



Statement for the Record
To the Committee on Energy and
Natural Resources, U.S. Senate

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COMPACTS OF FREE ASSOCIATION

Guidelines Needed to Support Reliable Estimates of Cost Impacts of Growing Migration

Statement for the Record of David B. Gootnick,
Director, International Affairs and Trade

GAO Highlights

Highlights of [GAO-13-773T](#), a statement for the record to the Committee on Energy and Natural Resources, U.S. Senate

Why GAO Did This Study

U.S. compacts with the FAS permit those three countries' citizens to migrate to the United States and its territories (U.S. areas) without regard to visa and labor certification requirements. Thousands of FAS citizens have migrated to U.S. areas (compact migrants)—particularly to Hawaii, Guam, and the CNMI. In fiscal year 2004, Congress appropriated \$30 million annually for 20 years to help defray affected jurisdictions' costs for migrant services. Interior allocates the \$30 million as compact impact grants in proportion to the number of compact migrants living in each affected jurisdiction. Although not required, affected jurisdictions may report impact costs to Interior, which submits any reports it receives to Congress.

This statement draws from GAO's November 2011 report on compact migrants and discusses challenges in identifying the impact of compact migrants on U.S. areas. For this statement, GAO assessed progress made by Interior to address the recommendation that it disseminate cost guidelines.

What GAO Recommends

GAO is not making new recommendations in this statement. In its 2011 report, GAO recommended that Interior disseminate adequate guidance for estimating compact cost impacts and call for the affected jurisdictions to apply these guidelines, among other steps needed to assess and address the impact of the growing compact migration. Interior concurred with the recommendation on providing adequate guidance for estimating compact cost impacts.

View [GAO-13-773T](#) For more information, contact David B. Gootnick at (202) 512-3149 or gootnickd@gao.gov.

July 2013

COMPACTS OF FREE ASSOCIATION

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What GAO Found

Data from the U.S. Census Bureau (Census) show that migrants from the freely associated states (FAS)—the Federated States of Micronesia (FSM), the Marshall Islands, and Palau—reside throughout U.S. areas. GAO's 2011 report found that Census estimates that roughly 56,000 compact migrants—nearly a quarter of all FAS citizens—were living in U.S. areas in 2005 to 2009. About 58 percent of compact migrants lived in areas that Congress defined in the amended compacts' enabling legislation as affected jurisdictions: American Samoa, Hawaii, Guam, and the Commonwealth of the Northern Mariana Islands (CNMI).

For fiscal years 2004 through 2010, Hawaii, Guam, and the CNMI reported more than \$1 billion in costs associated with providing education, health, and social services to compact migrants—far in excess of the \$210 million in compact impact grants over that time period. The affected jurisdictions reported impact costs for education, health, public safety, and social services to the Department of the Interior (Interior). Education accounted for the largest share of reported expenses in all three jurisdictions, and health care costs accounted for the second-largest share overall.

However, assessed against best practices for cost estimation, these cost estimates contain a number of limitations with regard to accuracy, adequate documentation, and comprehensiveness, affecting the reported costs' credibility and preventing a precise calculation of total compact impact on the affected jurisdictions. For example, some jurisdictions did not accurately define compact migrants, account for federal funding that supplemented local expenditures, or include revenue received from compact migrants.

Interior developed guidelines in 1994 for reporting compact impact. However, several officials from the reporting local government agencies, as well as Interior officials, were not aware of the guidelines and had not used them. Moreover, the 1994 guidelines do not address certain concepts that are essential for reliable estimates of impact costs, such as calculating revenue received from providing services. Providing more rigorous guidelines to the affected jurisdictions that address concepts essential to producing reliable impact cost estimates and promoting their use for compact impact reports would increase the likelihood that Interior can provide reliable information on compact impacts to Congress. Although Interior took initial steps to implement GAO's recommendation in 2012, it has not yet provided updated guidelines for estimating compact cost impacts.

Affected Jurisdictions' Reported Compact Impact, by Sector, 2004-2010

Sector	Guam	Hawaii	CNMI	Total
Educational services	\$201,080,392	\$291,063,024	\$25,426,059	\$517,569,475
Health services	\$65,374,486	\$237,888,693	\$10,700,277	\$313,963,456
Public safety services	\$55,561,983	\$7,641,537	\$17,862,038	\$81,065,558
Social services	\$4,532,431	\$92,159,026	\$1,527,730	\$98,219,187
Total	\$326,549,292	\$628,752,280	\$55,516,104	\$1,010,817,676

Source: GAO analysis of affected jurisdictions' compact impact reports for 2004 through 2010.

Note: The reported costs are in nominal dollars, unadjusted for inflation.

July 11, 2013

Chairman Wyden, Ranking Member Murkowski, and Members of the Committee:

I am pleased to submit this statement about our previous work on the impact of migration under provisions of the compacts of free association.¹ Three Pacific island nations—the Federated States of Micronesia (FSM), the Republic of the Marshall Islands, and the Republic of Palau—have entered into compacts with the United States. Compact goals included achieving self government, promoting economic advancement, and securing security and defense rights. In addition, the compacts provide for citizens of these freely associated states (FAS) to enter and reside indefinitely in the United States, including its territories. Since the compacts went into effect—in 1986 for the FSM and the Marshall Islands and in 1994 for Palau—thousands of migrants from these countries have established residence in U.S. areas, particularly in Guam, Hawaii, and the Commonwealth of the Northern Mariana Islands (CNMI).²

In 2003, Congress approved amended compacts with the FSM and the Marshall Islands.³ In the amended compacts' enabling legislation, Congress extended additional economic assistance to the two countries and authorized and appropriated \$30 million annually for 20 years for grants to Guam, Hawaii, the CNMI, and American Samoa, which it deemed "affected jurisdictions," to help defray the cost of services to compact migrants.⁴ Congress directed the Department of the Interior

¹GAO, *Compacts of Free Association: Improvements Needed to Assess and Address Growing Migration*, [GAO-12-64](#) (Washington, D.C.: Nov. 14, 2011). We also previously reported on compact migrants and their impact in *Foreign Relations: Migration From Micronesian Nations Has Had Significant Impact on Guam, Hawaii, and the Commonwealth of the Northern Mariana Islands*, [GAO-02-40](#) (Washington, D.C.: Oct. 5, 2001).

²In this report, "U.S. areas" refers to the 50 U.S. states; the U.S. insular areas (Guam, the CNMI, American Samoa, and the U.S. Virgin Islands); Puerto Rico; and the District of Columbia.

³Compact of Free Association Amendments Act of 2003, Pub. L. No. 108-188, December 17, 2003. In this testimony, the act is referred to as "the amended compacts' enabling legislation."

⁴Because of American Samoa's small reported FAS population—estimated at 15 in a 2008 enumeration—we did not address compact migrants in American Samoa in our 2011 report.

(Interior) to divide these compact impact grants among the affected jurisdictions in proportion to the most recent enumeration of compact migrants residing in each jurisdiction. Since 1986, affected jurisdictions have submitted to Interior compact impact reports that include descriptions of, and estimated costs for, education, health, public safety, and social services that local government agencies provided to compact migrants. However, affected jurisdictions have expressed continuing concerns that they do not receive adequate compensation for the growing cost of providing government services to compact migrants. In addition, thousands of compact migrants have moved to other states that are not eligible to receive compact impact grants. My statement draws from our November 2011 report on compact migrants and will discuss challenges in assessing the impact of compact migrants on U.S. areas.⁵

For our 2011 report's discussion of the impact of compact migrants, we reviewed previous reports on compact migration and cost estimation, Interior's impact reports, as well as the supporting documentation and methodologies used to prepare impact reports. We also interviewed Interior and local government officials. To assess compact impact cost reporting, we reviewed affected jurisdictions' impact reports since 2004 and compared these reports to cost estimation criteria.⁶ To assess Interior's guidance on compact impact reporting, we reviewed the requirements in the amended compacts' enabling legislation and Interior's existing guidelines. To describe compact migrants' role in the economy, we used data from earlier FAS migrant surveys, supplemented where possible with additional information from local agencies and other literature. For this statement, in June 2013, we updated and assessed progress made by Interior on the recommendation in the 2011 report that Interior disseminate adequate guidance on estimating compact cost impacts. Our 2011 report contains a detailed description of its scope and methodology.

We conducted this work in accordance with generally accepted government auditing standards. Those standards require that we plan

⁵[GAO-12-64](#).

⁶GAO, *GAO Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Capital Program Costs*, [GAO-09-3SP](#) (Washington, D.C.: March 2009) and OMB Circular No. A-94, *Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs*, revised October 29, 1992.

and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The FSM, the Marshall Islands, and Palau are among the smallest countries in the world. In 2008, the three FAS had a combined resident population of approximately 179,000—104,000 in the FSM, 54,000 in the Marshall Islands, and 21,000 in Palau.

Under the compacts of free association, citizens of the FAS are exempt from meeting the visa and labor certification requirements of the Immigration and Nationality Act as amended. The migration provisions of the compacts allow compact migrants to enter the United States (including all U.S. states, territories, and possessions) and to lawfully work and establish residence indefinitely.⁷ In the 1986 compacts' enabling legislation, Congress stated that it was not its intent to cause any adverse consequences for U.S. territories and commonwealths and the state of Hawaii. Congress further declared that it would act sympathetically and expeditiously to redress any adverse consequences and authorized compensation for these areas that might experience increased demands on their educational and social services by compact migrants from the Marshall Islands and the FSM.

The December 2003 amended compacts' enabling legislation restated Congress's intent not to cause any adverse consequences for the areas defined as affected jurisdictions—Guam, Hawaii, the CNMI, and American Samoa. The act also authorized and appropriated \$30 million

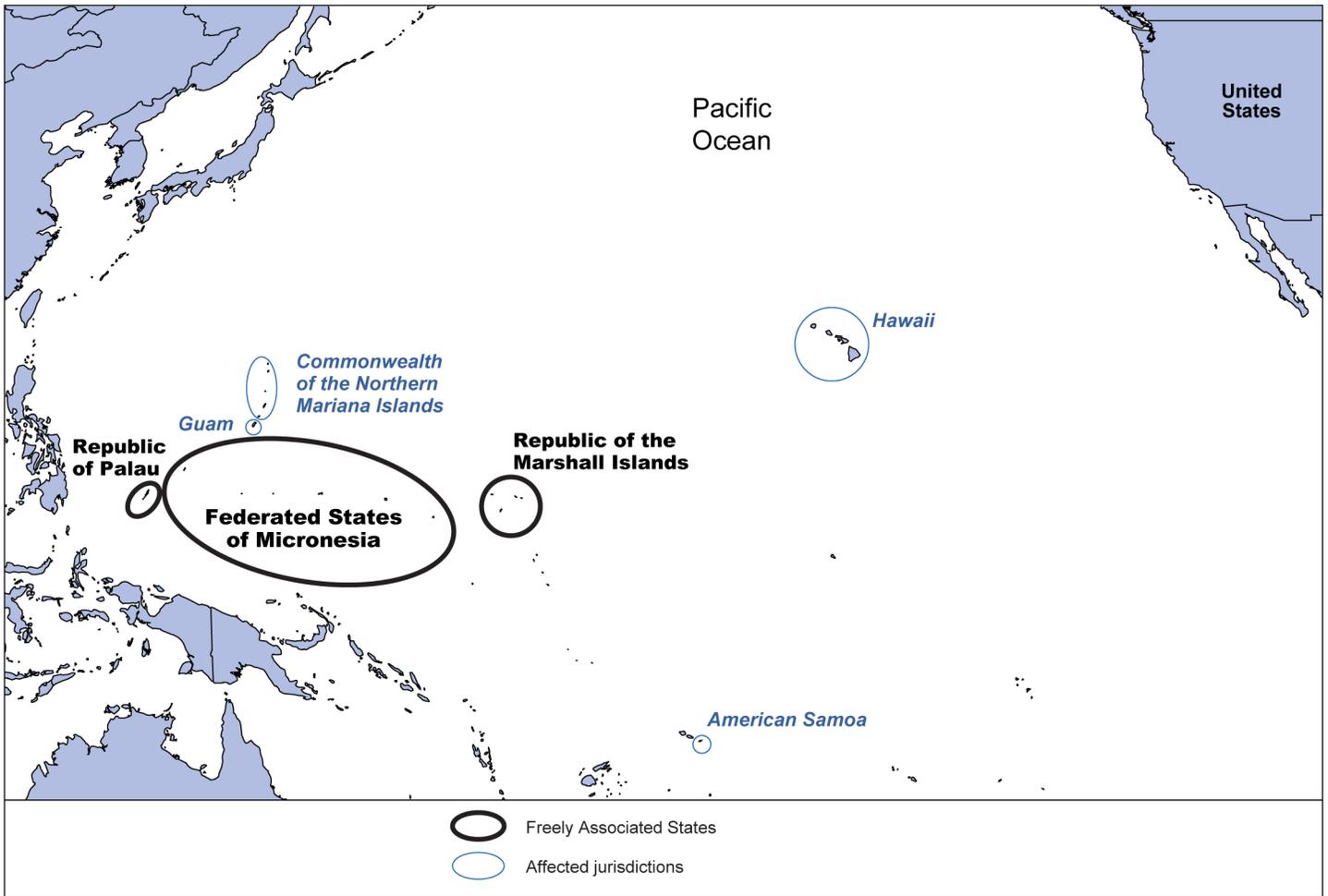
⁷Under the compacts, the United States has a responsibility for the defense of the FAS, and the compacts provide the United States with exclusive military use rights in these countries. In addition, under the compacts, the United States provided economic assistance and access to certain federal services and programs, among other things. Under the initial compacts with the FSM and the Marshall Islands, the United States provided \$2.1 billion in economic assistance to these governments. Under the amended compacts, the United States will provide an estimated combined total of \$3.6 billion in economic assistance, much of it in a form known as "sector grants," in annually decreasing amounts from 2004 through 2023. For more information about U.S. assistance provided under the amended compacts, see *Compacts of Free Association: Micronesia's and the Marshall Islands' Use of Sector Grants*, [GAO-07-514R](#) (Washington, D.C.: May 25, 2007). We plan to publish an additional report on the use of these funds in September 2013.

for each fiscal year from 2004 to 2023 for grants to the affected jurisdictions, to aid in defraying costs incurred by these jurisdictions as a result of increased demand for health, educational, social, or public safety services, or for infrastructure related to such services specifically affected by compact migrants resident in the affected jurisdictions.⁸

Figure 1 shows the locations of the FAS and the affected jurisdictions.

⁸Beginning in fiscal year 2010, Interior was to annually award approximately \$16.8 million to Guam, \$11.2 million to Hawaii, and \$1.9 million to the CNMI.

Figure 1: Locations of Freely Associated States and Affected Jurisdictions



Source: Map Resources.

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

The amended compacts' enabling legislation provides for Interior to allocate the \$30 million in grants to affected jurisdictions on the basis of their compact migrant population. Each affected jurisdiction is to receive its portion of the \$30 million per year in proportion to the number of compact migrants living there, as determined by an enumeration to be undertaken by Interior and supervised by the U.S. Census Bureau

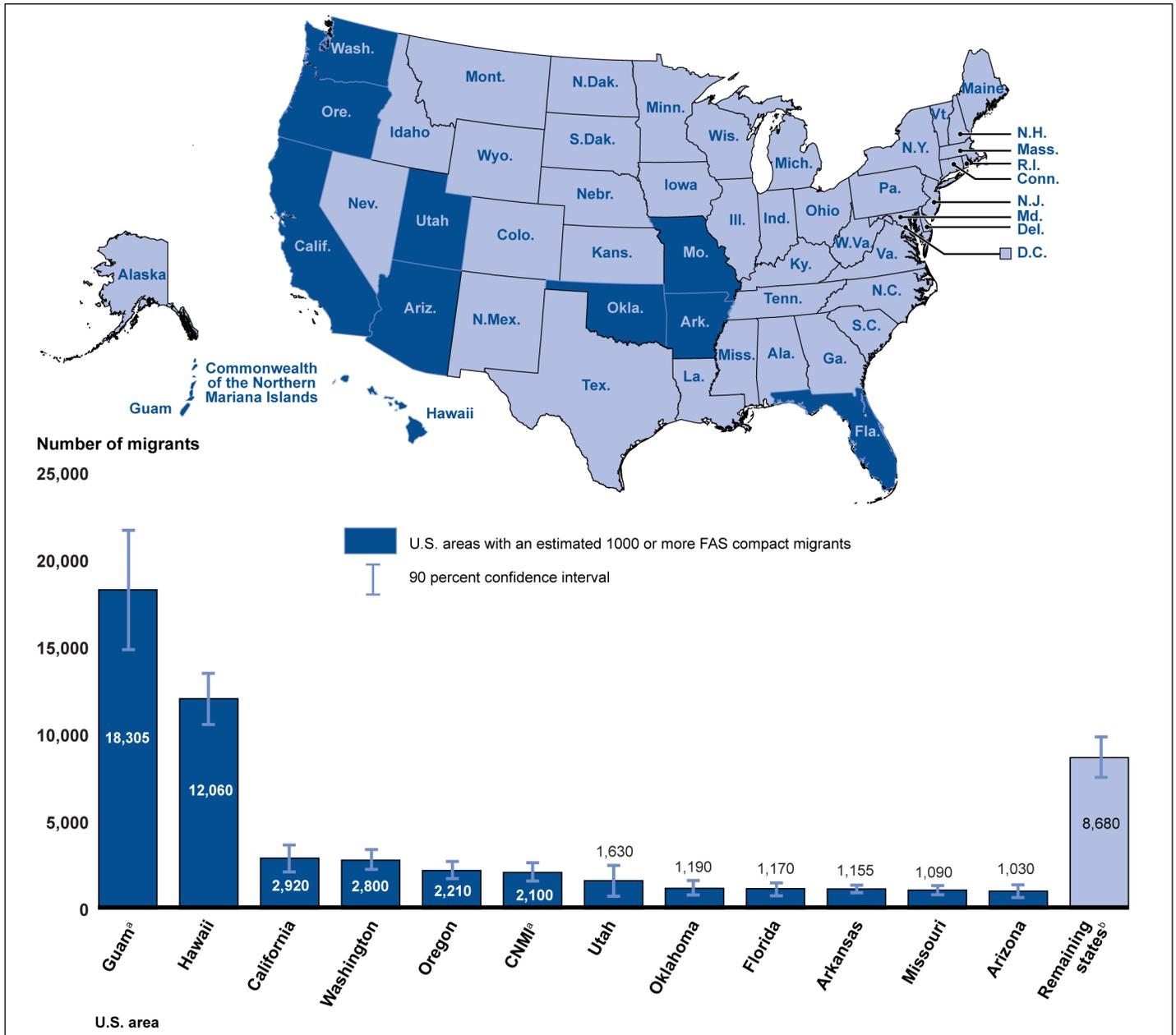
(Census) or another organization at least every 5 years.⁹ The act defines the population to be enumerated as persons, or those persons' children under the age of 18, who pursuant to the compacts are admitted to, or resident in, an affected jurisdiction. The amended compacts' enabling legislation permits, but does not require, affected jurisdictions to report on compact migrant impact. If Interior receives such reports from the affected jurisdictions, it must submit reports to Congress that include, among other things, the governor's comments and administration's analysis of any such impacts.

The combined data from Census's 2005-2009 American Community Survey and the 2008 required enumerations in Guam and the CNMI estimated that approximately 56,000 compact migrants¹⁰—nearly a quarter of all FAS citizens—lived in U.S. areas, with the largest populations in Guam and Hawaii. An estimated 57.6 percent of all compact migrants lived in affected jurisdictions: 32.5 percent in Guam, 21.4 percent in Hawaii, and 3.7 percent in the CNMI, while nine mainland states each had an estimated compact migrant population of more than 1,000. (See fig. 2.)

⁹Census conducted these enumerations in 2003 and 2008 and plans to conduct a third in 2013. Previous Interior and Census surveys had enumerated the migrant population in 1992-1993 and 1997-1998.

¹⁰Census's 2005-2009 American Community Survey and 2008 enumerations estimated the total number of compact migrants in U.S. states and territories as ranging from 49,642 to 63,048, with a 90 percent confidence interval; that is, Census is 90 percent confident that the true number of compact migrants falls within that range. For additional detail on these Census estimates, see pages 12 through 18 of [GAO-12-64](#).

Figure 2: Estimated Numbers of Compact Migrants in U.S. Areas, 2005-2009



Sources: Map Resources (map); GAO analysis of a special Census tabulation of American Community Survey 2005-2009 data for U.S. states; Census tabulations of 2008 FAS migrant survey data for Guam and the CNMI.

Notes:

^aThe Guam and CNMI estimates are from 2008 Census enumerations; the remaining estimates are from the 2005-2009 Census American Community Survey.

^bCensus suppressed the estimated values of remaining states to protect the confidentiality of individual respondents; we do not know how many of the remaining states contain migrants.

On the basis of these combined data, we estimate that approximately 68 percent of compact migrants were from the FSM, 23 percent were from the Marshall Islands, and 9 percent were from Palau. Surveys conducted in affected jurisdictions from 1993 through 2008 show growth in the compact migrant populations in Guam and Hawaii. In the CNMI, from 2003 to 2008, the compact migrant population declined. Over the same period, the total compact migrant population in Guam and Hawaii grew as a percentage of their total populations. The estimated number of compact migrants in Guam increased from 9,831 in 2003 to 18,305 in 2008. In 2003, compact migrants represented approximately 6 percent of Guam's total population, but by 2008 they had increased to approximately 12 percent. Compact migrants in Hawaii increased during the same period from an estimated 7,297 to 12,215 and represented approximately 1 percent of Hawaii's total population in 2008.

An analysis of 2010 decennial census race data also shows growth in the population of FAS-related persons throughout the United States, with the U.S. population of FAS-related persons more than tripling from 17,380 in 2000 to 55,286 in 2010.¹¹

¹¹We use "FAS-related persons" to refer to individuals reporting that they are of one of the FAS races and only that race (e.g., Pohnpeian, Chuukese, Marshallese, Palauan) in the 2010 decennial census. There are substantial differences between the decennial census counts based on reported race and the Census estimates of compact migrants derived from the 2005-2009 American Community Survey and 2008 migrant enumerations. For example, the 2010 decennial census counted 21,226 persons reporting they were solely of an FAS race in Hawaii, while the 2005-2009 American Community Survey estimated 12,060 compact migrants in the state. On the U.S. mainland, the 2010 decennial census counted 4,302 persons reporting they were solely of an FAS race in Arkansas, while the American Community Survey estimated 1,155 compact migrants in the state. There are multiple definitional and methodological reasons why these numbers are not comparable. For a full discussion of these issues, see appendix IV of [GAO-12-64](#).

Guam and Hawaii Report Rising Compact Costs, Primarily for Education and Health

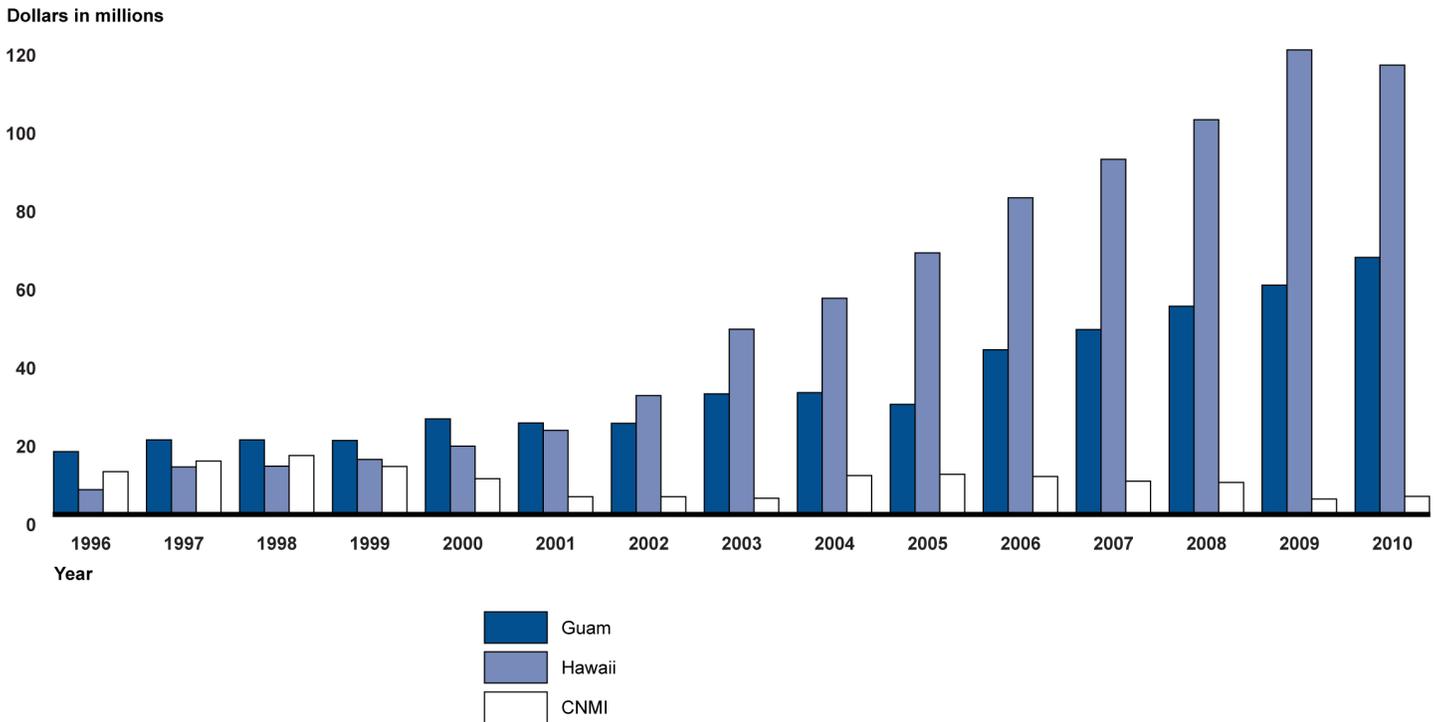
For 2004 through 2010, the affected jurisdictions' reports to Interior show more than \$1 billion in costs for services related to compact migrants.¹² During this period, Guam's annual reported costs increased by nearly 111 percent, and Hawaii's by approximately 108 percent. The CNMI's reported annual costs decreased by approximately 53 percent, reflecting the decline in the CNMI compact migrant population. During the same period, the amended compacts' enabling legislation provided \$210 million in impact grants—approximately \$102 million to Guam, \$75 million to Hawaii, and \$33 million to the CNMI.¹³ Figure 3 shows compact impact costs reported by the affected jurisdictions for 1996 through 2010.¹⁴

¹²For 1986 through 2003, affected jurisdictions reported total compact impact costs of approximately \$540 million to \$568 million (unadjusted for inflation).

¹³In addition, from 1992 through 2003, Guam received approximately \$53 million, Hawaii received \$7 million, and the CNMI received \$6.6 million from funds appropriated to Interior for grants to address compact impact. The largest annual compact impact grants to Guam in fiscal years 2005 through 2010 supported public school construction and maintenance. Most other compact impact grants to Guam funded health and public safety purchases, such as the purchase or renovation of facilities, emergency vehicles, and medical supplies, among many others. All compact impact grants to Hawaii in fiscal years 2004 through 2010 were provided to its Department of Human Services to offset the cost of state-funded medical services. Compact impact grants to the CNMI in fiscal years 2004 through 2010 supported the operations of several CNMI government departments, such as the Departments of Public Health and Public Safety, and the public school system.

¹⁴Guam published its most recent estimate of the impact of compact migration in January 2013. In its January report, Guam estimated that its fiscal year 2011 impact was \$95.3 million and its fiscal year 2012 impact was \$125 million. CNMI estimated a 2011 impact of approximately \$2.5 million and a 2012 impact of approximately \$5.6 million in its 2012 compact impact grant application. We have not assessed the reliability of these more recent estimates. Hawaii has not compiled updated compact impact estimates since its 2011 report.

Figure 3: Reported Compact Impact Costs, 1996-2010



Source: GAO analysis of affected jurisdictions' reported compact impact costs.

Notes:

For 1986 through 1995, Guam reported total costs of \$60.6 million, Hawaii reported total costs of \$23.4 million, and the CNMI estimated total costs at \$43.7 to \$71.7 million. For 1996 through 2003, Guam reported total costs of \$175.3 million, Hawaii \$162 million, and the CNMI \$74.7 million. For 1986 through 2003, affected jurisdictions reported total compact impact costs of approximately \$540 to \$568 million (unadjusted for inflation).

The reported costs are in nominal dollars, unadjusted for inflation.

The affected jurisdictions reported impact costs for education, health, public safety, and social services. Education accounted for the largest share of reported expenses in all three jurisdictions, and health care costs accounted for the second-largest share overall (see table 1). Several officials in Guam and Hawaii cited compact migrants' limited eligibility for a number of federal programs, particularly Medicaid, as a key contributor

to the cost of compact migration borne by the affected jurisdictions.¹⁵ While their parents may not be eligible for some programs, U.S.-born children of compact migrants are eligible as citizens for the benefits available to them as U.S. citizens.¹⁶

Table 1: Affected Jurisdictions' Reported Compact Impact, by Sector, 2004-2010

Sector	Guam	Hawaii	CNMI	Total
Educational services	\$201,080,392	\$291,063,024	\$25,426,059	\$517,569,475
Health services	\$65,374,486	\$237,888,693	\$10,700,277	\$313,963,456
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Total	\$326,549,292	\$628,752,280	\$55,516,104	\$1,010,817,676

Source: GAO analysis of affected jurisdictions' compact impact reports for 2004 through 2010.

Note: The reported costs are in nominal dollars, unadjusted for inflation.

Compact Impact Estimates Have a Number of Weaknesses

We identified a number of weaknesses related to accuracy, adequacy of documentation, and comprehensiveness in affected jurisdictions' reporting of compact impacts to Interior from 2004 through 2010.¹⁷ Examples of such weaknesses include the following.

¹⁵When the compacts were signed, FAS citizens were eligible for Medicaid; however, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA) removed this eligibility. Hawaii chose to continue to provide equivalent services at its own expense. Current legislation in both the House (H.R. 912 and H.R. 1222) and Senate (S. 744) would restore Medicaid eligibility for compact migrants. Guam and the CNMI, unlike states, are subject to annual caps on federal funds for Medicaid; once this cap is reached, each area must provide for the cost from its own funds. For further information, see GAO, *U.S. Insular Areas: Multiple Factors Affect Federal Health Care Funding*, [GAO-06-75](#) (Washington, D.C.: Oct. 14, 2005).

¹⁶See table 2 on page 27 of [GAO-12-64](#) for an analysis of the eligibility status of compact migrants as of November 2011 for ten selected federal benefit programs, including Social Security programs, Medicare, the Children's Health Insurance Program, Temporary Assistance to Needy Families, and the Supplemental Nutrition Assistance Program.

¹⁷For a discussion of recommended cost estimation practices, see [GAO-09-3SP](#). For federal cost estimation guidelines, see OMB Circular No. A-94.

Accuracy

- **Definition of compact migrants.** For several impact reports that we examined, the reporting local government agencies, when calculating service costs, did not define compact migrants according to the criteria in the amended compacts enabling legislation. For instance, some agencies defined and counted compact migrants using the proxy measures of ethnicity, language, or citizenship rather than the definition in the amended compacts' enabling legislation. Using ethnicity or language as a proxy measure could lead to overstating costs, since neither measure would exclude individuals who came to the jurisdiction prior to the compact, while using citizenship as a proxy measure could lead to understating costs, since it would exclude U.S.-born children of compact migrants.
- **Federal funding.** Guam, Hawaii, and the CNMI, among other U.S. states and territories, receive federal funding for programs that compact migrants use; however, not all compact impact reports accounted for this stream of funding and included costs in compact impact estimates for programs that federal funding had partially addressed. To the extent that federal revenue for programs in affected jurisdictions is based on population counts or data on usage, the presence of, and use of services by, compact migrants lead to federal offsets. For example, from 2004 to 2008, Hawaii developed its education impact costs by calculating a per-pupil expenditure multiplied by the number of compact migrant students enrolled each school year. However, federal funds received through several programs are included in these annual expenditures. If the federal funds component of per-pupil expenditures were subtracted from Hawaii's education impact reporting, as well as a correction made to eliminate a data error that double-counted Marshallese students, it would reduce the total cost of services to compact migrants by approximately \$61 million for 2004 through 2008 from \$229 to \$168 million.¹⁸
- **Revenue.** Multiple local government agencies that receive fees as a result of providing services to compact migrants did not consider fees in their compact impact reports. Any exclusion of revenue may cause an overstatement of the total impact reported. Compact migrants also participate in local economies through their participation in the labor

¹⁸The Hawaii Department of Education excluded federal funds from its costs reported to Interior in August 2011.

force, payment of taxes, consumption of local goods and services, and receipt of remittances. Previous compact migrant surveys estimated compact migrants' participation in the labor force, but existing data on other compact migrant contributions such as tax revenues, local consumption, or remittances are not available or sufficiently reliable to quantify their effects.

- **Capital costs.** Many local government agencies did not include capital costs in their impact reporting. Capital costs entail, for example, providing additional classrooms to accommodate an increase in students or constructing additional health care facilities. In cases where compact migration has resulted in the expansion of facilities, agencies understated compact migrant impact by omitting these costs.¹⁹
- **Per person costs.** A number of local government agencies used an average per-person service cost for the jurisdiction rather than specific costs associated with providing services to compact migrants. For example, one jurisdiction based the cost of providing health care services to compact migrants on the number of migrants served out of the total patient load instead of totaling each patient's specific costs. Using the average cost may either overstate or understate the true cost of service provision.²⁰

Documentation Adequacy

A number of local government agencies did not disclose their methodology for developing impact costs, including any assumptions, definitions, and other key elements, which makes it difficult to evaluate reported costs. Furthermore, some agency methodologies vary among affected jurisdictions.

¹⁹In schools, the number of additional compact migrant students will likely have led to increased capital costs such as additional school space. According to school district data for the 2010-11 school year, in affected jurisdictions, migrants made up 21 percent of the student population in Guam, 12 percent in the CNMI, and 3 percent in Hawaii.

²⁰A further refinement is to consider the incremental cost of providing service to a compact migrant. If an agency has unused service capacity, the cost of serving an additional person would be less than the agency's average service cost. However, if an agency is operating at capacity, serving compact migrants might require an expansion in agency operations, causing the cost of serving compact migrants to exceed the average service cost. For a discussion of these cost issues, see GAO, *Illegal Alien Schoolchildren: Issues in Estimating State-by-State Costs*, [GAO-04-733](#) (Washington, D.C.: June 21, 2004).

Comprehensiveness

For those years when the affected jurisdictions submitted impact reports to Interior, not all local government agencies in the affected jurisdictions included compact impact costs for those years. For example, Hawaii did not provide estimated costs to Interior in 2005 and 2006, although it included partial costs incurred in those years in its 2007 and 2008 reports. Without comprehensive data in each year, the compact impact reports could understate total costs. In addition, compact impact reporting has not been consistent across affected jurisdictions. For example, Guam and the CNMI included the cost of providing police services, while Hawaii did not.

Existing Compact Impact Reporting Guidelines Have Gaps and Generally Are Not Used

Guidelines that Interior developed in 1994 for compact impact reporting do not adequately address certain concepts key to reliable estimates of impact costs. Developed in response to a 1993 recommendation by the Interior Inspector General,²¹ the guidelines suggest that impact costs in Guam and the CNMI should, among other concepts, (1) exclude FAS citizens who were present prior to the compacts, (2) specify omitted federal program costs, and (3) be developed using appropriate methodologies. However, the 1994 guidelines do not address certain concepts, such as calculating revenue received from providing services to compact migrants, including capital costs, and ensuring that data are reliable and reporting is consistent.

Several Hawaii and CNMI officials from the reporting local government agencies we met with, as well as Interior officials, were not aware of the 1994 guidelines and had not used them. Officials at the Guam Bureau of Statistics and Plans, which possessed the guidelines, said that the bureau attempts to adhere to them when preparing compact impact cost estimates. However, we found some cases where the bureau and other Guam agencies did not follow the guidelines.

In order to strengthen Interior's ability to collect, evaluate, and submit reliable information to Congress on compact impact, we recommended in our November 2011 report that Interior disseminate guidelines to the affected jurisdictions on producing reliable impact estimates, and call for the affected jurisdictions to apply these guidelines when developing compact impact reports. Interior agreed with our recommendation. In

²¹U.S. Department of the Interior Office of Inspector General, *Audit Report: Impact of the Compact of Free Association on the Government of Guam*, Report No. 93-I-1195 (1993).

March 2012, Interior convened a meeting of the Presidents of the FAS and governors and senior officials from affected jurisdictions to collaboratively develop strategies to address policy issues concerning the compacts. At the meeting, Interior stated that it would work directly with the affected jurisdictions regarding the feasibility of developing uniform reporting guidelines, with Guam and Hawaii having leadership roles in the effort. As of June 2013, Interior had not prepared any new guidance. We continue to believe that providing more rigorous guidelines to the affected jurisdictions and promoting their use for compact impact reports would increase the likelihood that Interior can provide reliable information on compact impacts to Congress.

This concludes my statement for the record.

Contacts and Staff Acknowledgments

If you or your staff have any questions about this statement, please contact me at 202-512-3149 or gootnickd@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff who made key contributions to this statement include Emil Friberg, Jr. (Assistant Director); Ashley Alley; David Dayton; Martin De Alteriis; Keesha Egebrecht; Fang He; Reid Lowe, Mary Moutsos; Michael Simon; Sonya Vartivarian; and Monique Williams.

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