

To: Accountability in Higher Education and Access through Demand-driven Workforce Pell (AHEAD) Committee
From: Randy Stamper and Heather DeLange, representing State higher education executive officers, State authorizing agencies, and other State regulators
Re: Freely Associated States
Date: January 7, 2026

Using the 5-year ACS earnings data for Puerto Rico and data from the Census' Decennial Island Area Surveys, which seems to be the only place to get similar data for the Pacific territories. Guam is in great shape with an easier benchmark. American Samoa, is in bad shape, with a much harder benchmark. Going back to the 2010 Island surveys, the CNMI was in much worse shape with a substantially harder benchmark. Comparable data is not available because these are small independent countries. Additionally, because of the size of these countries, volatility is high.

Rationale

Earnings Threshold for Territories and Freely Associated States

The Department of Education states that a proposed earnings threshold for institutions located in U.S. territories and freely associated states relying on earning levels in Puerto Rico is appropriate. Based on the brief discussion it appears that the department has compared earnings across the U.S. territories at one point in time to determine this is appropriate. Additionally, it does not appear from that discussion that the Department differentiated the freely associated states from territories, which is also important and is discussed in greater detail below. This document provides additional data and potential alternative regulatory approaches.

Earnings Threshold – Territories:

Recognizing the Department's imperative to try to develop a usable earnings threshold metric, but there are significant concerns about relying on a measure at one moment in time to lock in a regulatory approach that will be applied in perpetuity. Without seeing the information used by the Department, we have tried to recreate the analysis, focusing on the Pacific territories.¹

Using 2019 ACS five-year estimates for comparability with the 2019 Decennial Survey of Island Areas, we calculate that earnings for those with a high school diploma in Guam are substantially higher than those in Puerto Rico; those for CNMI are slightly higher, and those for American Samoa are substantially lower (see table below).

¹ It appears that the U.S. Virgin Islands has substantially higher income levels and is unlikely to be unfairly impacted by this regulation.

What causes concern is that repeating the analysis and the next available data point shows substantially different results. While Guam still reports higher earnings, the 2010 Decennial Survey of Island Areas shows both the CNMI and American Samoa with earnings levels substantially below Puerto Rico's results.

The table below compares earnings by high school diploma holders from Puerto Rico and the Pacific territories using Decennial Survey of Island Areas (for the Pacific territories) and ACS 5-year estimates (for Puerto Rico) at two points in time.

Table 1: Difference in high school earnings compared to Puerto Rico²

Territory	2020 Comparison	2010 Comparison
American Samoa	-\$3,451	-\$3,740
CNMI	\$1,204	-\$4,247
Guam	\$11,069	\$8,144

Based on this analysis, American Samoa is substantially disadvantaged by the proposed use of the Puerto Rico benchmark, which is almost 30% higher than its own median high school earnings in 2019 (and 38% in 2010). What also causes great concern is the fluctuation for the CNMI. Using the more recent data, earnings for CNMI high school diploma holders are 7% higher than those of Puerto Rico, but in 2010, those of Puerto Rico were 46% higher than CNMI.

The data limitations noted by the Department limit further comparison, but this analysis shows that, given the volatility involved, at a minimum, caution is warranted before linking these territories to a single metric.

Earnings Threshold – Freely Associated States

These three countries are substantially different from the other U.S. territories in virtually all aspects, including, in particular, the relevant economic, educational, and regulatory contexts. Institutions in these countries are eligible to disburse Pell Grants, but their citizens are not eligible for federal student loans. Using the metaphor of the day, even if there was a fair earnings threshold developed, there is literally no juice no matter how hard or soft you squeeze. College Scorecard data show that the three public two-year institutions located in the freely associated states (College of the Marshall Islands, College of Micronesia, and Palau Community College) have no students receiving federal loans. Because these are independent countries, there is no earnings information available from the Census or other sources to try to repeat the comparison made above with the Puerto Rico data. Examining GDP

² Sources for this table are as follows: 2020 Decennial Survey of Island Areas for American Samoa, CNMI, and Guam; 2019 ACS 5-year estimates for Puerto Rico; 2010 Decennial Survey of Island Areas for American Samoa, CNMI, and Guam; 2009 ACS 5-year estimates for Puerto Rico. The island area surveys estimate income for the previous year, so

per capita as an admittedly rough and poor proxy, shows conclusively that the economies are very different.

Table 2: GDP Per Capita, Freely Associated States and Puerto Rico³

Country/Territory	GDP Per Capita, 2024
Marshall Islands	\$7,726
Federated States of Micronesia	\$4,166
Palau	\$15,610
Puerto Rico	\$39,343

This measure is obviously not an apples-to-apples comparison to the earnings threshold metrics, but to illustrate how different the economic conditions are in these three countries and Puerto Rico. It is a reasonable conclusion that earnings by attainment are also substantially different.

Conclusion: Possible Proposals

The overall regulatory approach imposes substantial burden on institutions and the Department, as has been discussed throughout sessions. Additionally, as has not been discussed the IRS has no earnings data for citizens of the freely associated states and extremely limited earnings data for those residing in the U.S. territories (which is evidenced by the number of blank cells in these sections of the Department's dataset.)

While Congress sought to include all institutions from this framework, Congress also very clearly intended for earnings thresholds to be geographically appropriate. Also, previously, the Department also exempted these institutions from the penalties of the GE/FVT regulations.

Based on the Department's dataset, no programs in these territories and freely associated states would be impacted, but that data may change and the regulations create significant burden for both institutions and the Department with no benefit.

This leaves the following potential alternatives:

- 1. Exempt institutions in all territories and freely associated states where there are not comparable means of calculating an Earnings Threshold.**

The Department's comparison of earnings levels across territories does not produce any level of certainty that applying this benchmark to all territories and freely associated states is reasonable. Quantitatively, unless the Department has accessed some other source of data, a single point-in-time comparison (or even two points-in-time, is not sufficient to conclude that this is reasonable. Further, data showing this is particularly unfair to one location is notable and would be akin to requiring Mississippi to meet Wyoming's earning threshold.

³ Data for this table are drawn from the World Bank to provide as much comparability as possible.

Given that Census coverage and products change, regulatory language could be structured so that if coverage improves, additional locales could be brought under the regulation.

2. Exempt the freely associated states, provide flexibility for territorial earnings thresholds.

Given the lack of student loans in the freely associated states (and larger data questions than for the territories), exempting them from both the reporting and consequences of this framework is appropriate. The Department treated these locations differently in the Workforce Pell regulations, so there is clear precedent. The language for the territories could be structured so that they could request a different threshold where there is clear and compelling evidence of different economic conditions (“at the request of the Governor, a different threshold may be used that is acceptable to the Secretary”).