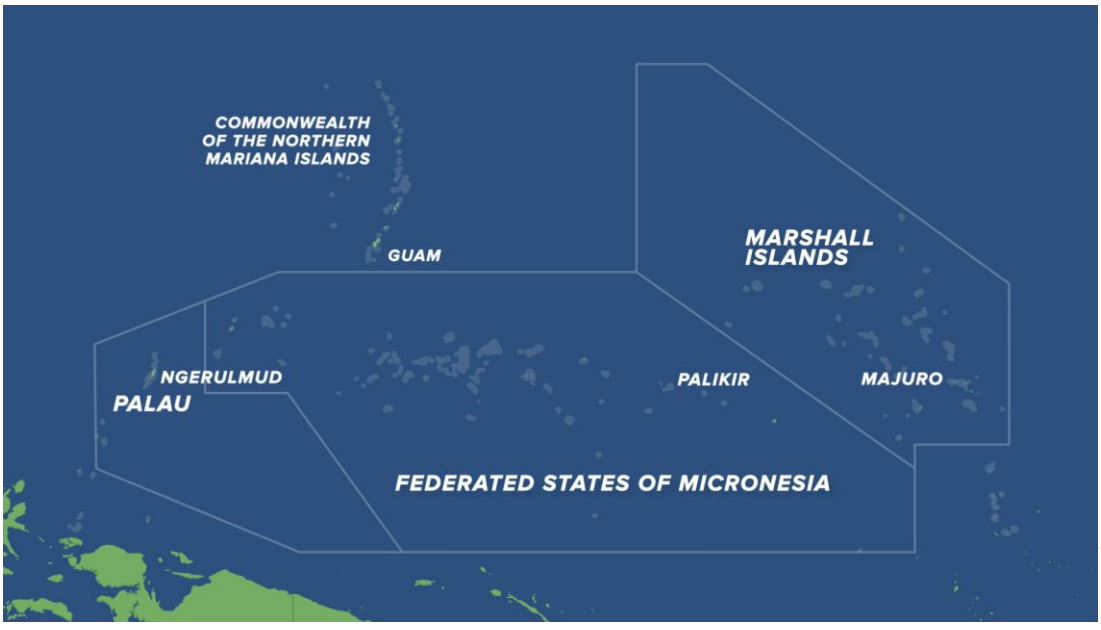

Figure 1: Map of the signatories to the Compact of Free Association

Citizens of these Freely Associated States (FAS) may also "be admitted to, lawfully engage in occupations, and establish residence as a nonimmigrant in the United States."[i] The FAS migrants' "nonimmigrant" status affords them access to some services normally reserved for American citizens. While financial provisions of the Compact and related treaties are scheduled to end in 2023 for the Federated States (FSM) and the Marshalls (RMI), mutual defense arrangements, entrance provisions, and nonimmigrant are open ended.

More than 14,700 Micronesian migrants now live on Hawaii.[ii] State and local governments in Hawaii estimate the costs of services for FAS migrants exceed $100 million per year.[iii] The federal government terms this "Compact Impact," providing reimbursements to be shared by American Samoa, the Commonwealth of the Northern Marianas (CNMI), Guam, and Hawaii. In practice, affected jurisdictions receive sixteen cents of payments per dollar in claimed costs.

WHY MICRONESIANS MIGRATE

Why do so many Micronesians leave their home islands? Micronesian migrants cite access to healthcare, employment and education as the primary reasons they leave their home islands for the United States.[iv] [v]

➢ HEALTHCARE

Healthcare across Micronesia is limited. State capitols are home to simple hospitals focused on primary care. Micronesians on the remote outer islands are served by poor-supplied dispensaries, if at all.[vi] While the Compacts allow for off-island medical referrals, the majority of FAS migrants in Hawaii and Guam receiving care traveled and sought services on their own.

In the US, COFA citizens are ineligible for federally funded Medicaid services for five years after their arrival. State laws, on the other hand, often allow for migrants' participation, making recent Micronesian arrivals a unique class of entirely state-funded Medicaid clients.[vii] In Hawaii, a separate mechanism, "Basic Health Hawaii" was created to serve them. Children born in the US to migrants are eligible for Medicaid.

- **EDUCATION**

Reliable data on schooling within Micronesia is virtually nonexistent.[viii] The absence itself reflecting an inability to "set priorities and allocate resources to improve performance." More than 90 percent of funding for public education in the FSM comes from the US.[ix] The FSM reports that only fifty percent of adults finished high school.[x] Once in the US, migrants can send their children to local public schools, where the students are eligible for all services. Post secondary tuition is also subsidized.

- **EMPLOYMENT**

Economically, the Marshalls, Federated States and Palau are deeply reliant on foreign grants. Performance of their "small and stagnant" private sector is "lackluster."[xi] American aid comprises forty percent of GDP within the FAS and half the Islands' federal and state government revenues.[xii] A third of all jobs across the three counties stem directly from grants issued through the US Department of Interior, set to expire in 2023. Once in the US, migrants are eligible for a Social Security Card and may use their Micronesian passport and entry documents to complete an I-9 employment eligibility verification.[xiii]

"A pointless landscape of change without progress" described conditions across Micronesia in the 1970s, thirty years into rule by the "undistinguished colonial administrators" of America's Department of the Interior.[xiv] Since World War Two, district capitals had become "over-crowded, semi-modern slums" while American education and popular culture had only modestly changed the traditional lifestyle in scattered rural villages and far-flung outer islands. Transition from direct US rule under the Trust Territory of the Pacific Islands (1947-1983) to native rule in Free Association with the US (1983-) has seen little change in conditions for most Micronesians.

GROWING POPULATION OF MICRONESIANS IN HAWAII

A 2013 Census Survey reported 14,700 COFA Migrants living in Hawaii. Federal law requires counts of these "qualified nonimmigrant" no less than every five years.[xv] In 2008, the count was 12,215, indicating a five-year growth rate of twenty percent.

MICRONESIAN MIGRANTS TO HI

Research by the Federated States of Micronesia confirms FAS citizens move to Guam, Hawaii, and the US mainland in search of economic opportunity, education, and healthcare.

Those migrants who make it stateside are younger, with higher levels of educational attainment.[xvi]

Among Micronesians in surveyed in Hawaii, roughly a quarter cited employment, another quarter claimed they wanted improved educational opportunities (presumably for their children), and eleven percent said that they moved to Hawaii principally for medical reasons. Interviews suggest that migrants understand there are disadvantages to residence in Hawaii, when contrasted to the US mainland, but these are outweighed by non-economic factors:

> *"At a focus group meeting in the course of the survey, one of the authors expressed surprise that so many people seemed to choose Hawaii over the mainland US despite the high cost of living in the former. The participants appeared baffled at our unawareness of what for them was obvious: the attractiveness of Hawaii–the food, the weather, the feel of the place, the culture, and the closeness to home. They were telling us, in short, that Hawaii is an "island" with all that this means. In their view, the comfort they felt in Hawaii offset the disadvantages of high rents and unaffordable housing. The conclusion that may be drawn from their remarks is that there is and always will be a sizable group of migrants that do not want to go any further than Hawaii."*

Surveys of the FSM migrant community, which include children born in the US, indicate more than a third aged 15 or over have part or full time employment. Another third currently attend school. The jobs are typical entry-level positions, with median salary of $9 per hour, though higher paid employment is not uncommon. Observing the availability of work, one migrant explained unemployment is not a major problem for Micronesians "because most of the jobs that we are employed in are avoided by others."

Average household income was $42,158 in 2012 for Micronesians from the FSM living on Hawaii. A typical FSM household had only four members –lower than rates in other US destinations–, but two of these four were earning an income. Only one percent of Micronesian households on Hawaii reported no cash income. Median rent for migrant housing in Hawaii was $951 per month. Nearly three-fourths of the community living in apartments.

LARGE SHARE OF MICRONESIANS ON HAWAII ARE WITHOUT HOMES

Data on the number, or incidence, of homeless Micronesians in Hawaii is limited. "Micronesian" is a racial identification option in surveys conducted through the State's annual

Homeless Point-In-Time Count, though this affiliation is aggregated into "Native Hawaiian or Other Pacific Islander" in published data tables.[xvii]

Prevalence of Micronesians among the population seeking assistance is one indicator. Fifteen percent of the individuals receiving re-housing, shelter and, or, outreach services in Hawaii in 2015 were either “Micronesian” or “Marshallese,” according to the University of Hawaii’s Center on the Family.[xviii] Statewide, a total population of 14,700 Micronesians would account for just one percent of all Hawaii residents.

Analysis of housing identification within the Micronesian community on Hawaii is another measure. Surveys and sampling by Hawaii’s Department of Health indicate that sixteen percent of all Micronesian households are “either homeless or living in a homeless shelter.”[xix]

In other words, of those in Hawaii who receive services intended for the homeless, Micronesians are a small share of the total (15%) but a disproportionally high share relative to their tiny presence in the statewide population (1%). Similarly, among all Micronesians on Hawaii, the rate of homelessness (16%) is many times higher than the average among the total statewide population (0.5%).[xx]

SOLUTIONS: FOSTERING GROWTH WITHIN MICRONESIA

Precious few avenues of advancement exist for Micronesians who remain in their home islands. While scale, isolation and lack of natural resources help define the problem, failure of US policies toward Micronesia since 1947 are primarily to blame.

Despite US aid, “during the first Compact period [1983-2003], the FSM and the RMI did not make significant progress toward achieving the long-term Compact goals of self-sufficiency” and growth. [xxi] US officials blamed “the design of the first Compact itself. The lack of performance standards, measures and monitoring systems allowed poor practices to take root in local government administration.”

Little has changed. Today, there remains "limited prospects for achieving economic growth" in Micronesia[xxii]. For decades, frustrated observers have called for not for more money, but “better government, stronger leadership, and an influx of American capital” to ensure both long term US military interests as well as the development of local market economies.[xxiii]

America needs to clearly articulate its long-term and commitment to, the Freely Associated States. If the US strategic interest in these "crossroads of the Pacific" is determined to be on-going, then Washington ought to design and justify policies to serve that reality. The veneer of sun setting, one-time, transitional aid packages -which unsustainably fund annualized operations of Micronesia's stiflingly large public sector- are neither realistic nor constructive. US interests in Micronesia and its policies toward Micronesia need to be coherent, responsive, and provide predictability.

Management and coordination of US programs need to be taken away from the Department of the Interior and its Office of Insular Affairs entirely. American relations with all other sovereign nations are mediated by the US Department of State; the Micronesian countries deserve that level of respect and will benefit from the experience and capacity of the State Department. Micronesian frustration with the personnel, process, and history of Interior is an unnecessary distraction.

Policies that encourage wholesome mirroring of US domestic institutions need to be scrapped, or carefully tailored to the cultural and economic realities of the Islands. Whether by intentional design, or as the result of indicator-tuning to meet eligibility for aid from US executive agencies, the size, scope and outward character of most Micronesian public institutions are oriented toward serving large first world western populations, rather than small, scattered developing ones. Complex regulation, implemented inconsistently is a crippling impediment to opening a business [xxiv]

While private property, governed by the rule of law, is foundational to a market economy, US policies have enabled the unwillingness of Micronesian governments to recognize and enforce property rights. The US Congress has endorsed and encouraged maintenance of Micronesian policies, originally of US design, restricting acquisition of permanent interest in real property to native citizens.[xxv] Inability to sell property to non-residents, combined with the failure to properly record and systematize land claims during the TTPI period, make disputes over land nearly impossible to adjudicate. While property law is the rightful domain of Micronesian governments, US policies need not worsen the situation. Portions of aid can be conditioned on realization of reforms and on-demand expertise provided to realize it.

Finally, the peculiar characteristics of the Micronesian countries as Freely Associated States themselves should be considered. If the FSM-based Bank of Micronesia is to be treated by

US regulators as a FDIC- institution with a domestic routing number, then US and Micronesian officials ought to consider how that could afford Islanders revenue by developing niche financial services. Similarly, Micronesia's status as an independent country with defacto US domestic status for mail, airspace, most telecommunications, and access to federal development assistance for businesses, should be to be considered, refined and utilized for economic development if such statuses are sustained.

These and other reforms ought to be intelligibly woven around a common thread: practical ongoing efforts to promote responsible, sustainable, foreign direct investment that improves the life prospects of Micronesians in their home islands. Civil society, as well, deserves farsighted investment and support from US experts with successful experience in other developing nations. Decades long singular focus on development in the public sector must end.

SOLUTIONS: SMARTER HAWAII PUBLIC POLICIES

Reducing migrant homelessness requires solutions to foundational economic problems sending Micronesians to the US in search of a better life. Still the State of Hawaii can pursue policies that will improve the chances migrants can obtain and maintain employment, retain a larger share of their earnings, afford housing, and advance themselves educationally.

Lowering the minimum wage, lessening rent controls, reducing payroll taxes and eliminating barriers to new hiring by small businesses would afford all on Hawaii greater economic mobility, and would have the greatest positive impact on communities with the lowest levels of wealth and educational attainment. A tax credit funded scholarship, education savings account, or voucher program would also serve all low-income students by opening up access to educational options, with the small classroom sizes and co-curriculum of parochial schools being of particular benefit to FAS migrants.

SOLUTIONS: POSSIBLE OPTIONS WITHIN THE COFA

In addition to statewide policies that will benefit all living in Hawaii, but particularly low-income COFA migrants at-risk of homelessness, there may be narrower alternatives within the Compact of Free Association and its related treaties.

Destitute FAS Migrants should be provided the means to voluntarily return to their home islands, with the US Federal Government covering the costs. Failure to demonstrate "sufficient means of support" is grounds for inadmissibility and deportation under the Compact.

While there is no evidence that Immigration and Customs officials have denied entry or deported any FAS citizens on this basis to date, the support test could be used on a voluntary basis. Hawaii should also press the Federal Government to clarify the meaning of "establish residence" in the text of the Compact.

Technical Assistance Program (TAP) grants are authorized by the Compact and awarded annually by the Department of the Interior. While the monies are intended for work within the FAS, some have been provided to nonprofits serving FAS migrants in the US.[xxvi] Innovative use of TAP grants inside Micronesia to educate would-be migrants could be more economically effective and consistent with the law. A comprehensive, culturally sensitive program of education and outreach to FAS citizens considering migration would help ensure those ultimately relocating to American soil make an informed, deliberate decision, and arrive with a realistic sense of their rights and responsibilities

Hawaii state officials may also have legal avenues to pursue additional compensation for the cost of FAS migration while spurring needed improvements within Micronesia. A major factor in the FAS' economic stagnation is lack of basic infrastructure. The Compact, as well as the US Congress, have called upon the Office of Insular Affairs at the Department of the Interior to prioritize aid for building projects above all other activity. Still, from 2003 through 2015, over $125 million in this treaty guaranteed funding had been appropriated, but not obligated for projects.[xxvii] If a connection can be shown between the withholding of promised funds for infrastructure –particularly in the wake of typhoons, displacing residents- and the costs of services to new FAS migrants, the State Hawaii might initiate legal action against Interior.

SOLUTIONS: COHESION AMONG COMPACT AFFECTED JURISDICTIONS

Finally, it is essential that US state and local jurisdictions affected by the Compact are provided a seat at the table when American federal policies toward the FAS are revised and renewed.

Half of Micronesian migrants make their home in the Northern Marianas, Guam, and Hawaii. Policymakers need to present an aggressive unified front in their work to realize smarter aid toward the FAS and, secondarily, a more realistic scheme of reimbursements for the cost borne by taxpayers when migrants do exercise their rights to relocate. If the core of

the Amended Compact remains after 2024, this could take the form of accurate Compact Impact payments or adjustments to existing prohibitions against income-based federal entitlements for qualified nonimmigrants. Communication and coordination will also allow for the sharing of best practices well ahead of the 2023 Compact Two end date.

SUMMARY & CONCLUSION

Micronesian migrants are afforded easy entry into the United States through COFA. This can be a serious financial challenge for the local and state governments where they reside. Growing numbers of Micronesian homeless in Hawaii are one unfortunate instance. The problem can only be solved through US led economic growth in Micronesia, but officials in Hawaii and other affected jurisdiction do have options. Sound market-friendly policies serve all low-income individuals, particularly migrants with low levels of education attainment. State policy leaders may also find limited remedies and solutions within COFA.

ABOUT THE AUTHOR

Neil Mellen is a Grassroot Institute Scholar, and was a Peace Corps volunteer in Micronesia (Yap, 2002-05). He leads Habele, an all-volunteer nonprofit based in Columbia, S.C., serving low-income and rural K-12 students within Micronesia.

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