

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

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

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.