

November 2011

# COMPACTS OF FREE ASSOCIATION

## Improvements Needed to Assess and Address Growing Migration

U.S. Government Accountability Office



YEARS

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ACCOUNTABILITY ★ INTEGRITY ★ RELIABILITY

## Why GAO Did This Study

U.S. compacts with the freely associated states (FAS)—the Federated States of Micronesia (FSM), the Marshall Islands, and Palau—permit FAS 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 the Commonwealth of the Northern Mariana Islands (CNMI), Guam, and Hawaii, which are defined as affected jurisdictions. In fiscal year 2004, Congress appropriated \$30 million annually for 20 years to help defray affected jurisdictions' costs for migrant services (compact impact). Though not required, affected jurisdictions can report these costs to the Department of the Interior (Interior), which allocates the \$30 million as impact grants in proportion to compact migrant enumerations required every 5 years.

This report (1) describes compact migration, (2) reviews enumeration approaches, (3) evaluates impact reporting, and (4) reviews Interior grants related to compact impact. GAO reviewed U.S. agency data, recent enumerations, impact reports, and grants and it also interviewed officials, employers, and migrants in the affected jurisdictions.

## What GAO Recommends

GAO recommends that Interior assess the 2013 enumeration approach, disseminate adequate guidance on estimating compact impact, and encourage uses of grants that better address compact migrants' impact and needs. Interior generally agreed with the report but did not support the recommendation on grant uses.

View [GAO-12-64](#) or key components. For more information, contact David B. Gootnick at (202) 512-3149 or [gootnickd@gao.gov](mailto:gootnickd@gao.gov).

# COMPACTS OF FREE ASSOCIATION

## Improvements Needed to Assess and Address Growing Migration

## What GAO Found

Combined data from the U.S. Census Bureau's (Census) 2005-2009 American Community Survey (ACS) and the required enumeration in 2008 estimate that a total of roughly 56,000 compact migrants from the FSM, the Marshall Islands, and Palau—nearly a quarter of all FAS citizens—were living in U.S. areas. Compact migrants resided throughout U.S. areas, with approximately 58 percent of all compact migrants living in the affected jurisdictions. According to the 2008 required enumeration, compact migrant populations continued to grow in Guam and Hawaii and were roughly 12 percent of the population of Guam and 1 percent of the population of Hawaii.

Working under agreements with Interior, Census used a different approach for the most recent enumeration than for prior enumerations, employing two methods in 2008: (1) a one-time survey in Guam and the CNMI and (2) a tabulation of existing multiyear ACS data for Hawaii. The affected jurisdictions opposed the change in approach. The 2008 approach allowed for determining the precision of the estimates but did not yield comparable results across jurisdictions or detailed information on compact migrants. Interior and Census officials have a preliminary plan for the required 2013 enumeration but Interior has not determined its cost or assessed its strengths and limitations.

The methods used by affected jurisdictions to collect and report on compact impact have weaknesses that reduce their accuracy. 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. However, some jurisdictions did not accurately define compact migrants, account for federal funding that supplemented local expenditures, or include revenue received from compact migrants. Although Interior is required to report to Congress any compact impacts that the affected jurisdictions report to Interior, it has not provided the affected jurisdictions with adequate guidance on estimating compact impact. Compact migrants participate in local economies through employment, taxation and consumption, but data on these effects are limited.

From fiscal years 2004 to 2010, Interior awarded approximately \$210 million in compact impact grants to the affected jurisdictions, which used the funds primarily for budget support, projects, and purchases in the areas of education, health, and public safety. In Guam and Hawaii, government officials, service providers, and compact migrants discussed approaches to more directly address challenges related to migration by bridging language barriers, providing job training, and increasing access to services. The amended compacts also made available \$808 million in sector grants for the FSM and the Marshall Islands from fiscal years 2004 to 2010. Sector grants are jointly allocated by the joint U.S.-FSM and U.S.-Marshall Islands management committees and have been used primarily in the FAS for health and education. Few sector grants directly address issues that concern compact migrants or the affected jurisdictions. The committees had not formally placed compact impact on their annual meeting agendas until 2011 and have not yet allocated any 2012 sector grant funds to directly address compact impact.

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### **Abbreviations**

ACS	American Community Survey
CHIP	Children's Health Insurance Program
CHIPRA	Children's Health Insurance Program Reauthorization Act of 2009
CNMI	Commonwealth of the Northern Mariana Islands
COFA	Compact of Free Association
FAS	freely associated state
FSM	Federated States of Micronesia
GMHA	Guam Memorial Hospital Authority
INA	Immigration and Nationality Act
OIA	Office of Insular Affairs
OMB	Office of Management and Budget

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G A O

Accountability \* Integrity \* Reliability

United States Government Accountability Office  
Washington, DC 20548

November 14, 2011

Congressional Requesters:

The Federated States of Micronesia (FSM),<sup>1</sup> the Republic of the Marshall Islands, and the Republic of Palau have entered into compacts of free association with the United States. The compacts provide, among other things, for citizens of these three freely associated states (FAS) to enter and reside indefinitely in the United States, including its territories, without regard to the Immigration and Nationality Act's (INA) visa and labor certification requirements. Since the compacts went into effect—in 1986 for the FSM and the Marshall Islands and 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).<sup>2</sup>

In 2003, Congress approved amended compacts with the FSM and the Marshall Islands.<sup>3</sup> 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.<sup>4</sup> Congress directed the Department of the Interior

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<sup>1</sup>In this report, we refer to the Federated States of Micronesia as FSM. In keeping with a commonly used definition, we use the term "Micronesia" to refer to the three compact nations. See, for example, Francis X. Hezel, *Strangers in Their Own Land: A Century of Colonial Rule in the Caroline and Marshall Islands*, (Honolulu, Hawaii, University of Hawaii Press, 1995), xv.

<sup>2</sup>In 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.

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

<sup>4</sup>In this report, "compact migrants" refers to persons from the FSM, the Marshall Islands, and Palau and their children younger than 18 years who, pursuant to the compacts, were admitted to, or have resided in, U.S. areas since, respectively, 1986 for the FSM and the Marshall Islands and 1994 for Palau. Because of American Samoa's small reported FAS population—estimated at 15 in the 2008 enumeration—this report does not address compact migrants in American Samoa.

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(Interior) to divide these compact impact grants among the affected jurisdictions in proportion to the most recent enumeration of those compact migrants residing in each jurisdiction.

In 2003 and 2008, the U.S. Census Bureau (Census), working under an agreement with Interior, performed the required enumerations, and Interior plans another enumeration in 2013. 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.<sup>5</sup> In addition, thousands of compact migrants have moved to other states that are not eligible to receive compact impact grants. Among these states, Arkansas has attracted many Marshallese who have moved there for employment in the poultry industry.

At your request, this report (1) describes compact migration to the United States; (2) reviews approaches to the required enumerations of compact migrants; (3) evaluates impact reporting from the affected jurisdictions; and (4) reviews Interior grants related to compact migration. Also at your request, appendix II provides information on the growing Marshallese migrant population of northwest Arkansas and their impact.

To prepare this report, we reviewed previous reports on compact migration and cost estimation, Interior's existing compact migrant enumerations and impact reports, as well as the supporting documentation and methodologies used to prepare the enumerations and impact reports. We also interviewed officials at Interior, Census, and the Department of State, as well as local and FAS government officials and migrants in Guam, Hawaii, the CNMI, and Arkansas.

To approximate the dispersion of compact migrants, we purchased from Census a special tabulation of their American Community Survey (ACS) data gathered from 2005 to 2009. We assessed Interior and Census approaches to required enumerations against the requirements of the amended compacts' enabling legislation and Office of Management and

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<sup>5</sup>We previously reported on compact migrants and their impact in GAO, *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).

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Budget (OMB) guidelines.<sup>6</sup> To assess compact impact cost reporting, we reviewed affected jurisdictions' impact reports since 2004 and compared these reports to cost estimation criteria.<sup>7</sup> To assess Interior's guidance on compact impact reporting and its congressional reporting, we reviewed the requirements in the amended compacts' enabling legislation and Interior's existing guidelines, and assessed the existing Interior congressional report. 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. To assess Interior's compact impact grants, we reviewed the requirements of the amended compacts' enabling legislation, Interior's Financial Assistance Manual, and all Interior compact impact grant files. To identify relevant Interior grants to the freely associated states, we collected grant allocation data and discussed the grants with Interior officials. For complete details on our scope and methodology, see appendix I.

We conducted this performance audit from September 2010 through October 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan 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

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## 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

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<sup>6</sup>OMB, *Questions and Answers When Designing Surveys for Information Collections* (Washington, D.C.: 2006) and *Standards and Guidelines for Statistical Surveys* (Washington, D.C.: 2006).

<sup>7</sup>GAO, *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.

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population of approximately 179,000<sup>8</sup>—104,000 in the FSM, 54,000 in the Marshall Islands, and 21,000 in Palau.<sup>9</sup>

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## Establishment of Compacts of Free Association

In 1947, the United States entered into a trusteeship with the United Nations and became the administering authority of the FSM,<sup>10</sup> the Marshall Islands, and Palau.<sup>11</sup> The four states of the FSM voted in 1978 to become an independent nation, and the Marshall Islands established a constitutional government and declared itself a republic in 1979. Both the FSM and the Marshall Islands remained subject to the authority of the United States under the trusteeship agreement until 1986, when a Compact of Free Association went into effect between the United States and the two nations.<sup>12</sup> In 1994, Palau also entered a Compact of Free Association with the United States and became a sovereign state.<sup>13</sup>

Under the compacts, FAS citizens are exempt from meeting the visa and labor certification requirements of the Immigration and Nationality Act (INA) 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.

In addition, under the compacts, the United States provided economic assistance, and access to certain federal services and programs, among other things. Also under the compacts, the United States has a

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<sup>8</sup>The 2008 population of the three FAS is equivalent to about 0.06 percent of the 2010 U.S. population of 308.7 million, and roughly the same as the 2010 population of Knoxville, Tennessee.

<sup>9</sup>According to the U.S. Department of State, approximately 6,000 of the Palau population consists of third-country nationals, mostly from the Philippines, who are not Palau citizens and therefore not eligible to migrate under the terms of the compact.

<sup>10</sup>The four states of the FSM are Chuuk, Kosrae, Pohnpei, and Yap.

<sup>11</sup> Under the United Nations trusteeship agreement, the United States became administratively responsible for the Trust Territory of the Pacific Islands: the FSM, the Marshall Islands, Palau, and the Northern Mariana Islands. In 1975, the Northern Marianas became a commonwealth in political union with the United States.

<sup>12</sup>Compact of Free Association Act of 1985, Pub. L. No. 99-239, January 14, 1986.

<sup>13</sup>See Proclamation 6726, Placing into Full Force and Effect the Compact of Free Association with the Republic of Palau, 59 Fed. Reg. 49777 (Sept. 27, 1994) and Palau Compact of Free Association, Pub. L. No. 99-658 (Nov. 14, 1986).

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responsibility for the defense of the FAS, and the compacts provide the United States with exclusive military use rights in these countries. A further compact-related agreement with the Marshall Islands secured the United States access to the U.S. military facilities on Kwajalein Atoll, which are used for missile testing and space tracking activities.

In the 1986 compacts' enabling legislation, Congress stated that it was not its intent to cause any adverse consequences for United States 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 legislation also required the President to report and make recommendations annually to the Congress regarding adverse consequences resulting from the compact and provide statistics on compact migration. In November 2000, Congress made the submission of annual impact reports optional and shifted the responsibility for preparing compact impact reports from the President, with Interior as the responsible agency, to the governors of Hawaii and the territories.<sup>14</sup>

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### Amended Compacts, 2003

In December 2003, Congress approved the amended compacts with the FSM and the Marshall Islands and took steps in the amended compacts' enabling legislation to address compact migrant impact in U.S. areas. The 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.<sup>15</sup>

### Compact Impact Grants to Affected Jurisdictions

The act authorized and appropriated \$30 million<sup>16</sup> for each fiscal year from 2004 to 2023 for grants to the affected jurisdictions, to aid in

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<sup>14</sup>Guam Omnibus Opportunities Act, Pub. L. No. 106-504, Sec. 2, November 13, 2000.

<sup>15</sup>Under the amended compacts, compact migrants from the FSM and Marshall Islands need a valid passport in order to be admitted into the United States.

<sup>16</sup>In November 2011, Representative Hanabusa of Hawaii introduced H.R. 3320, a bill to "amend the Compact of Free Association of 1985 to provide for adequate compact-impact aid to affected States and territories, and for other purposes." Among other provisions, the bill proposes to increase annual compact impact grants to \$185 million beginning in fiscal year 2012.

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## Required Enumerations of Compact Migrants

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, due to the residence of compact migrants in their jurisdiction.<sup>17</sup> Interior's Office of Insular Affairs (OIA) reviews the affected jurisdictions' annual proposals for the use of the funds and provides them to affected jurisdictions as grants. Grants are to be used only for health, educational, social, or public safety services, or infrastructure related to such services due to the residence of compact migrants.<sup>18</sup>

Under the amended compacts' enabling legislation, the affected jurisdictions are to receive their portion of the \$30 million per year through 2023 in proportion to the number of compact migrants living there, as determined by an enumeration to be undertaken by Interior and supervised by Census or another organization at least every 5 years beginning in fiscal year 2003. The act permits Interior to use up to \$300,000 of the compact impact funds, adjusted for inflation, for each enumeration.

The legislation defines the population to be enumerated as persons, or those persons' children under the age of 18, who pursuant to the

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<sup>17</sup>The amended compacts' enabling legislation, Sec. 104 (e)(6), also "authorized to be appropriated to the Secretary of the Interior such sums as may be necessary to reimburse health care institutions in the affected jurisdictions for costs resulting from the migration of citizens of the Republic of the Marshall Islands, the Federated States of Micronesia and the Republic of Palau to the affected jurisdictions as a result of the implementation of the Compact of Free Association." The amended compacts' enabling legislation, Sec. 104 (e)(7), required the Secretary of Defense to make Department of Defense medical facilities available to properly referred citizens of the FSM and Marshall Islands on a space available and reimbursable basis.

<sup>18</sup>The amended compacts' enabling legislation, Sec. 104 (e)(10), authorized additional appropriations to "the Secretary of the Interior for each of fiscal years 2004 through 2023 such sums as may be necessary for grants to the governments of Guam, the State of Hawaii, the CNMI, and American Samoa, as a result of increased demands placed on educational, social, or public safety services or infrastructure related to service due to the presence in Guam, Hawaii, the CNMI, and American Samoa" of compact migrants from the three FAS. To date Congress has not provided additional appropriations. Sec. 104 (e)(9) authorized the President to reduce, release, or waive amounts owed by the governments of Guam and the CNMI to the United States to address unreimbursed impact expenses incurred prior to the end of fiscal year 2003. Guam requested, but did not receive, such debt relief. The authority granted in Sec. 104 (e)(9) expired February 28, 2005.

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compacts are admitted to, or resident in, an affected jurisdiction as of the date of the most recently published enumeration.<sup>19</sup>

## Compact Impact Reports

In contrast to the original compacts' enabling legislation, 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.

## Sector Grants to the FSM and the Marshall Islands

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.<sup>20</sup> The amended compacts require that the sector grants be targeted to sectors such as education, health care, the environment, public sector capacity building, private sector development, and public infrastructure, or for other sectors as mutually agreed, with priority given to education and health.

The amended compacts also established two management committees, the U.S.-Federated States of Micronesia Joint Economic Management Committee and the U.S.-Republic of the Marshall Islands Joint Economic Management and Financial Accountability Committee. Each committee has two FAS representatives and three U.S. representatives from, respectively, Interior, the Department of State, and the Department of Health and Human Services, with the Interior representative serving as chair. These committees review and approve compact grant allocations

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<sup>19</sup>Interior interprets the legislation's definition of compact migrant as including children of those migrants under the age of 18 who are born in the United States.

<sup>20</sup>The \$3.6 billion in assistance includes (1) compact sector grants; (2) contributions to a trust fund for each of the countries; (3) Kwajalein impact funding provided to the Marshall Islands government; (4) estimated values of compact-authorized federal services, such as weather, aviation, and postal services over the 20-year period; and (5) inflation adjustments. This amount does not include services related to disaster relief. 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).

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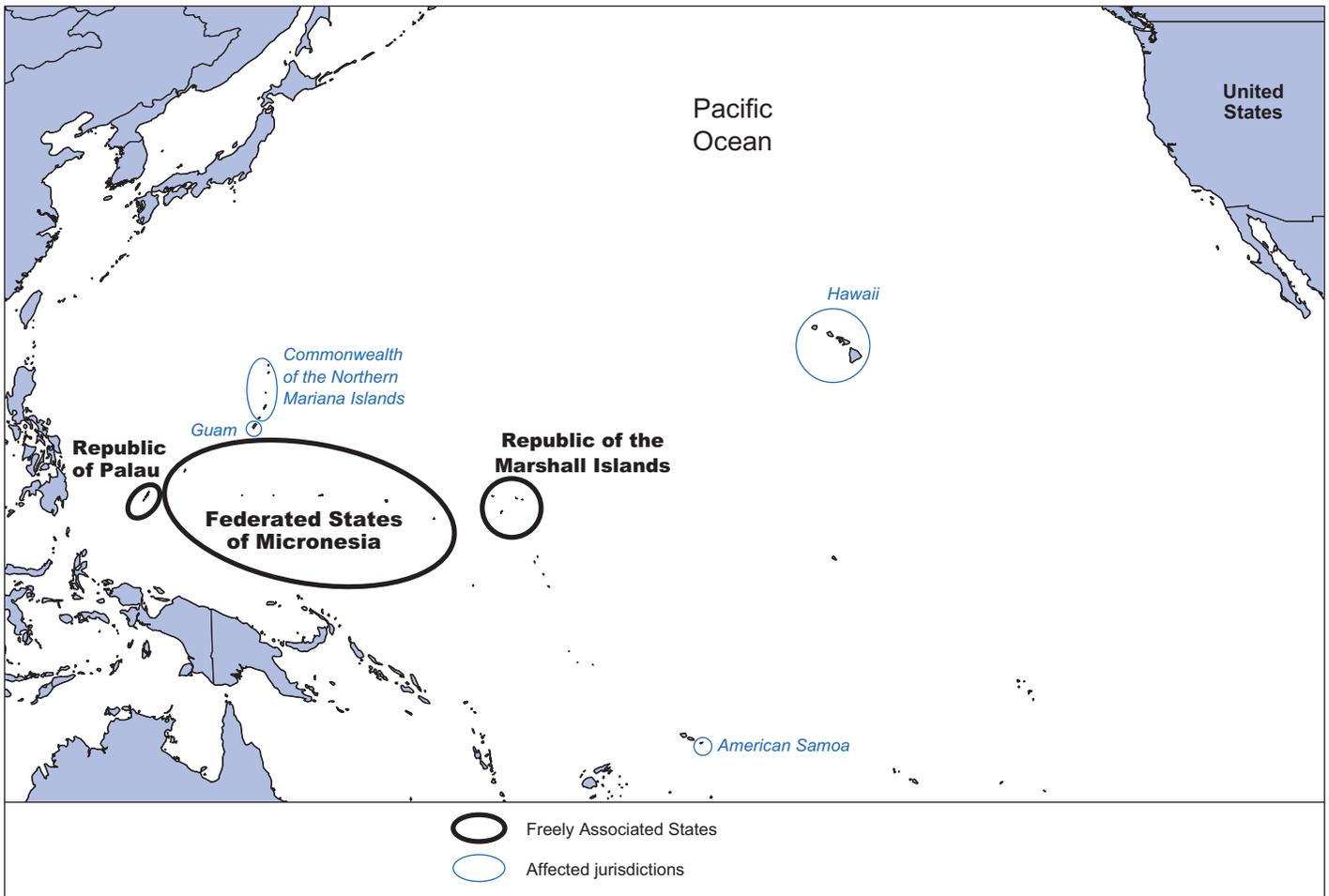
and performance objectives for the upcoming year on an annual basis and may attach conditions to the grants.<sup>21</sup>

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

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<sup>21</sup>The Palau compact makes no provision for a grant management entity. In addition to the U.S. assistance provided under the Palau compact, U.S. agencies provide discretionary federal programs in Palau as authorized by U.S. legislation and with appropriations from Congress. The compact's federal programs and services subsidiary agreement, establishing the legal framework for the provision of discretionary federal programs in Palau, was in force until October 1, 2009. These services continued under program authority in 2010 and 2011.

**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

## Sources of Compact Migrant Population Data

Census has gathered data through multiple efforts that can be used to describe aspects of the FAS migration to U.S. areas. Data are currently available through Census's decennial censuses, which cover all U.S. areas, and its American Community Survey (ACS), which covers the 50 states, the District of Columbia and Puerto Rico. In addition, under agreements with Interior, Census has conducted special enumerations of compact migrants in affected jurisdictions, such as in 2003 and the 2008 enumeration required by the amended compacts' enabling legislation. The next such required enumeration must occur by 2013.

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## Decennial Census

The decennial census is an enumeration of the U.S. population that is constitutionally required every 10 years. The 2010 decennial census data was gathered as of a specific day: April 1, 2010.

- The 2010 decennial census in the 50 states is a 10-question survey that gathers limited demographic<sup>22</sup> data such as sex, age, and race. The 2010 decennial census race question provided multiple choices for respondents to identify the race of each member of the household, with one choice being “Other Pacific Islander.” Respondents could identify multiple races for each individual and could further identify themselves by writing in a specific race. The decennial census in the 50 states does not collect respondents’ place of birth or year of entry, both of which are needed to identify those who arrived during the period of the compacts and are defined as compact migrants by the amended compacts’ enabling legislation.
- Unlike the census in the 50 states, the decennial census in the insular areas—including Guam and the CNMI—is a detailed survey that collects a variety of demographic and economic information including respondents’ place of birth and year of entry, both of which are needed to identify compact migrants.

## American Community Survey

Begun in 2005, the ACS uses a series of monthly samples to produce data for the same small areas of the United States (census tracts and block groups) used in the decennial census and formerly surveyed via the decennial census long form. To conduct the ACS, Census mails survey forms to selected households and, if a household does not respond, follows up by telephone and sometimes in person. Census then uses the information obtained from the surveys to estimate results for the entire population of larger areas that have a determined level of statistical precision. The ACS collects a variety of demographic and economic information on an ongoing basis, including data such as place of birth and year of entry that can be used to identify compact migrants.

The ACS reports estimates from individual or multiple years of data rather than point-in-time counts, such as the decennial census provides.

## Enumerations of Compact Migrants

Interior has conducted four sets of enumerations of compact migrants in affected jurisdictions. The 1993, 1998, and 2003 surveys used the

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<sup>22</sup>In this report, we use “demographic” to encompass demographic, social, economic and housing data.

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“snowball” technique; Census, working under an interagency agreement with Interior, employed a two-pronged approach in 2008.<sup>23</sup>

- In the snowball technique used by Census for the 2003 survey and by prior surveys, trained workers who spoke the FAS languages asked the respondent in compact migrant households for referrals to other compact migrant households until they had surveyed every identified compact migrant. The surveys provided a count of compact migrants and demographic information such as employment, occupation, education, and reasons for migration. The snowball technique is a nonprobability method.<sup>24</sup>
- The two-pronged approach used one approach in Guam and the CNMI and another in Hawaii. In Guam and the CNMI, Census designed a block sample probability survey<sup>25</sup> and collected only the data needed to establish whether the respondents and their children could be classified as compact migrants. Census used the survey results to produce an estimate for each affected jurisdiction’s population.<sup>26</sup> In Hawaii, Census tabulated only the data from the 2005, 2006, and 2007 ACS needed to identify migrants and their children.

Interior has used the two most recent enumerations—in 2003 and in 2008—as the basis for allocating the \$30 million in compact impact grants among affected jurisdictions. Under their agreements, Census was reimbursed by

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<sup>23</sup>The initial survey was conducted in 1992 in Guam and 1993 in the CNMI; Hawaii was not surveyed at that time. The second survey was conducted in Guam and Hawaii in 1997 and the CNMI in 1998. In addition to these surveys, a 1995 survey of Palauans on Guam identified 2,276 Palauans, 1,014 of whom were born in Palau.

<sup>24</sup>As a nonprobability survey, the snowball technique results in a count of compact migrants rather than a statistical estimate of that population with a determined level of precision and is likely to undercount them.

<sup>25</sup>Census divided Guam and the CNMI into mutually exclusive geographic units called blocks and selected a random sample of blocks. In each selected block, Census workers surveyed all housing units or a random subsample of the units, depending on the block’s size. In a probability survey, every member of the population has a known, non-zero chance of being included.

<sup>26</sup>In the CNMI, Census surveyed only the island of Saipan. Because few migrants and approximately 10 percent of the total CNMI population live on the CNMI’s other inhabited islands Census estimated the migrant population on the other islands using data from the 2000 decennial census.

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Interior for both enumerations. Census and Interior officials did not retain a record of the cost of the 2003 snowball enumeration, but in 2011 the director of the 2003 effort estimated the cost at \$400,000 to \$500,000, including Census headquarters and field costs but excluding the cost of a final report. In 2008, the two-pronged approach cost approximately \$1.3 million, including headquarters and field costs and the cost of final reporting.<sup>27</sup>

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## U.S. Census Data Show Compact Migrants throughout U.S. Areas, with Growing Populations in Guam and Hawaii

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### Compact Migrants Reside throughout States and Territories

The combined data from Census' 2005-2009 ACS and the 2008 required enumerations in Guam and the CNMI estimated approximately 56,000 compact migrants<sup>28</sup>—nearly a quarter of all FAS citizens—living in U.S. areas, with the largest populations in Guam and Hawaii.<sup>29</sup> An estimated

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<sup>27</sup>Of this amount, \$316,000 came from the 2008 compact impact funds for the affected jurisdictions, with the remainder drawn from Interior technical assistance funds. According to Census officials, nearly all costs for the 2008 enumeration were associated with the Guam and CNMI surveys.

<sup>28</sup>In contrast to a census, which produces a population count, the ACS is a statistical survey and produces estimates with a range of uncertainty. Census's 2005-2009 ACS 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. Both the Census tabulations of ACS data and the 2008 migrant enumeration defined migrants based on their place of birth in the FAS and arrival in U.S. areas after the date of the compact. In some cases, however, persons may be born in the FAS and arrive after the date of the compact, but be present in the United States under authorities other than those of the compact. For example, they may be permanent resident aliens (green card holders) or members of the U.S. armed forces.

<sup>29</sup>In addition to compact migrants, there are additional FSM citizens, Marshallese, and Palauans who arrived prior to the compacts in U.S. areas. For example, the 2003 survey of Micronesians counted 3,909 pre-compact migrants. An unknown number of FAS citizens may also live in other countries.

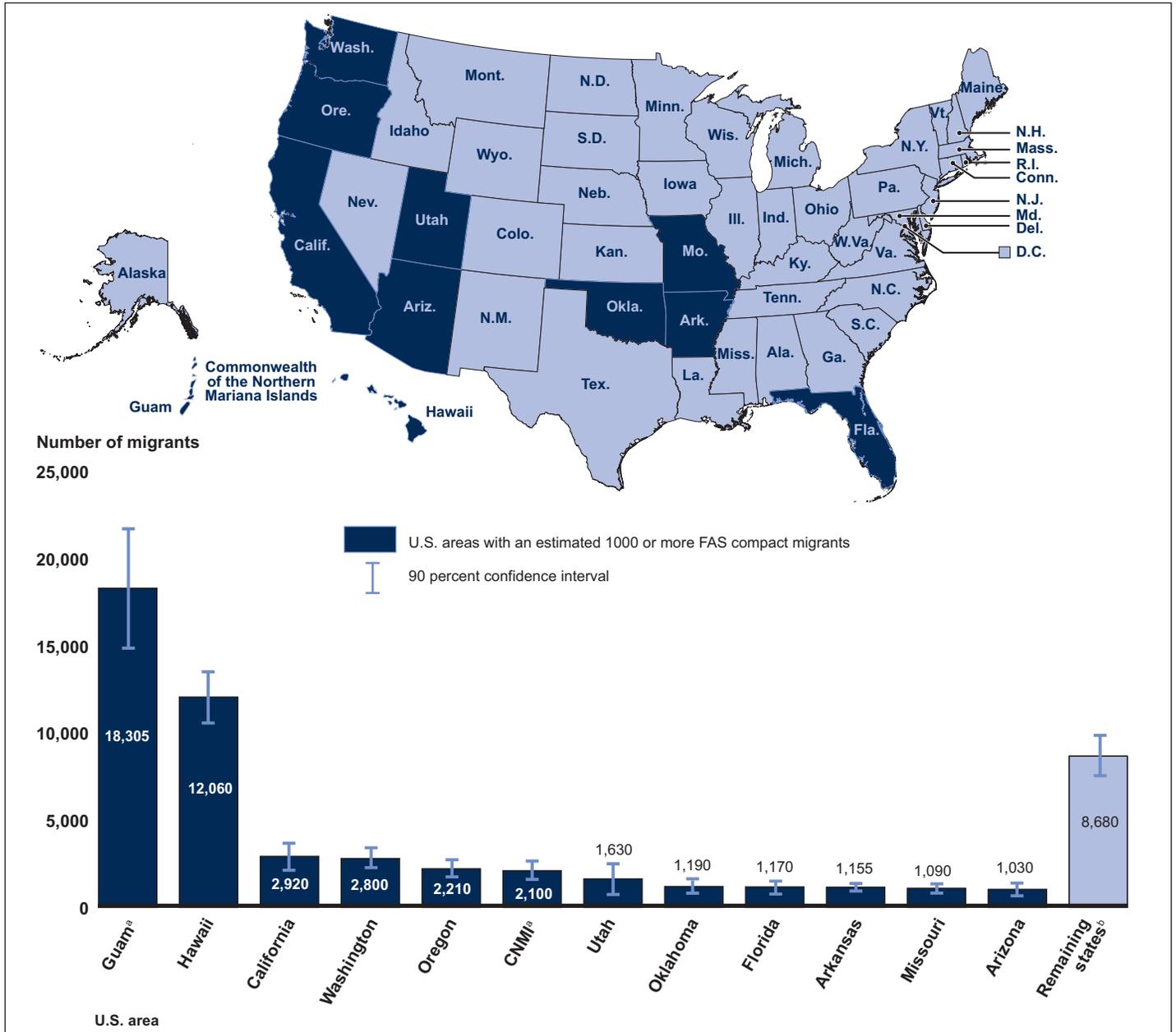
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57.6 percent of all compact migrants lived in affected jurisdictions: 32.5 percent in Guam, 21.4 percent in Hawaii, and 3.7 percent in the CNMI. According to ACS data, nine mainland states had estimated compact migrant populations of more than 1,000.<sup>30</sup> (See fig. 2.) In comments on a draft of this report, the government of Arkansas stated that it had serious doubts about the accuracy of the ACS estimate for Arkansas shown in figure 2, particularly in comparison to the higher count implied by 2010 decennial Census data and school enrollment data from Springdale, Arkansas. See appendix IV for a discussion of the differences between these data sources, and see appendix II for the varying estimates in Arkansas.

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<sup>30</sup>In some cases the lower bound of the 90 percent confidence interval is below 1,000. The confidence intervals for a number of these states overlap, indicating that the estimated number of migrants in these states may be statistically equivalent. As a result, for example, the estimated range for the true number of migrants in Utah overlaps with the estimated range for the true number in California. See appendix III for a table of estimates by state and FAS, including confidence intervals. The government of Hawaii observed that ACS data are inadequate for small groups like compact migrants. We address these limitations in detail in appendix V.

**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.

<sup>a</sup>The Guam and CNMI estimates are from the 2008 enumeration; remaining estimates are from the 2005-2009 ACS.

<sup>b</sup>Census 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.

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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. According to these estimates, although the FSM produced the highest number of migrants, Marshallese predominated in Arizona, Arkansas, California, and Washington.

See appendix III for Census's 2005-2009 ACS estimates of compact migrants by U.S. area and FAS of origin.

Census has also published the 2010 decennial census counts of Pacific Islanders, with respondents identifying themselves by race, for the 50 U.S. states. Decennial census data include published state-level information on the Marshallese population and will provide counts of ethnicities from the FSM and Palauans in the future. According to these data, there are more than 1,000 Marshallese identified by race in five states, with the largest number in Hawaii and Arkansas. See appendix IV for information on the Marshallese population gathered through the 2010 decennial census in the 50 states.

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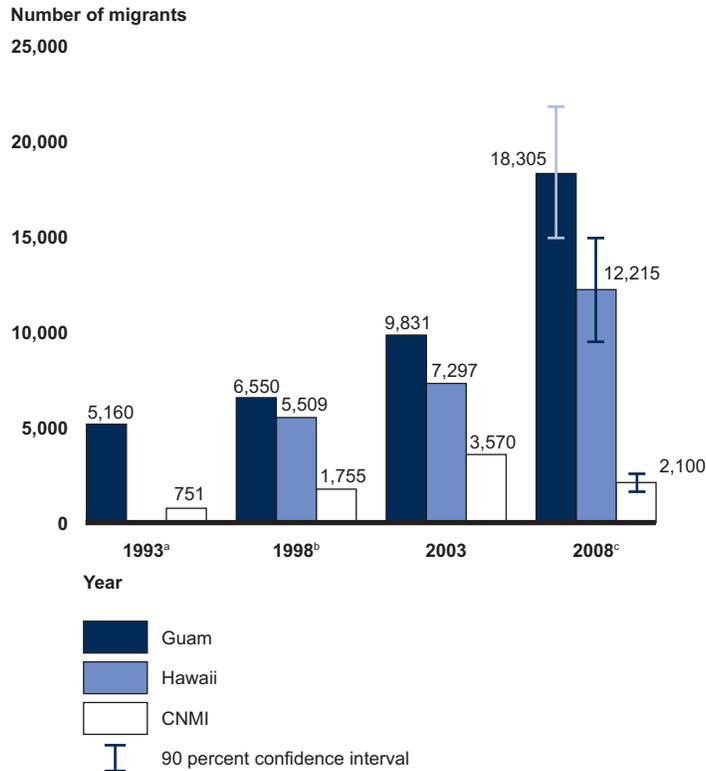
### Enumerations Show Growing Populations of Compact Migrants in Guam and Hawaii

Surveys that Interior conducted in affected jurisdictions from 1993 through 2008 show growth in the compact migrant populations in Guam and Hawaii.<sup>31</sup> In the CNMI, the compact migrant population declined between 2003 and 2008, mirroring a general decline in the CNMI population. (See fig. 3.)

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<sup>31</sup>Interior's 1998 survey reported 11,140 compact migrants from the FSM; 2,267 from the Marshall Islands; and 407 from Palau. The 2003 survey reported 15,514 compact migrants from the FSM; 2,901 from the Marshall Islands; and 2,283 from Palau.

**Figure 3: Estimated Compact Migrant Population in Guam, Hawaii, and the CNMI, 1993-2008**



Source: GAO analysis of Census surveys.

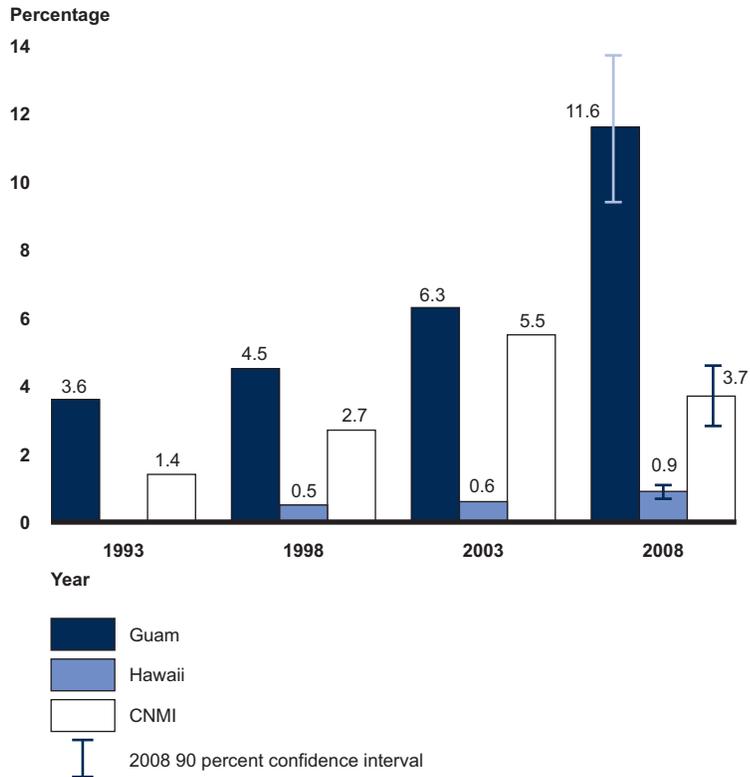
<sup>a</sup>The Guam survey was conducted in 1992 and the CNMI survey in 1993; Hawaii was not surveyed at that time. The Palau compact did not enter into force until 1994; therefore, Palauans are not included in the 1992 or 1993 totals.

<sup>b</sup>Guam and Hawaii were surveyed in 1997, and the CNMI was surveyed in 1998.

<sup>c</sup>Within the 90 percent confidence interval, the 2008 estimate for Guam ranges from 14,866 to 21,744; for Hawaii, from 9,479 to 14,951; and for the CNMI, from 1,589 to 2,611. Census did not use a probability sample for surveys prior to 2008; therefore, those surveys do not have an associated confidence interval.

From 2003 through 2008, the percentage of the total compact migrant population grew in Guam and Hawaii. In 2008, compact migrants represented approximately 12 percent of the total population in Guam and one percent of the total population of Hawaii. (See fig. 4.)

**Figure 4: Estimated Percentages of Total Populations of Guam, Hawaii, and the CNMI Who Are Compact Migrants, 1993-2008**



Source: GAO analysis of Interior and Census surveys and data.

Notes: The 2003 and 2008 estimates of the total population of the affected jurisdictions are based on a linear interpolation of data from the 2000 and recently released 2010 decennial censuses. 1993 and 1998 estimates of affected jurisdiction population are existing Census estimates.

<sup>a</sup>The Guam survey was conducted in 1992 and the CNMI survey in 1993; Hawaii was not surveyed at that time. The Palau compact did not enter into force until 1994; therefore, Palauans are not included in the 1992 or 1993 totals.

<sup>b</sup>Guam and Hawaii were surveyed in 1997 and the CNMI in 1998.

<sup>c</sup>Census did not use a probability sample for surveys prior to 2008; therefore, those surveys do not have an associated confidence interval.

## Compact Migrants Cited Several Reasons for Migration

Census's 2003 survey of compact migrants in the affected jurisdictions found that most migrated to the affected jurisdictions for employment or to accompany migrating relatives. Employment was the most common reason for migration in Guam and CNMI, followed by accompanying relatives. In Hawaii, slightly more migrants identified accompanying relatives than employment as their reason for migration. In Guam and the

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CNMI, less than 1 percent of migrants cited medical reasons for migration; in Hawaii, 10 percent cited medical reasons.

Census's 2008 survey did not ask about reasons for migration. However, during our interviews in 2011, compact migrants and officials from FAS embassies and consulates identified employment opportunities, educational opportunities, accompanying relatives, and access to health care as reasons for migration, similar to the findings from Census's previous surveys.

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## Enumeration Approach in 2008 and Preliminary Approach for 2013 Have Strengths and Limitations

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### Approach Used in 2008 Had Strengths and Limitations

The two-pronged 2008 enumeration, on which the current allocation of compact impact grants is based, had certain strengths and limitations. Strengths of the 2008 enumeration included its reliance on available data in Hawaii, lowering the enumeration's cost, and its use of a probability method in all jurisdictions that allows Census to statistically calculate the quality of the data and report margins of error for the enumerations in all three jurisdictions.<sup>32</sup> Limitations of Census's approach for the 2008 enumeration included its use of two different methods and its use of data from two different time periods, both of which affect the perceived fairness and usefulness of the enumerations. In addition, data resulting from the 2008 approach has limited comparability with data from the prior surveys

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<sup>32</sup>In contrast, the snowball technique used for the 1993, 1998, and 2003 surveys is a nonprobability method and, as such, cannot calculate the margin of error of its data to report on its potential miscount.

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and includes limited demographic information, limiting the usefulness of the 2008 data for purposes other than the required enumeration.<sup>33</sup>

- **Use of two different methods.** The data produced by block sampling in Guam and the CNMI and the ACS tabulations in Hawaii that were used for the 2008 enumeration are not fully comparable among the affected jurisdictions.<sup>34</sup>
- **Use of data from different time periods.** Because the 2008 enumeration used data from two different time periods—2008 for Guam and the CNMI and 2005 to 2007 for Hawaii—the enumerations for the respective jurisdictions do not reflect the continuing migration to Hawaii after 2007 but do reflect such migration to Guam and the CNMI.<sup>35</sup> The effect of the earlier time frame is to undercount the compact migrants in Hawaii relative to the counts in Guam and the CNMI.
- **Limited comparability with prior enumeration.** The shift in approaches from prior enumerations to 2008 limits Interior’s and affected jurisdictions’ ability to draw inferences from trends in the data. Some differences in the counts for those years may be attributable to the change in methodology rather than changes in the

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<sup>33</sup>All methods for conducting the enumeration have some limitations. In addition to those we discuss, surveys are subject to error that potentially affect their estimates. Fears of deportation from the affected jurisdiction or eviction from housing may have inhibited some migrants from participating in the survey or from fully disclosing their personal information. For example, according to some officials in affected jurisdictions, migrants tend to live in crowded conditions, in some cases violating the terms of their lease. Migrants may therefore have feared that disclosing their true numbers could get them evicted. See appendix V for a more detailed presentation of the attributes that could contribute to survey error.

<sup>34</sup>Although the prior enumerations used the same methodology—the snowball technique—in each affected jurisdiction, it involved assumptions (e.g., the geographic concentration of compact migrants) that, if they were not met in each jurisdiction to a similar extent, would cause the data to not be directly comparable across the affected jurisdictions.

<sup>35</sup>Approximately 7,000 persons are estimated to have left the FSM in fiscal years 2007 and 2008 and the Marshall Islands in calendar years 2007 and 2008, as measured by net air passengers from the United States. See U.S. Department of the Interior Office of Insular Affairs and Pacific Islands Training Initiative, *Federated States of Micronesia: Fiscal Year 2008 Economic Review* (2009) and *Republic of the Marshall Islands: Fiscal Year 2009 Economic Review* (2010).

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populations. However, using the same methodology at different points in time does not guarantee comparability of data across time.<sup>36</sup>

- **Limited collection of demographic data.** In 2008, Census did not collect information on characteristics of compact migrants in Guam and the CNMI beyond that required for the enumerations.<sup>37</sup> Collected ACS demographic data on characteristics such as employment, income, and age distribution may not be statistically reliable for populations as small as that of compact migrants in Hawaii. The numbers of compact migrants found by the ACS in each year's Hawaii survey are very small. For example, the 2006 ACS identified, by place of birth and arrival after the compact's effective date, 55 persons from the FSM, 30 persons from the Marshall Islands, and 3 from Palau. The ACS for 2005-2007 identified a cumulative total of 295 compact migrants, from which Census estimated the total reported population.

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## Affected Jurisdictions Opposed Change in Enumeration Methods for 2008

Affected jurisdictions expressed concerns about the potential accuracy and fairness of the 2008 enumeration approach. Guam, Hawaii, and CNMI officials expressed a preference for the snowball method that was used for the prior enumeration, stating that it was a more suitable approach to enumerating compact migrants. Further, though the snowball method used in the past had undercounted migrants, these officials were concerned that the 2008 approach would also miscount.<sup>38</sup> Both Guam and CNMI officials stated that the compact migrant population changed addresses frequently, potentially affecting the sampling methodology and leading to a miscount. Hawaii expressed concern that the use of ACS data for the state from earlier years would not reflect recent migration and, in contrast to the special survey to be conducted in Guam and the CNMI, would eliminate Hawaii's local input into the survey while permitting such input from Guam and the CNMI. However, Guam and the CNMI also stated that implementation of the survey was rushed and they had only limited opportunity to provide such input. In addition, Guam,

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<sup>36</sup>If statistically valid trend estimates are desired, an appropriate methodology specifically designed to estimate trends is necessary.

<sup>37</sup>Guam received a public use sample that allowed the construction of additional tables by age, family relationship to respondent, gender, place of birth, and year of entry.

<sup>38</sup>In 2001, we found that the 1998 enumeration of compact migrants in Guam, Hawaii, and the CNMI, using the snowball method, likely undercounted compact migrants (see [GAO-02-40](#)).

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Hawaii, and CNMI officials expressed concern that the approach chosen for 2008 would provide fewer demographic data. Led by the University of Hawaii, the Hawaii Governor's office prepared an unsolicited proposal to Interior to conduct a snowball survey in all three affected jurisdictions.

Responding to the affected jurisdictions' concerns, Census officials stated that the snowball method was statistically insufficient and was unlikely to meet statistical survey criteria established by OMB in 2006.<sup>39</sup> These criteria require agencies initiating a new statistical survey to document the precision required of the estimates (e.g., the size of differences that need to be detected).

Interior offered to adopt Hawaii's proposal if all affected jurisdictions agreed to it; however, Guam and the CNMI did not agree to the proposal. In addition, Interior cited Census's independence as an advantage of its conducting the enumerations. Officials in all three affected jurisdictions, however, remained dissatisfied with the 2008 enumeration approach. (See app. V for attributes of the 2008 approach compared with the approach used for the prior enumeration.)

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### Preliminary Approach for 2013 Also Has Strengths and Limitations

Although Interior has not yet selected an approach for its 2013 enumeration of compact migrants in the affected jurisdictions, Interior and Census officials are discussing a preliminary approach that would have strengths and limitations similar to those we found in the 2008 approach.<sup>40</sup> As of July 2011, according to Census officials, no agreement was in place for Census to conduct this work. However, according to both Interior and Census officials, if Interior employs Census for the 2013 enumeration, Census would again deploy a two-pronged approach, using

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<sup>39</sup>See OMB, *Standards and Guidelines for Statistical Surveys* (Washington, D.C.: 2006). Census sought and received OMB approval for the method used in 2008; Census did not ask OMB to consider the method used in 2003 in 2008. Census did not discuss with the affected jurisdictions whether the snowball survey would meet separate OMB criteria for nonstatistical data collection efforts. According to OMB, *Questions and Answers When Designing Surveys for Information Collections* (Washington, D.C.: 2006), information that agencies collect must be useful and methods used must be appropriate for the intended use of the information. In addition to permitting data collection as a response to a specific legal requirement, OMB permits collection of data in response to "knowledge gaps."

<sup>40</sup>According to Census officials, if Census conducts an enumeration of compact migrants in 2018 it plans to use, as in 2008, a special survey for Guam and the CNMI and the ACS for Hawaii in 2018.

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the 2010 decennial census results for Guam and the CNMI and the ACS for Hawaii. Interior has not determined the cost of the preliminary approach or weighed its strengths and limitations.

Our analysis shows that the strength of the preliminary 2013 approach would be its low cost; because it would draw solely from existing Census data, it would require no new data collection. However, it would have limitations similar to those we found in the 2008 approach, compromising both its fairness as a basis for distributing compact impact funds as well as the usefulness of the data it produces.

- **Use of two different methods.** Using the counts provided through the full enumeration contained in the 2010 census in Guam and the CNMI produces single numbers for these jurisdictions.<sup>41</sup> In Hawaii, use of the ACS would provide an estimated total based on a sample with calculated level of precision.
- **Use of data from different time periods.** The preliminary approach would use data from April 1, 2010 for Guam and the CNMI and from multiple ACS monthly samples at different points in time for Hawaii.
- **Limited comparability with prior data.** The change in enumeration method for Guam and CNMI would limit the comparability of the 2008 and 2013 enumerations.
- **Limited collection of demographic data.** Detailed demographic data could be produced for compact migrants in Guam and CNMI, because the 2010 decennial census in those locations collected such data. However, as in 2008, demographic data from the ACS in Hawaii could lack statistical reliability because of the small number of migrants included in the ACS sample.

In addition, the 2010 census and the ACS may provide different coverage of the compact migrant populations. The 2010 census collection followed a widespread campaign by Census and community groups to encourage

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<sup>41</sup>As it is a full census and not a sample, there is no sampling error in the 2010 census. However, the census for Guam and CNMI, like any census, may not reach all persons and therefore the reported results might be an undercount.

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participation, while the ACS collection efforts are not accompanied by this level of outreach.<sup>42</sup>

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## Estimates of Rising Compact Impact Costs Have Weaknesses, and Guidance on Impact Reporting Is Lacking

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### Guam and Hawaii Report Rising 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.<sup>43</sup> During that period, Guam's reported costs increased by nearly 111 percent, and Hawaii's costs increased by approximately 108 percent. The CNMI's reported costs decreased by approximately 53 percent, reflecting the decline in the CNMI compact migrant population.

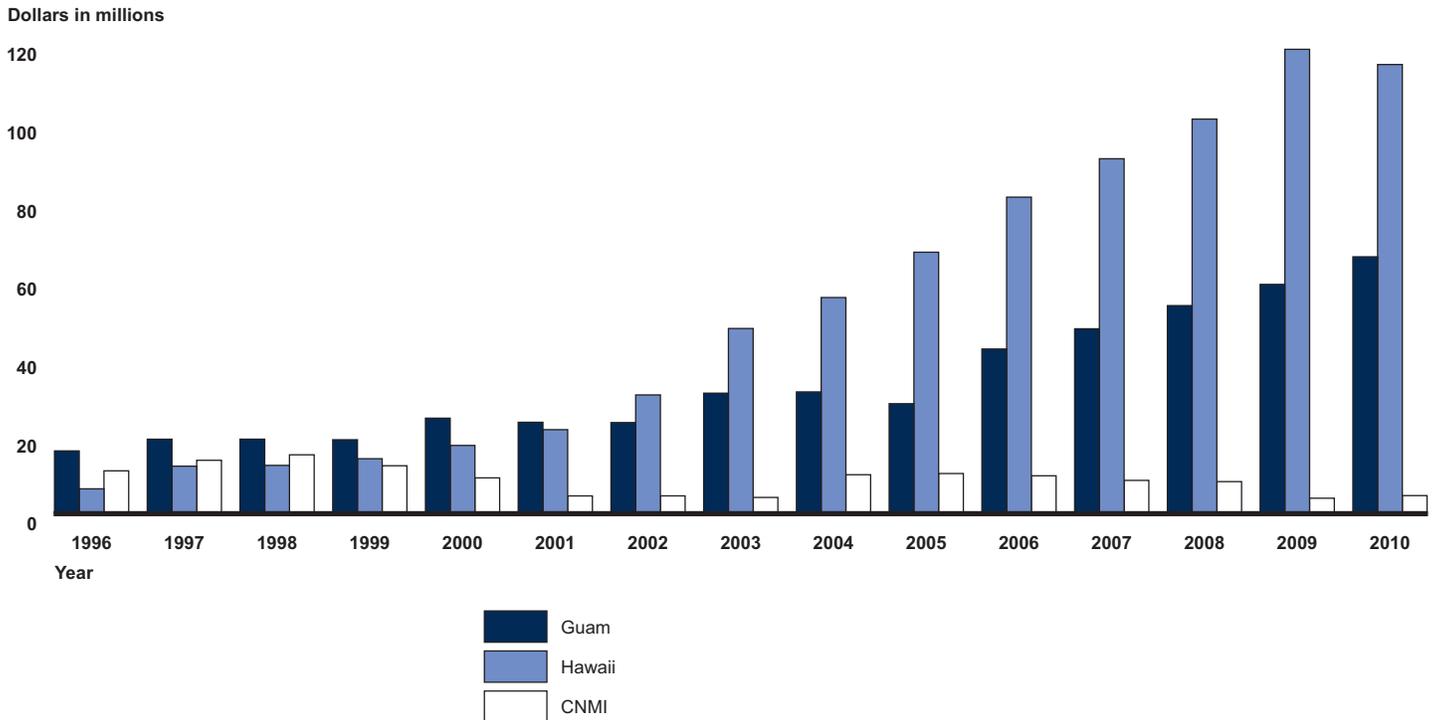
Figure 5 shows compact impact costs reported by the affected jurisdictions for 1996 through 2010. For more details, see appendix VI.

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<sup>42</sup>For example, for the 2010 decennial census, Census posted documents in the languages of the Marshall Islands and Chuuk state, the most populous state in the FSM.

<sup>43</sup>For 1986 through 2003, affected jurisdictions reported total compact impact costs of approximately \$540 million to \$568 million (unadjusted for inflation).

**Figure 5: 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. From 1996 through 2003, Guam reported total costs of \$175.3 million, Hawaii \$162 million, and the CNMI \$74.7 million. The reported costs are in nominal dollars, unadjusted for inflation.

The affected jurisdictions reported impact costs for educational, 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.)

**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	<b>\$517,569,475</b>
Health services	\$65,374,486	\$237,888,693	\$10,700,277	<b>\$313,963,456</b>
Public safety services	\$55,561,983	\$7,641,537	\$17,862,038	<b>\$81,065,558</b>
Social services	\$4,532,431	\$92,159,026	\$1,527,730	<b>\$98,219,187</b>
<b>Total</b>	<b>\$326,549,292</b>	<b>\$628,752,280</b>	<b>\$55,516,104</b>	<b>\$1,010,817,676</b>

Source: GAO analysis of affected jurisdictions' compact impact reports for 2004 through 2010.  
 Note: The reported costs are in nominal dollars, unadjusted for inflation.

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Our analysis of data in affected jurisdictions' impact reports for 2004 through 2010 found that, reflecting the growing numbers of compact migrants, annual costs for educational services across all jurisdictions increased from approximately \$46 million to \$89 million, or by 93 percent. Annual costs for health services across all jurisdictions increased from approximately \$33 million to \$54 million, or by 66 percent.

The affected jurisdictions' impact reports, numerous studies, federal and state officials, and officials from affected jurisdictions have identified several other factors, in addition to growing migrant populations, that contribute to the cost of providing public services to compact migrants.<sup>44</sup>

- *Educational services.* Compact migrant school children generally lag academically owing to (1) poor-quality schools in the FAS; (2) limited language skills and experience with a school environment; and (3) difficulties in involving parents in their children's education, due to language barriers.<sup>45</sup> Various officials from affected jurisdictions, Interior, and service providers said these factors increase the resources required to provide educational services to compact migrants relative to other students.<sup>46</sup>
- *Health services.* FAS citizens have high rates of obesity; diabetes; hypertension; cardiovascular disease; and communicable diseases such as tuberculosis, Hansen's disease, and sexually transmitted

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<sup>44</sup>When noting these concerns affecting compact migrants, various officials noted that the concerns are similar to those faced by other newly arriving populations.

<sup>45</sup>Data from the 2003 Surveys of Micronesian Migrants estimated that less than 54 percent of compact migrants graduated from high school and that less than 4 percent of compact migrants graduated from college. Migrants from Palau generally had higher educational attainment than migrants from the FSM and the Marshall Islands.

<sup>46</sup>In March 2011, Representative Bordallo of Guam introduced H.R. 888, a bill that would amend the Impact Aid program of the Elementary and Secondary Education Act of 1965 to compensate local educational agencies for educating children who were admitted into the United States as citizens of one of the FAS. Currently such impact aid provides financial assistance to local educational agencies that educate children who, among others, reside on Indian lands or have a parent on active military duty.

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diseases.<sup>47</sup> The Department of the Interior's Inspector General has reported on inadequate health care systems in the FAS, which can lead to the prevalence of these health issues among FAS citizens. These health factors also lead some FAS citizens to migrate in order to gain access to the U.S. health care system. In U.S. areas, compact migrants' low household incomes may lead many migrants to rely on public health services.<sup>48</sup>

- *Social services.* Like many other migrant populations, compact migrants often face challenges related to homelessness, reliance on public housing, and crowded living conditions.

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### Compact Migrants Are Ineligible for Several Federal Programs

Various officials in Guam and Hawaii also 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. Table 2 shows compact migrants' eligibility status for selected federal benefit programs.

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<sup>47</sup>For studies of health issues affecting FAS citizens see, for example, Asian and Pacific Islander American Health Forum, *Native Hawaiian and Pacific Islander Health Disparities* (2010), available at <http://www.apiahf.org/resources/>; and Ann M. Pobutsky, Lee Buenconsejo-Lum, Catherine Chow, Neal Palafox, Gregory G. Maskarinec, "Micronesian Migrants in Hawaii: Health Issues and Culturally Appropriate, Community-Based Solutions," *Californian Journal of Health Promotion*, vol. 3, no. 4 (2005): 59-72.

<sup>48</sup>Data from the 2003 Surveys of Micronesian Migrants in the CNMI, Guam, and Hawaii estimated that compact migrants' per capita incomes were less than \$5,700 and had poverty rates above 43 percent.

**Table 2: Eligibility Status of Compact Migrants for Selected Federal Benefit Programs**

<b>Program</b>	<b>Federal eligibility status<sup>a</sup></b>
Social Security Old Age, Survivors, and Disability Insurance	Eligible <sup>b</sup>
Social Security Supplemental Security Income (SSI)	Generally ineligible <sup>c</sup>
Medicaid	Generally ineligible <sup>d</sup>
Emergency Medicaid	Eligible
Medicare	Eligible <sup>b</sup>
Children’s Health Insurance Program (CHIP)	Generally ineligible <sup>d,e</sup>
Temporary Assistance for Needy Families (TANF)	Ineligible
Supplemental Nutrition Assistance Program (SNAP)	Ineligible
School Lunch Programs	Eligible
Section 8 Housing Federal Rent Subsidies for Eligible Families	Eligible

Source: GAO analysis of federal benefits program laws and regulations.

Note: This information applies to compact migrants who are not U.S. citizens.

<sup>a</sup>Eligibility status shown is based solely on compact migrant status. Compact migrants may be eligible for some benefits for other reasons, such as membership in the military.

<sup>b</sup>Eligibility is based on work history.

<sup>c</sup>A compact migrant is eligible for SSI benefits if he or she was receiving such benefits on August 22, 1996.

<sup>d</sup>The Children’s Health Insurance Program Reauthorization Act of 2009 (CHIPRA), Pub. L. No. 111-3, permits states to cover certain children and pregnant women in both Medicaid and the Children’s Health Insurance Program (CHIP) who are “lawfully residing in the United States”—a definition that includes compact migrants.

<sup>e</sup>States may also choose to extend CHIP eligibility to unborn children and provide prenatal care and delivery. See 67 Fed. Reg. 61956 (Oct. 2, 2002).

In some cases, affected jurisdictions have provided services for compact migrants at local expense that are similar to those available to U.S. citizens. For example, Guam, Hawaii and the CNMI provide funding for medical services that, prior to 1996, were available through Medicaid to

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low-income non-U.S. citizen compact migrants.<sup>49</sup> U.S.-born children of compact migrants are eligible as citizens for the benefits available to them as U.S. citizens.

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## Compact Impact Estimates Have a Number of Weaknesses

We identified a number of weaknesses in affected jurisdictions' reporting of compact impacts to Interior from 2004 through 2010 related to accuracy, adequacy of documentation, and comprehensiveness.<sup>50</sup> Examples of such weaknesses include the following (see appendix VI for more details).

### Accuracy

- **Definition of compact migrants.** For several impact reports that we examined, the reporting local government agencies (state and territorial agencies in the affected jurisdictions) did not define compact migrants according to the criteria in the amended compacts enabling legislation when calculating service costs.<sup>51</sup> For instance, some

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<sup>49</sup>When 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. 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). In September 2009, Hawaii stopped providing nonpregnant adult compact migrants with benefits equivalent to the state's Medicaid coverage plan and transferred them to a new program known as Basic Health Hawaii, which provided less coverage. The resulting litigation prompted a temporary injunction blocking implementation of Basic Health Hawaii and a return to compact migrant eligibility for Medicaid-like benefits. At the time of our review, the case was still under litigation. In March 2011, Representative Hirono of Hawaii introduced H.R. 1035, a bill that would amend title IV of PRWORA to permit Medicaid coverage for FAS citizens. In August 2011, Senator Akaka of Hawaii introduced S.1504, which would also restore Medicaid eligibility for FAS citizens.

<sup>50</sup>For a description of our methodology in examining the compact impact reports, see appendix I. For a discussion of recommended cost estimation practices, see 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.

<sup>51</sup>The amended compacts' enabling legislation Sec 104 (e)(2)(B), states that a qualified nonimmigrant means a person, or their children under the age of 18, admitted or resident pursuant to section 141 of the compacts who, as of a date referenced in the most recently published enumeration, is a resident of an affected jurisdiction. Thus qualified nonimmigrants would refer to compact migrants, as the term is used in this report, who are residents of an affected jurisdiction.

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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.<sup>52</sup>

- **Federal funding.** States and territories receive federal funding for specific programs that offsets a portion of the costs of providing services to compact migrants. However, two of the three affected jurisdictions' public school systems and health agencies did not account for these offsets in their impact reporting, thus overstating reported compact impact costs.
- **Revenue.** Multiple local government agencies that receive revenues, such as user fees, associated with services provided to compact migrants did not consider them in their compact impact reports, thus overstating reported costs.
- **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 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.
- **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. Hawaii reported in 2008 that several costly diseases are overrepresented within the compact migrant population. Using the average cost may either overstate or understate the true cost of

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<sup>52</sup>In 2003, Interior's survey estimated that 28 percent of compact migrants were born in the affected jurisdiction in which they lived.

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service provision.<sup>53</sup> In some cases—for example, the provision of health services—the service cost for each compact migrant could be determined. However, a number of agencies apply a range of approaches, such as using the simple average cost (e.g., cost per student) or factoring in higher costs if additional or more costly services are used.

- **Discretionary costs.** Some compact impact costs local government agencies reported were for benefits or services provided at the discretion of the affected jurisdiction.
- **Data reliability.** One local government agency used data on compact migrants that were found to be in error in a subsequent compilation of their impact reporting and caused an overstatement of total costs in its impact reporting.

Documentation adequacy

A number of local government agencies did not disclose their methodology, including any assumptions, definitions, and other key elements, for developing impact costs making it difficult to evaluate reported costs.

Comprehensiveness

For those years when the affected jurisdictions submitted impact reports to Interior, not all local government agencies in the jurisdictions included all compact impact costs for those years. Between the affected jurisdictions the scope of reporting differed, with one jurisdiction not reporting cost related to police services.

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<sup>53</sup>A 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).

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

Guidelines that Interior developed in 1994 for compact impact reporting for Guam and the CNMI 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,<sup>54</sup> 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 was in possession of the guidelines, said that the bureau attempts to adhere to them when preparing compact impact cost estimates. The bureau does not provide these guidelines in its annual letter to the agencies when requesting compact impact costs since the agencies do not submit their reports for Interior directly. The bureau said it applies the guidelines to the data it receives from the agencies prior to submitting the final report to Interior. However, we found some cases where the bureau and local Guam agencies did not follow the guidelines.

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## Interior's Reporting of Compact Impacts to Congress Has Been Limited

Interior's reporting to Congress on compact impacts reported by the affected jurisdictions has been limited. The amended compacts' enabling legislation requires Interior, if it receives compact impact comments from the Governor of an affected jurisdiction by February 1, to submit a report with specific required elements on compact impact to Congress no later than May 1 of that year.<sup>55</sup> As of August 2011, Interior had submitted one required report to Congress in 2010 but had not submitted any reports in

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<sup>54</sup>U.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).

<sup>55</sup>The amended compacts' enabling legislation requires that Interior's impact reports include, among other elements (1) the governor's comments on the impacts of the compacts, (2) the administration's analysis of such impacts, and (3) the administration views on any recommendations for corrective action proposed by the governors to eliminate compact impact.

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2004 through 2009, although at least one affected jurisdiction had reported compact impacts to Interior in each of those years.<sup>56</sup> Although Interior officials stated they were preparing their 2011 congressional report, as of August 2011 it had not been submitted.

Interior's 2010 report did not address all elements required by the amended compacts' enabling legislation:

- Interior's report lacked information from the Guam and Hawaii governors' compact impact reports regarding increasing compact migrant costs, the types of services being used, and the associated costs for each local government agency. Interior's report did not analyze the impact cost information provided by the two governments. However, Interior noted that the affected jurisdictions' compact impact reports do not calculate compact migrants' contributions.
- Interior's report did not state its views on recommendations for corrective action, such as Hawaii's suggestion to authorize compact migrant eligibility for all federal assistance programs to reduce impact. However, Interior relayed requests from the governors of Guam and Hawaii for additional funds and provided a summary of Interior's compact impact funding provided to Guam and Hawaii.

In August 2011, Interior reminded affected jurisdictions of their option to submit annual compact impact reports and identified a point of contact at Interior to which the reports may be submitted. Interior also noted that it is currently developing a process to ensure timely submissions to Congress.

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## Data Quantifying Compact Migrant Participation in Local Economies Are Limited

Compact migrants participate in local economies through their participation in the labor 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

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<sup>56</sup>Guam submitted impact reports annually to Interior from 2004 to 2010, and Hawaii submitted impact reports in 2004, 2007, 2008, and 2011. The CNMI submitted impact reports as part of its compact impact grant proposals annually from 2004 to 2010; however, Interior officials said that they did not recognize the analysis in the CNMI's grant proposals as compact impact reporting.

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tax revenues, local consumption, or remittances are not available or sufficiently reliable to quantify their effects.

## Labor Market

According to data from the 2003 Surveys of Micronesian Migrants, the majority of compact migrants participated in CNMI's and Guam's labor force and over 40 percent participated in Hawaii's labor force.<sup>57</sup> However, compact migrants generally participate in the labor force at lower rates than the general population. The 2003 data also showed that compact migrants from the Marshall Islands generally had lower labor force participation rates than compact migrants from the FSM and Palau.

Compact migrant workers generally work in low-skilled occupations.<sup>58</sup> According to data from the 2003 survey, the majority of compact migrant workers work in the private sector as (1) operators, fabricators, and laborers; (2) service workers; and (3) technical, sales, and administrative support. Guam and Hawaii do not have more recent data on compact migrant workforce participation, but CNMI Department of Finance data show that, on average, compact migrants comprised 2.3 percent of the CNMI workforce from 2004 through 2009 and had income 14 percent higher than other workers.<sup>59</sup> Persons born in the FAS may also serve in the U.S. armed services and, as of August 2011, 381 were serving on active duty.<sup>60</sup>

## Taxes

Compact migrants participate in local economies through taxation, but reliable data quantifying their effect are not available. Guam and Hawaii do not collect data on the ethnicity of taxpayers or other information that could be used to disaggregate the taxes paid by compact migrants from

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<sup>57</sup>Michael Levin, *The Status of Micronesian Migrants in the Early 21st Century: A Second Study of the Impact of the Compacts of Free Association Based on Censuses of Micronesian Migrants to Hawaii, Guam, and the Commonwealth of the Northern Mariana Islands* (manuscript, 2008 ). The labor force participation rate is defined as those people in the labor force divided by the total population aged 16 and older. The labor force includes all people classified in the civilian labor force (employed or unemployed).

<sup>58</sup>We did not assess the impact of the presence of compact migrants in the labor market on the wages and employment of other labor force participants.

<sup>59</sup>Analysis conducted using the CNMI Department of Finance's data assumed that all CNMI residents from the FAS were compact migrants.

<sup>60</sup>According to data from the U.S. Department of Defense, as of August 2011, 300 persons born in the FSM, 65 in Palau, and 16 in the Marshall Islands serve in active duty in the U.S. Armed Forces. Additional persons born in the FAS serve in the reserve and the National Guard.

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overall receipts.<sup>61</sup> However, for Guam, our estimates show that compact migrant workers paid \$971 less (68 percent less) per capita in taxes than other workers in 2009.<sup>62</sup> Approximately 60 percent of this difference results from compact migrant workers' being much less likely to be employed in Guam's higher paying public sector. The remaining difference results from the higher number of exemptions that compact migrant workers could claim, on average, for family members when filing taxes.<sup>63</sup> Alone among affected jurisdictions, the CNMI collects data on citizenship that could be used to identify the taxes paid by compact migrants. However, the data provided by the CNMI include only the amount of taxes withheld and not the amount ultimately paid. These data may overestimate the amount of taxes paid, since a portion of taxes withheld may be returned to the taxpayer.

## Consumption and Remittances

Compact migrants contribute to the local economy by consuming local goods and services and by spending remittances that they receive from their home islands in affected jurisdictions. Their total consumption and economic effect may be reduced if they remit some of their income to their home islands. Data from 1998 suggest that compact migrants generally consume less of their income than does the general population; however, since that time, no data quantifying consumption by compact migrants has been published.<sup>64</sup> Compact migrants we met with confirmed that they send remittances to their home islands; however, estimates and

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<sup>61</sup>Compact migrants paying income tax may qualify for the Earned Income Tax Credit and therefore have a negative effect on government revenues.

<sup>62</sup>See appendix I for a discussion of the assumptions made in this estimation.

<sup>63</sup>Our analysis of data on population counts and counts of compact migrants shows that in 2009, compact migrant workers could claim, on average, 3.9 exemptions and nonmigrant workers 2.8 exemptions.

<sup>64</sup>Data for compact migrants are from the 1998 surveys of Micronesian migrants, and data for the general population are the average annual expenditures for households in Honolulu in 1998 from the Bureau of Labor Statistics' Consumer Expenditure Survey.

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methodologies for remittances have many limitations and vary significantly across sources, calling their reliability into question.<sup>65</sup>

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## Interior Grants Only Partially Address Compact Impact

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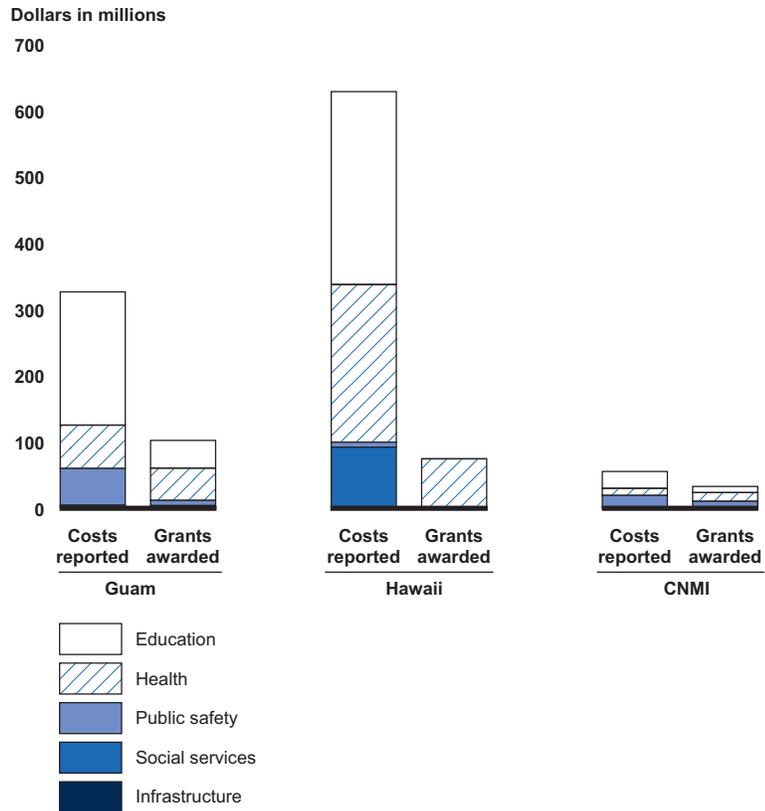
### Compact Impact Grants Have Addressed Some Reported Costs

From fiscal years 2004 through 2010, the \$30 million in annual compact impact grants, which Interior has awarded in accordance with the enumerations of compact migrants, have addressed a portion of each jurisdiction's reported impact costs. Of the \$210 million in impact grants, approximately \$102 million was provided to Guam, \$75 million to Hawaii, and \$33 million to the CNMI (see fig. 6). In their compact impact reports to Interior, the governors of Guam and Hawaii have highlighted the gaps between their reported impact costs and the amounts of the compact impact grants, requesting that the federal government provide additional support.

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<sup>65</sup>Estimates for total remittances sent from the U.S. areas to the FSM, the Marshall Islands, and Palau range from \$1.96 million (based on 1998 Micronesians surveys in Guam, the CNMI, and Hawaii. See Elizabeth Grieco, *The Remittance Behavior of Immigrant Households: Micronesians in Hawaii and Guam* (2003) for a more detailed analysis of this data) to \$71 million (an estimate provided by Manuel Orozco, a Senior Associate at the Inter-American Dialogue who focuses on estimating remittances, see the methodology in Manuel Orozco, *Estimating Global Remittance Flows: A Methodology*, available at [www.ifad.org/remittances/maps/methodology.pdf](http://www.ifad.org/remittances/maps/methodology.pdf)). For a description of the challenges associated with accurately estimating remittances, see GAO, *International Remittances: Different Estimation Methodologies Produce Different Results*, GAO-06-210 (Washington, D.C.: Mar. 28, 2006).

**Figure 6: Comparison of Compact Impact Costs Reported by Affected Jurisdictions and Compact Impact Grants Awarded by Interior, 2004-2010**



Source: GAO analysis of affected jurisdictions' compact impact costs reported and Interior's compact impact grants awarded.

Notes: Reported costs and grant amounts are nominal, unadjusted for inflation.

Limitations in affected jurisdictions' reported compact impact cost data affect the accuracy of affected jurisdictions reported costs as noted elsewhere in this report.

## Most Compact Impact Grants Have Supported Affected Jurisdictions' Budgets, Projects, and Purchases

Interior has approved affected jurisdictions' applications for compact impact grants to be used for general support of local budgets, projects, and for specific departmental purchases in the areas of health, education, public safety, and social services.

- **Guam.** The largest annual compact impact grants to Guam in fiscal years 2005 through 2010 supported public school construction and

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maintenance.<sup>66</sup> 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.

- **Hawaii.** 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.
- **CNMI.** 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.

See appendix VII for a description of Interior's grant reviews and a list of compact impact grants to the affected jurisdictions from fiscal years 2004 to 2011.<sup>67</sup>

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### Government Officials, Service Providers, and Compact Migrants Suggested Approaches to Directly Address Challenges Related to Compact Migration

Compact migrants confront complex challenges related to the compact migrants' unfamiliarity with local language and culture, limited job skills, and difficulty in accessing available services, according to various government officials, services providers, and compact migrants. Compact impact grants are generally not used to directly target these complex challenges. However, a report by the Hawaii Compacts of Free Association Taskforce released in 2008 recommended a review of the allocation and use of compact grants that the state received from Interior to determine whether there is a way to spend compact impact grants that

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<sup>66</sup>Through its school leaseback program, Guam contracted with a private company to design, construct, and maintain four schools, which it currently leases from the company for \$7.1 million annually.

<sup>67</sup>While the appendix contains information on grants available through fiscal year 2011, we are using compact impact grant award data from 2004 to 2010 to maintain comparability with the time frame of the available reported compact impact costs from affected jurisdictions. In addition, from 1992 through 2003, Guam received approximately \$53 million, Hawaii \$7 million, and the CNMI \$6.6 million from funds appropriated to Interior for grants to address compact impact.

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would have a more effective long-term impact.<sup>68</sup> Officials, providers, and migrants identified the following needs:

**Language and cultural assistance.** Guam education, health, and social service officials reported, among other challenging cultural gaps facing arriving migrants, the need for interpreters to assist patients and families. Hawaii health providers noted that language and cultural barriers compromise care delivery. In addition, the Hawaii Taskforce report identified a need to develop translation and interpreter resources. A number of compact migrants in Guam and Hawaii identified language and cultural issues as a source of difficulty in using government services and identified a need for translators and language tutors.

**Job training.** The Governor of Guam noted that FSM migrants in Guam face challenges due to their lack of job skills and education. Various members of the compact migrant community in Hawaii also cited lack of job skills as a challenge and said that job training is needed to help migrants gain employment.

**Access to basic services.** Hawaii officials identified lack of coordination of services as a challenge. Various FAS officials noted that their citizens are at times frustrated in their attempts to obtain basic documents such as social security numbers and driver's licenses from officials who are unaware of the compact provisions for compact migrants. In addition, several compact migrants in Hawaii noted that compact migrants are often unaware of available benefits.<sup>69</sup>

To more directly address these needs, various government officials, service providers, and compact migrants suggested the establishment of centers offering multiple services to migrants.

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<sup>68</sup>State of Hawaii, Department of the Attorney General, *Final Report of the Compacts of Free Association Taskforce, Pursuant To Senate Resolution No. 142, S.D. 1 Regular Session Of 2007, Submitted To The Twenty-Fifth State Legislature Regular Session of 2009*, available at <http://archives.pireport.org/archive/2009/November/cofa.pdf>.

<sup>69</sup>In 2008, community groups in Hawaii worked with state agencies to produce a resource guide for migrants. Hawaii Parent Information Resource Center, *Voyaging Together To A New Life: A Handbook for Newcomers to Hawaii*, available at <http://www.hawaiiipirc.org/handbook/index.html>.

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- In Guam, the Center for Micronesian Empowerment provides culture, language, and job skills training, as well as help in finding employment, to both arriving and resident compact migrants.<sup>70</sup> According to one of the center’s founders, the language and cultural training has reduced employee attrition in companies that hire the trainees, and migrants who receive job skills training are almost guaranteed to find employment. Guam officials also noted that Interior grants had previously funded another resource center for FAS citizens that supported migrant efforts to assimilate and provided outreach and services to newly arriving migrants.<sup>71</sup>
  - The Hawaii Taskforce report recommended the establishment of multipurpose cultural outreach service centers or mobile service delivery centers, among other options, to standardize service delivery processes and promote accessibility.
  - A senior official at the Hawaii State Department of Health advocated a “one-stop” service center approach for migrants with medical and other government services, with staff who can assist with language and cultural issues. Kokua Kalihi Valley, a community nonprofit in Hawaii, includes elements of such an approach, providing health, social, and youth services, among others, to compact migrants.<sup>72</sup>
  - Several compact migrants in Hawaii suggested the establishment of a community center to help people adjust and acclimate—for example, by teaching them how to work with schools and access services.

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<sup>70</sup>The Center for Micronesian Empowerment is a nonprofit supported by private sector donations and three of four states of the FSM who use supplemental education grants funds provided by the United States through the compact to assist their citizens living in Guam.

<sup>71</sup>In 1991, the government of Guam requested funding for a compact impact public information and education program to assist newly arriving FAS citizens. In fiscal year 2010, Interior used a \$85,200 technical assistance grant to fund a video that seeks to prepare Marshallese migrants for assimilation to the United States.

<sup>72</sup>Kokua Kalihi Valley receives federal, state, and private funding.

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## Sector Grants to the FSM and the Marshall Islands Indirectly Address Compact Impact

Sector grants awarded in fiscal years 2004 through 2010 may have helped mitigate compact impact by supporting the health and education sectors and, in some instances, directly targeted issues related to compact impact in the affected jurisdictions. In 2001, we reported that targeting assistance to the health and education sectors in the FSM and the Marshall Islands might lessen compact migration and its impact in the affected jurisdictions.<sup>73</sup> For example, better education systems in the FSM and the Marshall Islands might reduce the motivation to migrate and enable those who do migrate to better succeed in U.S. schools. Also, targeting health spending where health services are limited might reduce the number of citizens who travel to the United States seeking medical care. Further, programs aimed at improving the health status of FAS citizens might reduce the impact of migrating citizens on the U.S. health care system.

Under the amended compacts, the U.S.-Micronesia and U.S.-Marshall Islands joint management committees, chaired by Interior, annually review and approve sector grants that allocate funds primarily for education, health, and infrastructure. The amended compacts and related agreements outline the joint management committees' responsibilities as including allocating sector grants and recommending ways to increase the effectiveness of sector grant assistance. Based on the joint management committees' annual approval of sector grants, Interior has made available approximately \$808 million in sector grant funds in fiscal years 2004 through 2010.<sup>74</sup> (See table 3 for sector grant allocations approved for fiscal year 2011.)

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<sup>73</sup>[GAO-02-40](#).

<sup>74</sup>Interior made available approximately \$557 million to the FSM and \$250 million to the Marshall Islands from 2004 to 2010. In fiscal years 2011 and 2012, Interior made available approximately \$80.7 million and \$81.3 million to the FSM, respectively. Interior also made available approximately \$35.5 million to the Marshall Islands for 2011 and again in 2012. Sector grant funds made available in a fiscal year may be awarded in a later fiscal year.

**Table 3: Sector Grant Awards in the FSM and the Marshall Islands, Fiscal Year 2011**

<b>Sectors</b>	<b>FSM</b>	<b>Marshall Islands</b>
Education	\$28,376,673	\$11,839,151
Health	\$21,003,759	\$6,834,858
Infrastructure	\$19,469,685	\$11,696,314
Other	\$7,052,448	\$5,800,115
<b>Total</b>	<b>\$75,902,565</b>	<b>\$36,170,438</b>

Source: U.S. Department of the Interior, Office of Insular Affairs.

In allocating sector grants for fiscal years 2004 through 2010, the joint management committees did not formally address the needs of compact migrants or their impact on U.S. states and territories, according to Interior officials. In 2011, the committees formally placed compact impact on their annual meeting agendas; however, as of September 2011 they had not allocated 2012 sector grant funding to directly address issues that concern the compact migrants or the affected jurisdictions.

The amended compacts indicate that the sector grants are to be used for sectors such as education, health care, the environment, public sector capacity building, and private sector development in the FSM and Marshall Islands but may be used for other sectors as mutually agreed, with priorities in the education and health care sectors. We found some examples of grants that directly address compact migrants' needs in affected jurisdictions and thus respond to some of the affected jurisdictions' concerns.

- For fiscal years 2010 and 2011, three of the four states of the FSM agreed to use a total of approximately \$842,000 of supplemental education grants to fund the Center for Micronesian Empowerment, which assists Micronesians in Guam with language and culture training, developing job skills, and finding employment.
- For fiscal years 2009 and 2010, Interior awarded approximately \$3.4 million in health sector grants to the FSM and the Marshall Islands to address an outbreak of multidrug-resistant tuberculosis—a public health concern and a costly communicable disease that has occurred among migrants in the affected jurisdictions.

During our visits to the affected jurisdictions in February 2011, the Governor of Guam identified a need to use sector grants in the FSM to improve education and health services to reduce compact impact in

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Guam, noting that he and the President of the FSM had discussed ways to work together to improve assimilation of migrants from the FSM in Guam. FSM migrants in Guam identified a need for cultural education and job training at home before citizens migrate to the United States. In Hawaii, officials identified the need to address health and social issues in the FSM and the Marshall Islands to better prepare FAS citizens considering migration and reduce the need for migrants to seek health and social services in Hawaii. In addition, compact migrants in Hawaii suggested that U.S. grant funds currently going to the FSM and the Marshall Islands be used to establish a compact migrants' cultural center in Hawaii.

In May 2011, Members of Congress wrote to Interior and the Department of State asking that a portion of sector grants be used to fund a program to prepare FAS citizens for migration and to establish and operate dialysis treatment facilities in the FSM and the Marshall Islands so that patients will not seek treatment in the United States. In their annual meetings held in August and September of 2011, both joint management committees formally placed compact impact and fiscal year 2012 sector grants on their agendas, but neither committee allocated sector grants that directly address compact migration.

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## Conclusions

Although the compact migrant population represents a tiny fraction of migrants in the United States, the population can have significant impacts on the U.S. communities where they reside. To help defray costs of providing services to compact migrants, Congress has appropriated compact impact funds that Interior allocates to the affected jurisdictions in proportion to the required periodic enumerations of compact migrants. However, developing a cost-effective enumeration approach that is fair, is accepted as credible by affected jurisdictions, and produces additional demographic data remains a challenge. Thorough consideration of the strengths, limitations, and costs of the preliminary approach for the 2013 enumeration, as well as the concerns of affected jurisdictions, would enhance Interior's ability to select a credible and reliable approach.

Although the affected jurisdictions have reported rising costs of addressing compact migrants' needs for health, education, and social services, the jurisdictions' estimates of these costs have weaknesses that affect their reliability. Moreover, Interior's 1994 guidelines for reporting compact impact do not address certain concepts, such as defining compact migrants and calculating revenues, that are essential for reliable estimates of impact costs. Providing more rigorous guidelines to the

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affected jurisdictions that address concepts essential to producing reliable impact estimates and promoting their use for compact impact reports would increase the likelihood that Interior can provide reliable information on compact impacts to Congress.

Interior's compact impact grants have generally been used for affected jurisdictions' budget support, projects, and purchases in the areas of education, health, and public safety. Meanwhile, government officials, service providers, and compact migrants noted the complex challenges confronting both service providers and migrants and suggested approaches to directly address these challenges. For example, centers offering multiple services could address migrants' needs for basic services as well as facilitate provision of services and improve migrants' access. One affected jurisdiction also noted the need to review the allocation and uses of the grants to determine whether they could be spent in a way that would increase their long-term effectiveness. Given that compact impact grants only partially offset the affected jurisdictions' reported rising impact costs, Interior working with the affected jurisdictions to identify alternative uses of the grants could more effectively address compact impact.

Available data suggest that about 56,000 citizens of the FSM, the Marshall Islands, and Palau—nearly a quarter of all FAS citizens—reside in the United States and its territories under provisions of the U.S. compacts with those countries. In Guam and Hawaii, officials have advocated the use of sector grants to reduce the impact of compact migration by improving education, health, and social services in the FSM and the Marshall Islands, and compact migrants cited the need for assistance in adapting to life after migration. The joint U.S. - FSM and U.S. - Marshall Islands committees' allocations of sector grants since 2003 have supported the health and education sectors in the FSM and the Marshall Islands and may indirectly help to mitigate compact impact in the affected jurisdictions. The committees have included compact impact on their recent agendas; however, they have not yet considered potential uses of the grants to directly address the issues that concern compact migrants or the affected jurisdictions.

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## Recommendations for Executive Action

We recommend that the Secretary of the Interior take the following four actions:

- In order to select the most appropriate approach for its next enumeration of compact migrants, fully consider the strengths and

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limitations of its preliminary approach for 2013, weighing the cost of the approach with the need for data that will be fair as well as useful to the affected jurisdictions.

- In order to strengthen its ability to collect, evaluate, and transmit reliable information to Congress, disseminate guidelines to the affected jurisdictions that adequately address concepts essential to producing reliable impact estimates, and call for the affected jurisdictions to apply these guidelines when developing compact impact reports.
- In order to promote the most effective use of compact impact grants, work with the affected jurisdictions to evaluate the current use of grant funds and consider alternative uses of these grants to reduce compact impact.
- In order to help mitigate compact impact and better assist FSM and Marshall Islands citizens who migrate to the United States, work with the U.S.-FSM and U.S.-Marshall Islands joint management committees to consider uses of sector grants that would address the concerns of FSM and Marshallese migrants and the affected jurisdictions.

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## Agency Comments and Our Evaluation

We provided a draft of this report to the Department of the Interior; the Department of State; the Census Bureau; and the governments of Guam, Hawaii, the CNMI, Arkansas, the FSM, Marshall Islands, and Palau for review. All except the Department of State provided written comments, which we have summarized below with our responses. See appendixes VIII through XVI for reproductions of the comments, along with our detailed responses.

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### Comments from U.S. Agencies

#### Department of the Interior

Interior generally agreed with our findings and the recommendations that it fully consider the strengths and limitations of enumeration approaches and that it disseminate guidelines on impact estimates.

However, Interior disagreed with our recommendation that it work with the affected jurisdictions to evaluate the use of compact impact grant funds and consider alternative uses. Interior stated that the amended compacts'

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enabling legislation authorizes broad uses of compact impact grants and that it has chosen to respect the funding priorities of the governors. Further, Interior stated that it did not believe that practical gains can be made by proposing alternatives. We believe Interior should not rule out the possibility of practical gains through a consideration of alternate uses of the grant funds. During our review, government officials and service providers suggested alternative uses of compact impact funding that may more directly address compact impact, such as measures to reduce certain health costs through the provision of preventive care. The governors of Guam and the CNMI agreed with this recommendation, and the governor of Hawaii noted that ideas to increase long-term capacity or efficiency of resources could be of great benefit to the affected jurisdictions. We retain our recommendation for Interior to work with governors to evaluate their current use of funds and to consider alternative uses.

Interior agreed with our recommendation that it work with the U.S.-FSM and U.S.-Marshall Islands joint management committees to consider uses of sector grants that would address the concerns of compact migrants and the affected jurisdictions, subject to the funds being used within the FAS. However, Interior stated that our draft report implied that compact sector grant funds should be shifted from providing assistance to the FAS governments to providing assistance to FAS citizens living in the affected jurisdictions, an action that Interior sees as inconsistent with the compacts and their enabling legislation. We agree with Interior that compact sector grants are to support the governments of the FSM and the Marshall Islands by providing grant assistance to be used in certain sectors such as education and health care, or for other sectors as mutually agreed. We expect that compact sector grant awards will be provided consistent with the terms of the compacts and the amended compacts' enabling legislation; we do not intend to imply that funds should be shifted from FAS governments to FAS migrants. In response to Interior's concern, we clarified that our findings and recommendation highlight the opportunity for the joint management committees to consider the use of sector grants to the FSM and Marshall Islands in ways that address the concerns of FAS citizens—whether they are in the FAS or in U.S. areas—and the concerns of the affected jurisdictions. The recommendation supports consideration of the use of sector grants in ways that respond to the concerns of FSM and Marshall Islands migrants and the affected jurisdictions.

Census Bureau

Census did not comment on our report's recommendations but offered a number of largely technical comments on our findings, which we have addressed as appropriate. Census disagreed with our assessment of the

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limitations of the 2008 enumeration methodologies. However, our findings indicate that the 2008 Guam and CNMI surveys are not comparable with the ACS estimates for Hawaii in terms of their sampling methods and reporting period. In addition, as our report notes, migration is continuing, and Hawaii ACS data does not include nearly a year of additional migration that may be captured in the Guam and CNMI totals. Regarding its varying estimates of compact migrants in Arkansas, Census stated that the different estimates are not based on the same criteria and therefore should not be compared. We agree that the surveys have different bases for identification, and we identify several reasons for these differences in appendix IV of the report. We have also noted Arkansas's and Hawaii's observations about the accuracy and reliability of the ACS data.

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## Comments from U.S. Areas

### Hawaii

The government of Hawaii generally agreed with our recommendations and made several related observations. In particular, in response to our recommendation that Interior disseminate guidelines to the affected jurisdictions for estimating compact impact, the government of Hawaii said it would be willing to consider using such guidelines if they do not create undue burdens. Regarding our recommendation that Interior work with the affected jurisdictions to evaluate current uses of compact impact grants and consider alternative uses, the government of Hawaii noted that it had always used compact impact assistance for direct services to compact migrants, and said it had done so efficiently and effectively. However, Hawaii noted that ideas to increase long-term capacity or efficiency, or proposals to strengthen support infrastructure, could be of future benefit. The government of Hawaii stated that a portion of the sector grants to the FAS might be more effectively used to provide services to their compact migrants and suggested that affected jurisdictions provide input on the use of sector grants.

### Guam

The government of Guam agreed in principle to the four recommendations in our report. Regarding the required enumerations of compact migrants, the government of Guam stated that Interior's decision not to use the enumerations to collect additional demographic data has resulted in the loss of valuable information. The government of Guam also welcomed legislative proposals for federal impact aid for education and restoration of Medicaid eligibility. Regarding our recommendation to consider uses of sector grants to address compact impact, the government of Guam cautioned that while such use may lessen impact

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on affected jurisdictions, diverting them from use within the FAS must be carefully weighed. The government of Guam also stated that the report does not discuss some options available in the amended compacts' enabling legislation to address compact impact, including: direct financial compensation to affected jurisdictions, nondiscriminatory limits on migration, and debt relief to offset previous costs. Our report notes the authorization of additional appropriations but does not address limits on migration. We added a note to the report to describe the debt relief provision but also note that it expired on February 28, 2005.

#### CNMI

The government of the CNMI generally agreed with our findings and recommendations and stated that Interior should consult with the CNMI on developing cost guidance based on Interior Inspector General, Office of Management and Budget, and GAO guidance. The government of the CNMI also recommended that Congress provide additional appropriations to redress the outstanding costs for services provided to compact migrants from past years to the present.

#### Arkansas

The government of Arkansas generally agreed with our findings but expressed serious reservations about the ACS data shown in figure 2 of our report. The government of Arkansas asked that figure 2 show Census's 2010 decennial census count based on race rather than the estimate of compact migrants based on ACS 2005-2009 data. We agree that there are differences between the counts and list some of the reasons for the differences in appendix IV. We have added additional text to the report body to present Arkansas's concerns and more thoroughly describe the differences between the data sources.

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### Comments from Freely Associated States

#### Federated States of Micronesia

The government of the FSM commented that weaknesses we identified in affected jurisdictions' impact cost reporting, combined with the lack of information on the positive contributions of compact migrants, leaves the net impact unknown. The FSM asked that the service of its citizens in the U.S. armed forces be recognized in our report. In response, we obtained information on the number of FAS-born persons on active duty in the armed forces and have included it in the report. Further, the FSM expressed concern that disagreements regarding the compact migrant enumerations will continue and requested that parties involved in the 2013 enumeration reach an agreement on the best approach.

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Republic of the  
Marshall Islands

The government of the Marshall Islands stated that a methodology should be developed to calculate net compact impact and requested that the contributions of Marshall Islands citizens in the U.S. armed forces be recognized in our report. The government of the Marshall Islands commented that it views the immigration privileges under the compact as a cornerstone of its free association with the United States and that any changes to them will lead to a deterioration in the relationship between the United States and the Marshall Islands. The government of the Marshall Islands also cited specific steps it has taken to address compact migrant impact, including establishing a task force working on and implementing a program to address communicable diseases, and producing a video for Marshallese that describes intending migrants' rights, duties, and responsibilities while living in the United States. Regarding the recommendation that Interior work with the U.S.-FSM and U.S.-Marshall Islands joint management committees to consider uses of sector grants, the government of the Marshall Islands stated that the amended compact provides only for uses of the grants in the Marshall Islands. We clarified some statements and our recommendation in response to this observation. The government of the Marshall Islands further stated that the amended compacts' enabling legislation authorized additional appropriations for grants to affected jurisdictions to offset impact and that it is the responsibility of Congress to compensate affected jurisdictions for any adverse impact.

Republic of Palau

The government of Palau generally agreed with our findings. Palau also emphasized that positive compact impact should be determined and asked that the contributions of Palau's citizens in the U.S. armed forces be recognized in our report. The government of Palau commented that our report does not adequately explore whether compact impact differs among FAS citizens. However, we found that not all local government agencies reported compact impact costs by FAS country, limiting our ability to perform such an analysis. Finally, the government of Palau stated that some persons who entered the United States after the date of the compacts may be lawfully present under authorities other than those of Section 141 of the compact and therefore would not count towards compact impact. We agree and have noted this in the report.

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We are sending copies of this report to the Secretary of the Interior, the Secretary of State, and the Director of the U.S. Census Bureau. In addition, this report will be available at no charge on GAO's Web site at <http://www.gao.gov>.

If you or your staffs have any questions about this report, please contact me at (202) 512-3149 or [gootnickd@gao.gov](mailto:gootnickd@gao.gov). Contact points for our offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix XVII.

A handwritten signature in black ink, appearing to read "David Gootnick". The signature is stylized with a large, looping initial "D" and a cursive "Gootnick".

David B. Gootnick, Director  
International Affairs & Trade

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*List of Requesters*

The Honorable Eni F.H. Faleomavaega  
Ranking Member  
Subcommittee on Asia and the Pacific  
Committee on Foreign Affairs  
House of Representatives

The Honorable Gregorio Kilili Camacho Sablan  
Ranking Member  
Subcommittee on Fisheries, Wildlife, Oceans, and Insular Affairs  
Committee on Natural Resources  
House of Representatives

The Honorable Daniel Akaka  
The Honorable Jeff Bingaman  
The Honorable John Boozman  
The Honorable Daniel Inouye  
United States Senate

The Honorable Madeleine Bordallo  
The Honorable Colleen Hanabusa  
The Honorable Mazie Hirono  
The Honorable Mike Ross  
House of Representatives

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# Appendix I: Scope and Methodology

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This report describes migration to U.S. areas from the Federated States of Micronesia (FSM), the Marshall Islands, and Palau under those countries' compacts of free association with the United States; reviews approaches to enumerating these compact migrants; evaluates reporting of these migrant's impact on Guam, Hawaii, and the Commonwealth of the Northern Mariana Islands (CNMI); and reviews Department of the Interior (Interior) grants related to compact migration. In addition, appendix II provides information on the growing Marshallese compact migrant population in Arkansas and its impact.

To describe compact migration to U.S. areas, we reviewed survey data from 1993 through 2010. As part of this review, to approximate the dispersion of compact migrants, we arranged with the U.S. Census Bureau (Census) to purchase a special tabulation of multiyear American Community Survey (ACS) data gathered from 2005 through 2009. These state estimates represent migrants if they are present in sufficient numbers to be reportable; state estimates are unreportable when fewer than 50 people respond in each category of cross-tabulated data. Census also applies statistical disclosure avoidance techniques to the tabulated data to protect respondent confidentiality, such as suppressing the number and location of compact migrants. The new tabulation mirrors the one used by Census to estimate the number of compact migrants in Hawaii in 2008 using ACS data. To determine the trend of migrants as a percentage of the populations of affected jurisdictions and identify reasons for migration, we reviewed our previous report on compact migrant impact<sup>1</sup> and analyzed the information presented in previous enumerations. To estimate the populations of affected jurisdictions, FSM, and the Marshall Islands in 2003 and 2008, we used the 1999 Marshall Islands census, an estimate from the Marshall Islands' embassy to the U.S. for the 2011 population, and 2000 and 2010 censuses for the FSM and the affected jurisdictions, assumed that the population changed at a constant rate, and interpolated the population counts for the years in between.<sup>2</sup> The 1993 and 1998 estimates of affected jurisdiction population are existing Census estimates.

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<sup>1</sup>[GAO-02-40](#).

<sup>2</sup>The current Marshall Islands population estimate was obtained from the Marshall Islands embassy website. Palau population estimates are from the United States Census Bureau international database.

To assess Interior and Census approaches to enumerating compact migrants in affected jurisdictions, we reviewed the requirement for the enumerations in the amended compacts' enabling legislation.<sup>3</sup> In addition, we interviewed Census and Interior officials and officials in affected jurisdictions who had contacted or worked with Census and Interior as they developed the 2003 and 2008 enumerations. We also reviewed affected jurisdictions' written critiques of the enumerations. We reviewed Office of Management and Budget (OMB) survey criteria,<sup>4</sup> and we compared the surveys to these criteria by reviewing the reported methodology of the 2003 survey and the supporting documents for the 2008 survey such as the enumerator's manual, Census's source and accuracy statement, and Census quality control review documents. We also conducted a literature review to identify existing studies of the uses and limitations of the various methods for enumerating populations such as compact migrants.

To compile the compact impact costs reported by the governments of Guam, Hawaii, and the CNMI, we used the most recent data that they submitted to Interior for 1986 through 2010, Interior's 2010 compact impact report to Congress, and data from our previous report.<sup>5</sup> We then categorized the reported costs using the categories that the amended compacts' enabling legislation defines as eligible for compact impact funding—education, health, public safety, and social services and infrastructure related to such services—to identify the main sources of compact impact reported by the affected jurisdictions. For additional context, we reviewed the narrative of the reports submitted by affected jurisdictions and interviewed compact migrants and officials in affected jurisdictions. To identify the eligibility of compact migrants for selected federal programs that may help address the compact impact on affected jurisdictions, we reviewed existing legislation and discussed our findings with officials from affected jurisdictions and subject matter experts.

To evaluate the affected jurisdictions' estimates of compact impact costs, we compared the costs that the affected jurisdictions had reported to

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<sup>3</sup>Pub. L. No. 108-188.

<sup>4</sup>OMB, *Questions and Answers When Designing Surveys for Information Collections* (Washington, D.C.: 2006) and *Standards and Guidelines for Statistical Surveys* (Washington, D.C.: 2006).

<sup>5</sup>[GAO-02-40](#).

Interior since 2004 with cost estimation criteria that we developed based on OMB guidelines<sup>6</sup> as well as our own guidance on cost-benefit analyses,<sup>7</sup> a previous report on costs associated with illegal alien schoolchildren,<sup>8</sup> and requirements in the amended compacts' enabling legislation. We identified the methodologies used by local government agencies in the affected jurisdictions to develop their compact impact costs and determined their limitations by reviewing the compact impact reports; interviewing officials from many of the reporting agencies in affected jurisdictions; and collecting information from the Guam and the CNMI's single audit reports. Using our cost criteria, we developed questions and circulated them to affected jurisdictions' reporting agencies, providing them an opportunity to further explain how they derived their estimates. Not all agencies responded to these questions; therefore, additional examples beyond the ones we have identified may exist. Table 8 includes Hawaii's most recent reported compact impact costs which were submitted to Interior in August 2011. However, our analysis of compact impact reporting does not include this information. Officials from Hawaii's Department of Human Services, Department of Health, and Department of Education said that their reporting methodologies had generally not changed since their last report, which was submitted in 2008 and which we included in our analysis. However, the Department of Education said that it excluded federal funds from its 2008 through 2011 compact impact costs and corrected its reporting error regarding the number of compact students for 2006 through 2008. In addition, the Department of Health said that the Tuberculosis Branch changed its methodology and the Family Health Services Division changed its presentation of the data to show excluded federal funds. To identify federal funding received by Guam and the CNMI for programs serving compact migrants, we analyzed single audit reports from 2005 through 2009 in the CNMI and from 2004 through 2008 in Guam.

To assess Interior's guidelines on compact impact reporting, we reviewed the requirements contained in the amended compacts' enabling legislation, and we identified and reviewed Interior's 1994 compact impact reporting guidelines and the Interior Office of Inspector General's 1993

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<sup>6</sup>OMB Circular No. A-94.

<sup>7</sup>[GAO-09-3SP](#).

<sup>8</sup>GAO, *Illegal Alien Schoolchildren: Issues in Estimating State-by-State Costs*, [GAO-04-733](#) (Washington, D.C.: June 21, 2004).

report that prompted the creation of these guidelines. We also interviewed officials from the affected jurisdictions and Interior regarding their use of these guidelines to develop cost estimates. To assess Interior's compliance with the congressional reporting requirements of the amended compacts' enabling legislation, we reviewed the legislation, met with Interior officials, and assessed the Interior's 2010 report to Congress against the specific elements required in the legislation.

To describe compact migrants' participation in local economies, we generally used data from the Micronesian surveys in 1997 and 2003 as reported in the 2008 report of the 2003 survey,<sup>9</sup> supplementing these data where possible with additional information from local and national agencies and other literature. To determine whether additional data on the compact migrants' role in the economy exist, we contacted agencies from affected jurisdictions that address labor and taxation and reviewed reports and data sets. These sources of additional information and data include the following:

- To describe compact migrant health status and the health and education systems in the FAS, we reviewed and summarized published literature.
- To describe compact migrants' contributions to the labor market in the CNMI, we analyzed data from the CNMI Department of Finance for 2001 through 2009, comparing the size of the compact migrant labor force to the size of the overall CNMI labor force and the income of the compact migrants to that of the general population.
- To compare the amount of taxes paid by compact migrants with the amount paid by the general population in Guam, we used data from the 2008 and 2009 Guam Annual Census of Establishments, the 2008 and 2009 Guam Current Employment Reports, the 2008 Guam Statistical Yearbook, and the 2008 migrant survey. These data

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<sup>9</sup>Michael Levin, *The Status of Micronesian Migrants in the Early 21st Century: A Second Study of the Impact of the Compacts of Free Association Based on Censuses of Micronesian Migrants to Hawaii, Guam, and the Commonwealth of the Northern Mariana Islands* (manuscript, 2008).

allowed us to estimate under certain assumptions<sup>10</sup> the number of compact migrants and others working in the private and public sectors,<sup>11</sup> their average wages, and taxes paid. The method we used to prepare this estimate drew on a method first outlined by an official in the Guam Bureau of Statistics and Plans.

- To estimate the amount of remittances that migrants sent and received while in the U.S. areas, we analyzed data from the Inter-American Dialogue, the fiscal year 2008 Economic Reviews of the FSM and the Marshall Islands, and data reported in the 2008 report of the 2003 survey. Because of the limitations and significant variation in the estimates provided by these three sources, we determined that these data were not sufficiently reliable for our purposes.
- To determine the number of FAS-born persons serving in the U.S. armed forces, we requested a special tabulation from the Department of Defense's Active Duty Personnel Master and Reserve Components Common Personnel Data System.

To review Interior's compact impact grants, we reviewed our previous report on Interior grant management,<sup>12</sup> the requirements of the amended compacts' enabling legislation, and Interior's 2010 Financial Assistance Manual. We assessed the management of the grants against the legislation and manual by reviewing Interior's compact impact grant files

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<sup>10</sup>The analysis assumes that (1) all citizens from the FAS are compact migrants, (2) all public and private sector workers earn the average wage for their sector, (3) all workers work 40 hours a week and 52 weeks a year, (4) workers earn no other income, (5) all workers file taxes, (6) all workers take the standard deduction and do not take tax credits such as the Earned Income Tax Credit, (7) all workers count all nonworking household members as exemptions when filing taxes, and (8) workers face tax rates as listed in the 2009 federal income tax rate table.

<sup>11</sup>Only 2 percent of the compact migrant labor force worked in the higher paying Guam public sector, while 27 percent of the non-compact migrant labor force worked in the public sector in 2009. In 2009, the Guam Department of Labor reported that the public sector paid an average of \$7.31 per hour more than the private sector. The average wage for the private sector includes only production (nonsupervisory) workers, possibly accounting for part of the difference in wages between the private and public sectors. Since compact migrants tend to work in production (nonsupervisory) occupations, using this average wage for the private sector is appropriate for our purposes.

<sup>12</sup>GAO, *U.S. Insular Areas: Opportunities Exist to Improve Interior's Grant Oversight and Reduce the Potential for Mismanagement*, [GAO-10-347](#) (Washington, D.C.: March 16, 2010).

for Guam, Hawaii, and the CNMI for fiscal years 2004 through 2011. In each grant file, we reviewed grant narratives and correspondence and collected the grant name, number, amount, description, status, remaining balance, and purpose, as well as any funding redirections or deobligations. To determine the extent to which compact sector grants may address compact impact, we interviewed compact migrants and Interior and affected jurisdiction officials and collected grant allocation data from Interior for compact sector grants. We then discussed the nature of sector grants and compact impacts in the affected jurisdictions with Interior officials to identify the amount and purpose of compact sector grants that could be linked to addressing compact migrant impact.

To provide information on the migrant population and impact in Arkansas, we met with state and Springdale, Arkansas officials and with employers and migrants. We reviewed existing Census population reports and the Census tabulation of ACS data as well as existing Arkansas government reporting and published literature on Arkansas's compact migrant impact. Although the amended compacts' enabling legislation does not define Arkansas as an affected jurisdiction and the state government therefore does not submit reports to Interior, we compiled data available for 2004 through 2010 from the Arkansas Department of Health, Arkansas Department of Correction, and the Springdale School District. We then assessed the limitations of these data in the same manner as we assessed the data for affected jurisdictions.

We conducted this performance audit from September 2010 through October 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan 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.

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# Appendix II: Growth and Impact of Marshallese Compact Migration in Arkansas

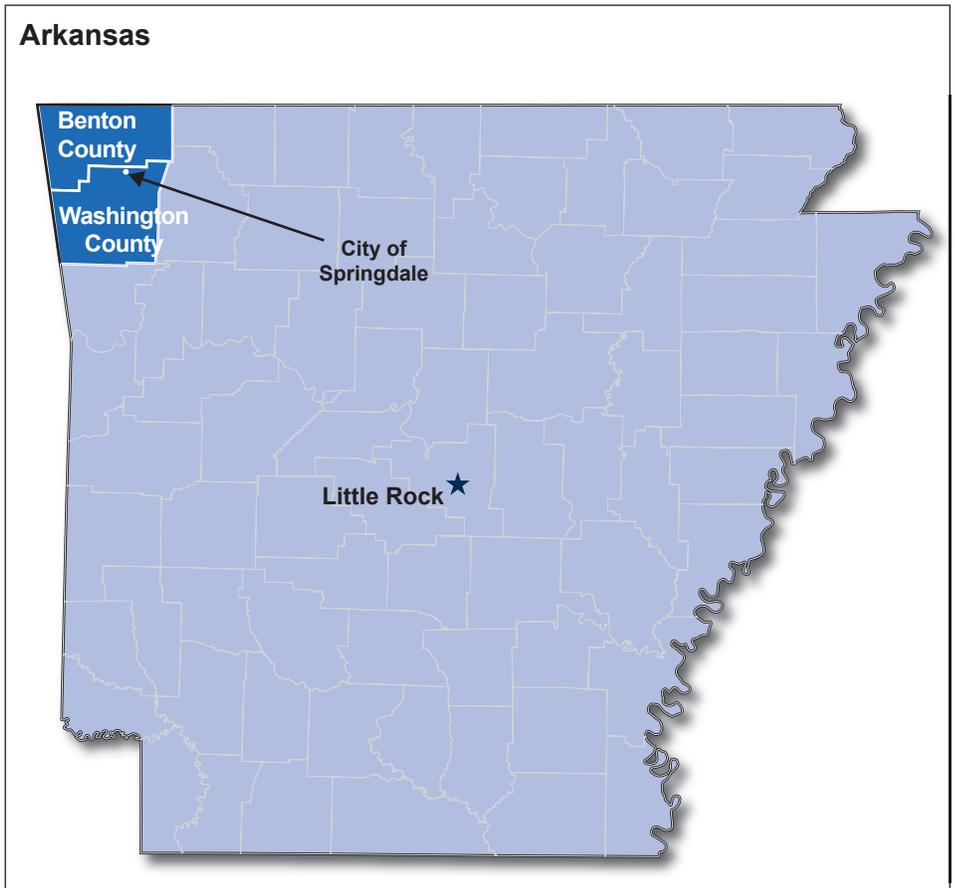
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In response to congressional interest, this case study reviews existing enumerations of the compact migrant population of Arkansas and their impact. Arkansas's compact migrant population is almost exclusively from the Marshall Islands and is concentrated in the rapidly growing northwest Arkansas counties of Benton and Washington (see fig. 7).<sup>1</sup> The amended compacts' enabling legislation does not define Arkansas as an affected jurisdiction; therefore, the state is not eligible to receive compact impact grants, and data on Arkansas's migrant population and impact are limited in comparison to data for the affected jurisdictions.

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<sup>1</sup>From 2000 through 2010, Benton's and Washington County's populations increased by 44 and 29 percent, respectively, to a combined total of 424,404. The population of the city of Springdale, center of the Marshallese population, similarly increased by 52 percent to 69,797. Benton County is the headquarters of Wal-Mart, and Washington County is home to several large poultry companies. Northwest Arkansas has a comparatively low unemployment rate and a long history of attracting immigrant labor to its poultry industry.

Figure 7: Northwest Arkansas



Source: Map Resources.

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Census Data Provide  
Varying Estimates of  
Compact Migrants in  
Arkansas

Tabulations of data from the 2005-2009 ACS show an estimated 1,150 (with a 90 percent confidence interval of 933 to 1,367) Marshallese compact migrants living in Arkansas.<sup>2</sup> The 2010 decennial census reports that 4,324 persons in Arkansas responding to the race question on the 2010 form identified themselves as Marshallese.<sup>3</sup> Additionally, in 2009 and 2010, the Springdale School District reported that 1,323 and 1,579 students, respectively, identified as Pacific Islanders when enrolling in Springdale schools. In comments on a draft of this report, the government of Arkansas stated that it had serious doubts about the count of Arkansas migrants using ACS data and Census commented that the estimates described here are not based on the same criteria and should not be compared. See appendix IV of this report for a further discussion of the differences between ACS and 2010 decennial census data.

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Local Response to  
Marshallese Migration

Concerns in Arkansas regarding compact migrants are similar to those expressed by officials in affected jurisdictions. Arkansas government officials and service providers cited the following concerns: migrant students lagging academically behind their peers; low levels of family involvement in education; the prevalence of communicable and noncommunicable diseases; reluctance of migrants to use preventive health care; language barriers; cultural barriers; and crowded living conditions.

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<sup>2</sup>The tabulated ACS data use place of birth, year of entry, relationship to head of household, and age to identify migrants. Prior information about the population of migrants in Arkansas since the first arrival of Marshallese migrants in the 1970s is limited. Marshallese in Springdale estimated that as of the mid-1990s there were approximately 15 Marshallese families in the area. However, in early 2000, a downsizing in the Marshallese government workforce prompted a spike in migration. A pilot study in Arkansas by Interior in 2001 interviewed 78 Marshallese households containing 541 migrants and estimated the Marshallese population of Arkansas as ranging from 2,000 to 4,000. For more information, see Michael Levin, *The Status of Micronesian Migrants in the Early 21st Century*, 2008. In 2005, Springdale contracted with Census for a special census because of the significant general population growth and the influx of Hispanics and Marshallese into the city since the decennial census in 2000. The 2005 special census counted 1,907 persons in the category "Other Pacific Islanders"—a number that officials in Arkansas thought to be almost exclusively Marshallese.

<sup>3</sup>This total is for respondents who reported Marshallese race alone or in combination with another race. A total of 4,121 persons reported Marshallese race alone.

To address some of these concerns, Northwest Arkansas local government and social service agencies have begun to offer services to the Marshallese community in recent years. For example:

- The Springdale School District has provided supplemental tutoring and employs two Marshallese translators.
- The Jones Center for Families, a nonprofit community service organization, employs a Marshallese Community Outreach Coordinator and has helped facilitate the activities of the Gaps in Services to Marshallese Task Force, a network of interested individuals headed by a retired Jones Center employee.
- The task force has used grants from the Centers for Disease Control and Prevention and the Arkansas Minority Health Commission to survey the health concerns of Marshallese and prepare an outreach booklet and DVD to aid Marshallese migrants in adapting to life in the state.<sup>4</sup>
- The Washington County Department of Health dedicates four staff to its Marshallese Outreach Team and will add two more staff when it opens the Marshallese outreach clinic in 2011.
- Some local agencies noted that they work in cooperation with the Marshall Islands consulate in Springdale. Opened in 2008, this consulate is the only FAS consulate in the continental United States.

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### Arkansas's Growing Costs of Serving Compact Migrants Are Primarily Documented for Education and Health

Data provided by Arkansas state officials for 2004 through 2010 identified approximately \$51 million in costs for education, health, and public safety services to compact migrants (see table 4). Available data from Arkansas are not comparable with data from affected jurisdictions. Arkansas does not collect data on a number of costs reported by Guam, Hawaii, and the CNMI, particularly costs for social services. In addition, not all Arkansas state agencies compiled their cost data on compact impact annually, whereas the affected jurisdictions have generally compiled their data annually.

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<sup>4</sup>"Living in Arkansas: What You Need to Know as a Marshallese," available at [www.arminorityhealth.com/pdf/Living\\_In\\_Arkansas\\_Eng\\_282010.pdf](http://www.arminorityhealth.com/pdf/Living_In_Arkansas_Eng_282010.pdf)

**Appendix II: Growth and Impact of Marshallese Compact Migration in Arkansas**

**Table 4: Estimated Costs for Services to Arkansas Compact Migrants, 2004-2010**

Dollars in thousands and rounded to nearest thousand

	2004	2005	2006	2007	2008	2009	2010	Total
Education <sup>a</sup>	\$4,058	\$5,473	\$6,411	\$7,047	\$8,135	\$8,469	\$10,129	<b>\$49,721</b>
Health <sup>b</sup>	\$163	\$172	\$137	\$198	\$182	\$169	\$254	<b>\$1,276</b>
Public safety <sup>c</sup>	Not reported	Not reported	Not reported	\$9	\$54	\$54	\$116	<b>\$233</b>
<b>Total</b>	<b>\$4,222</b>	<b>\$5,645</b>	<b>\$6,547</b>	<b>\$7,253</b>	<b>\$8,372</b>	<b>\$8,692</b>	<b>\$10,499</b>	<b>\$51,231</b>

Source: GAO analysis of Arkansas data.

Note: Service costs may not sum to totals because of rounding.

<sup>a</sup>Based on per pupil expenditures in Springdale, Arkansas. Federal funds are included in the reported expenditures for 2004 and 2005 but excluded for 2006 through 2010.

<sup>b</sup>Arkansas estimated state costs based upon a Department of Health funding of 70 percent Federal and 30 percent State, except for tuberculosis and sexually transmitted diseases, which were funded at 50 percent Federal and 50 percent State. In 2008, the Arkansas Department of Health reported that costs for providing health services to Marshallese in Arkansas were roughly \$2.2 million in fiscal year 2007; this estimate did not include administrative costs and did not deduct federal funds or revenue received. In 2011, the Department of Health updated its 2007 estimate by subtracting revenues and federal funds, reducing the estimated costs to just under \$200,000.

<sup>c</sup>Based on average expenditure per day per Marshallese inmate reported by the Arkansas Department of Correction and Arkansas Department of Community Correction. It is unclear if Federal funds are included.

**Limitations in Arkansas Cost Data**

**Education.** The estimated education service costs are for the Springdale School District, where most Marshallese school children live. The estimate for Springdale is based on average per-pupil expenditures, similar to some of the affected jurisdictions' cost estimates. However, these expenditures may overstate actual costs to the extent there is excess capacity in the schools to absorb a marginal increase in population. The estimates may also understate actual costs by not including higher than average costs for additional services to Marshallese, such as language education. Finally, student population data prior to 2009 are incomplete.<sup>5</sup>

<sup>5</sup>Prior to the school year beginning in 2009, the Springdale School District counted Asian and Pacific Islanders in a single category. The estimated Pacific Islander enrollment in the years prior to 2009 assumes that the percentage of Pacific Islanders within the combined category was the same prior to 2009 as it was in the school years beginning in 2009 and 2010.

**Health.** Arkansas estimated costs for health services to compact migrants by compiling costs for the population identified as of Pacific Islander ethnicity; as a result, Arkansas's estimates may overstate compact migrant health costs by including services to Pacific Islanders who are not compact migrants. However, the estimates do not include costs for the Arkansas Women, Infants and Children Program and were not complete for all years for tuberculosis and sexually transmitted disease treatment, potentially leading to an underestimate of total costs.

**Social services.** Arkansas does not track the use of some state-funded services by ethnicity and therefore could not estimate the costs of providing these services to compact migrants.<sup>6</sup> However, officials stated that compact migrants are eligible for programs such as the state's Division of Developmental Disabilities Services; Division of Youth Services; and ARKids First, which provides health insurance to low-income U.S.-citizen children of compact migrants. Unlike affected jurisdictions, Arkansas does not provide Medicaid equivalent services to noncitizen compact migrants.

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### Arkansas Migrants Affect the Local Economy, but Data on Their Impact Are Limited

As in affected jurisdictions, Arkansas compact migrants contribute to the local economy through payment of taxes and participation in the labor market.

**Taxes.** Marshallese are subject to federal, state, and local taxes; however Arkansas does not disaggregate the tax revenue by ethnic categories or citizenship and there are no data on consumption and remittances.

**Labor market.** Marshallese fill a significant niche in the local poultry industry. According to employers in northwest Arkansas, Marshallese represent between 14 and 37.9 percent of the total workforce at some plants of major poultry producers, such as Tyson, Cargill, and George's. Tyson officials in Springdale stated that they have begun referring some Marshallese job applicants to plants elsewhere in Arkansas and in Oklahoma. In addition, Tyson may begin recruiting workers in the Marshall Islands. According to Marshall Islands officials, Tyson representatives have visited the Marshall Islands.

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<sup>6</sup>Marshallese migrants are eligible for some state programs such as Mental Health, Alcohol and Drug Abuse, and Child Protective and Foster Care services.

# Appendix III: American Community Survey Estimates of Compact Migrants

## ACS Estimates of Compact Migrant Populations in U.S. Areas

Table 5 shows the estimated population of the compact migrants from each FAS in the U.S. states based on tabulations of Census' 2005-2009 ACS. Taking into account sampling uncertainty, the table shows the lower-bound and upper-bound population interval that corresponds to a 90 percent confidence interval. Estimates of compact migrants from each FAS in Guam and the CNMI, using data from Census's 2008 survey of compact migrants, are shown for comparison.

**Table 5: Compact Migrant Populations by U.S. Area of Residence and FAS of Origin**

U.S. area of residence	Population by FAS of origin (low and high estimate)			Total population
	Marshall Islands	FSM	Palau	
<i>Guam</i> <sup>a</sup>	549	16,358	1,399	<b>18,305</b> (14,866-21,744)
Hawaii <sup>b</sup>	3,535 (2,502-4,568)	8,320 (7,028-9,612)	205 (86-324)	<b>12,060</b> (10,579-13,541)
California	1,565 (822-2,308)	630 (364-896)	720 (381-1,059)	<b>2,920</b> (2,124-3,716)
Washington	1,830 (1,397-2,263)	795 (448-1,142)	175 (73-277)	<b>2,800</b> (2,225-3,375)
Oregon	515 (277-753)	1,510 (1,044-1,976)	185 (53-317)	<b>2,210</b> (1,713-2,707)
<i>CNMI</i> <sup>a</sup>	100	1,560	360	<b>2,100<sup>c</sup></b> (1,589-2,611)
Utah	480 (175-785)	Not reported by Census <sup>d</sup>	Not reported by Census <sup>d</sup>	<b>1,630</b> (766-2,494)
Oklahoma	545 (303-787)	555 (256-854)	Not reportable <sup>e</sup>	<b>1,190</b> (778-1,602)
Florida	295 (98-492)	Not reported by Census <sup>d</sup>	Not reported by Census <sup>d</sup>	<b>1,170</b> (780-1,560)
Arkansas	1,150 (933-1,367)	Not reportable <sup>e</sup>	Not reportable <sup>e</sup>	<b>1,155</b> (938-1,372)
Missouri	Not reportable <sup>e</sup>	970 (733-1,207)	Not reportable <sup>e</sup>	<b>1,090</b> (824-1,356)
Arizona	680 (342-1,018)	265 (61-469)	Not reportable <sup>e</sup>	<b>1,030</b> (652-1,408)
Remaining states	1,590 (1,099-2,081)	5,465 (4,467-6,463)	1,625 (1,098-2,152)	<b>8,680</b> (7,517-9,843)
<b>Total</b>	<b>12,944</b> (11,639-14,249)	<b>38,168</b> (35,811-40,525)	<b>5,154</b> (4,426-5,882)	<b>56,345</b> (49,642-63,048)

Source: GAO analysis of a special Census tabulation of American Community Survey 2005-2009 data for U.S. states; Census 2008 compact migrant survey data for Guam and the CNMI.

Notes: Numbers may not add due to rounding.

<sup>a</sup>For Guam and the CNMI, Census data did not include a margin of error for the population broken out by FAS.

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**Appendix III: American Community Survey  
Estimates of Compact Migrants**

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<sup>b</sup>Estimate of compact migrants in Hawaii is based on 2005-2009 ACS data. The 2008 enumeration for Hawaii that used 2005-2007 ACS data estimated compact migrants within a 90 percent confidence interval at 9,479 to 14,951.

<sup>c</sup>According to Census, Census tabulated CNMI total by FAS using Saipan survey data. Census estimated an additional 80 compact migrants on the other islands of the CNMI but did not tabulate them by FAS.

<sup>d</sup>Census suppressed some locations and numbers of migrants for privacy reasons. Suppression is a method of disclosure avoidance used to protect individuals' confidentiality by not showing (suppressing) the cell values in tables of aggregate data for cases where only a few individuals or businesses are represented or dominate the cell value. The cells that are not shown are called primary suppressions. To ensure the primary suppressions cannot be closely estimated by subtracting the other cells in the table from the marginal totals, additional cells are also suppressed. These additional suppressed cells are called complementary or secondary suppressions. Values for cells that are not suppressed remain unchanged.

<sup>e</sup>The 90 percent margin of error exceeded the value of the estimate and we view these as unreportable.

# Appendix IV: 2010 Decennial Census Data on Micronesians by Race

The 2010 decennial census identified 22,434 Native Hawaiian or Pacific Islanders—alone or in combination with another race—who identified themselves specifically as Marshallese residing in the 50 U.S. states in 2010.<sup>1</sup> The largest Marshallese populations were in Hawaii, Arkansas, and Washington, which together accounted for 62 percent of the total reported Marshallese residing in the 50 states. See table 6. As of September 2011, Census has not released a separate count of U.S. residents who identified themselves as one of the FSM ethnicities or Palauan, but plans to do so between December 2011 and April 2012.<sup>2</sup> As of November 2011, Census race data for Guam and the CNMI had yet to be released.

**Table 6: 2010 Census Counts of Marshallese by State<sup>a</sup>**

State	Number
Hawaii	7,412
Arkansas	4,324
Washington	2,207
California	1,761
Oklahoma	1,028
Oregon	970
Utah	793
Arizona	666
Texas	550
Other states <sup>b</sup>	2,723
<b>Total<sup>c</sup></b>	<b>22,434</b>

Source: GAO analysis of U.S. Census tabulations of 2010 census.

<sup>a</sup>The census counts comprise respondents who identified themselves as Marshallese alone or in combination with another race.

<sup>1</sup>Total for the 50 states include the District of Columbia and Puerto Rico. The 2010 census identified 19,841 Native Hawaiian and other Pacific Islanders —not in combination with another race—who identified themselves specifically as Marshallese.

<sup>2</sup>Census has published a combined count of “Other Micronesians” that combines U.S. residents who reported their race as Mariana Islander, Palauan, Carolinian, Kosraean, Micronesian, Pohnpeian, Saipanese, I-Kiribati, Chuukese, or Yapese. Census data identify 44,674 persons who are “Other Micronesian” alone or in combination with another race.

The number of Marshallese reported by the 2010 decennial census differs from estimates of Marshallese compact migrants derived from the Census 2005-2009 ACS. For example, the 2010 census reported 7,412 Marshallese in Hawaii and 4,324 in Arkansas, while the ACS tabulation estimates 3,535 and 1,150 Marshallese compact migrants in Hawaii and Arkansas, respectively. The census counts are not meant to be compared with ACS 5 year estimates of compact migrants and several factors may explain the differences:

- The ACS and 2010 census figures use different definitions. The ACS compact migrant estimates include only those born in the Marshall Islands who arrived in the United States under the terms of the compact after 1986 and their children. The census counts are defined by the respondents' reported race and not limited by the post-1986 time frame of the compact.
- The ACS and 2010 census figures have different time frames. The ACS estimates are based on data collected from 2005-2009 and do not include compact migrants to U.S. areas in 2010.<sup>3</sup> In addition, the ACS estimate does not include births that are included in the 2010 counts.
- The ACS and 2010 census use different approaches. The 2010 census attempts to reach all persons in the United States, while the ACS is a sample of the population. The sampling method used by the ACS was not specifically designed to make estimates of a population as small as the compact migrants.
- The ACS and 2010 census have different levels of outreach. Census ran extensive public service announcements of the 2010 survey, and local governments and community groups encouraged participation. However, Census does not conduct a similar public campaign to encourage participation in the ACS.

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<sup>3</sup>Migration from the Marshall Islands is ongoing, with approximately 900 persons leaving each year by air. See *Republic of the Marshall Islands, Fiscal Year 2009 Economic Review*, U.S. Department of the Interior and the Pacific Islands Training Initiative, Washington, D.C., August 2010.

# Appendix V: Attributes of 2003 and 2008 Approaches to Enumerating Compact Migrants

Table 7 shows key attributes, related to survey design, coverage, nonresponse, measurement, and sampling error, for the 2003 and 2008 Census approaches to enumerating compact migrants.

**Table 7: Attributes of 2003 and 2008 Census Approaches to Compact Migrant Enumerations**

	2003	2008	
	Snowball survey of Guam, Hawaii, and the CNMI	Tabulation of American Community Survey (ACS) 2005-2007 data for Hawaii	Compact of Free Association (COFA) Migrant Survey of Guam and the CNMI
<b>Survey design</b>	Census-trained enumerators from each FAS interviewed all known compact migrants from their own countries and asked these interviewees to refer them to other migrants from their home country, until all known compact migrants had been contacted.	<p>The ACS is a large block sample probability survey conducted on a continuing basis in the 50 states and the District of Columbia.</p> <p>The ACS uses a differential sampling rate design that allows smaller areas to be sampled at a higher rate.</p> <p>Current residents are interviewed—that is, anyone in the house on the day of the interview who has been staying there for more than 2 months, regardless of his/her usual residence.</p>	<p>The two COFA surveys use a block sample probability survey of housing units in Guam and the island of Saipan in the CNMI. FAS native speakers were available to assist if needed with the survey.</p> <p>Census selected the 2008 migrant survey blocks using probabilities based on the block's concentration of migrants as of the 2000 decennial census and local input on changes in migrant location since 2000.</p> <p>Census estimated the compact migrant population of the CNMI's other islands using the 2000 Census. Approximately 10 percent of the CNMI population lives on the other islands and few compact migrants live there.</p>
<b>Coverage</b>			
Coverage rate	<p>The coverage rate in the snowball method used to count compact migrants in 2003 was not assessed and can not be determined.</p> <p>Owing to a shortage of funds, the 2003 enumeration did not administer the full survey or use the same methods to enumerate compact migrants on Hawaiian islands other than Oahu.</p>	<p>The estimated coverage rate for the total population in Hawaii in 2007 is 92.9 percent.</p> <p>The ACS does not estimate the coverage rate for respondents by foreign-born status or by place of birth.</p>	The survey covers the population residing in housing units or group quarters. The COFA survey does not report a coverage rate.
Reaching target Population	<p>The snowball survey was designed to identify migrants and collect data on migrants.</p> <p>In general, the snowball method can reach rare populations with strong networks who are geographically</p>	The ACS was not specifically designed to make estimates of a population as small as the compact migrants. Other sampling techniques are needed to make reliable estimates of a population	Census designed the 2008 COFA survey to estimate the compact migrant population but interviewed a number of non-migrants within the sample blocks.

**Appendix V: Attributes of 2003 and 2008  
Approaches to Enumerating Compact Migrants**

	<b>2003</b>	<b>2008</b>	
	<b>Snowball survey of Guam, Hawaii, and the CNMI</b>	<b>Tabulation of American Community Survey (ACS) 2005-2007 data for Hawaii</b>	<b>Compact of Free Association (COFA) Migrant Survey of Guam and the CNMI</b>
	concentrated. However, the 2003 survey almost certainly undercounts the compact migrant population by excluding those not linked to the compact migrant network.  The snowball method could reach a homeless person if they were connected to the migrant community and can be contacted, but homeless persons may be less connected and therefore less likely to be counted.	this small. <sup>a</sup>  Only surveys homeless in group quarters, i.e. living in shelters.	Included a number of non-traditional dwellings in its survey, including living quarters open to the elements, but may not have captured homeless living outside of structures on these tropical islands.
<b>Nonresponse</b>			
Proxy response	Not documented.	ACS accepts proxy responses from relatives or other members of the household.	The COFA Survey accepted proxy responses from neighbors.
Nonresponse	Nonresponse was not documented. It is not possible to calculate a nonresponse rate for the snowball method used in the 2003 survey.	Census uses three modes—mail, phone, and in-person—and acceptance of proxy response to attempt to ensure a high response rate. ACS estimates include a nonresponse bias analysis.	Census took steps to achieve high response rates, including up to 3 personal interviews and leaving a Notice of Visit with the interviewer’s phone number in situations of noncontact.
Nonresponse Rate	Not applicable.	The response rate is more than 97 percent among households for the ACS in Hawaii. This nonresponse rate is acceptable by OMB Standards. The response rate among compact migrants is not known.  Bias may exist due to nonresponse on items used to identify compact migrants. <sup>b</sup>	The weighted response rate was 89 percent in Guam and 100 percent in CNMI, which is acceptable by OMB standards. However, Census did not provide an unweighted response rate.  Proxy respondents were used; however, the non-proxy and substitution response rate was not included in the report of the overall response rate, indicating that the response rate is overstated.
Nonresponse bias	Not documented. <sup>c</sup>	Nonresponse bias was found in the ACS by mode and language spoken at home. <sup>d</sup>	Census did not provide documentation on the potential effect of proxy respondents in the response rate or of a nonresponse bias analysis.
<b>Measurement</b>			
Collection strategy & content	In person interview. <sup>e</sup>	The ACS is collected in three modes: mailout-mailback, telephone, and personal interview. The ACS mail form asks the citizenship question differently than	The 2008 COFA survey involved personal interview, with interviewer telephone information left at the housing quarters in situations of

**Appendix V: Attributes of 2003 and 2008  
Approaches to Enumerating Compact Migrants**

		2003	2008
		<b>Snowball survey of Guam, Hawaii, and the CNMI</b>	<b>Tabulation of American Community Survey (ACS) 2005-2007 data for Hawaii</b> <b>Compact of Free Association (COFA) Migrant Survey of Guam and the CNMI</b>
			the personal interview or telephone questionnaire. Year of entry and place of birth are consistent across mode.
Cultural factors	Pairing respondents with culturally similar interviewers may increase response, but fears of deportation from the affected jurisdiction or eviction from housing may have inhibited some migrants from participating in the survey or from fully disclosing their personal information.	Compact migrants may have been disproportionately likely not to respond across modes.  Fears of deportation from the affected jurisdiction or eviction from housing may have inhibited some migrants from participating in the survey or from fully disclosing their personal information.	The 2008 COFA survey used a form that is similar to the 2000 Census form but did not carry out additional testing to identify potential cultural factors such as racial tensions when it was used to survey compact migrants.  Fears of deportation from the affected jurisdiction or eviction from housing may have inhibited some migrants from participating in the survey or from fully disclosing their personal information.
<b>Sampling error</b>			
Sampling frame	Not applicable.	The sampling frame for the ACS is the Master Address File. The Master Address File is updated, but certain housing types are disproportionately missed. <sup>f</sup>	Census used the 2000 Census frame to select geographic locations that Census then canvassed and re-listed for a more up-to-date list of housing units.
Sample size	Not applicable.	Approximately 58,515 people in housing units and 1,055 people in group quarters were interviewed in Hawaii.	4,945 units in Guam and 2,193 in Saipan. Census did not document the extent of their use of supplemental sampling.
Estimates	Produces point-in-time counts. The snowball method is designed to enumerate the compact migrant population. The enumeration is likely an undercount.	Produces multi-year estimates that are not equivalent to point-in-time estimates. Multi-year trends are not comparable over time.  The ACS is designed to detect changes in patterns rather than to make counts. <sup>g</sup> The result from the survey is an estimate and not an enumeration.  May be biased due to nonresponse and coverage error.	Produces point-in-time estimates of the compact migrant population. Results from the survey are estimates and not enumerations. The estimates are comparable between Guam and Saipan.  May be biased due to proxy responses.
Variance estimation method	Not applicable	The ACS estimated variance using the successive differences replication method. This approach will generally produce an accurate estimate of the standard error without consideration of the type of	Variance estimates did not clearly account for the final analysis weights (including nonresponse adjustments and supplemental sample adjustments) and estimation

**Appendix V: Attributes of 2003 and 2008  
Approaches to Enumerating Compact Migrants**

2003		2008	
	<b>Snowball survey of Guam, Hawaii, and the CNMI</b>	<b>Tabulation of American Community Survey (ACS) 2005-2007 data for Hawaii</b>	<b>Compact of Free Association (COFA) Migrant Survey of Guam and the CNMI</b>
		statistic or the complexity of the sample design.	process, such as by using replicate weights, and will therefore likely result in an underestimate of the variance. For Saipan in the CNMI, supplemental samples selected after the original sample involve conditional probabilities, and result in unequal weighting.
Variance size	Not applicable	Relative error is 22 percent. Census does not provide a standard of required precision.	Relative error is 19 percent in Guam and 24 percent in Saipan. Census does not provide a standard of required precision.

Source: GAO summary of documentation from, and interviews with, Census and Interior.

<sup>a</sup>G. Kalton, "Methods for Oversampling Rare Subpopulations in Social Surveys," *Survey Methodology*, vol. 35, no. 2 (2009): 125-141; C. Alexander and A. Navarro, "The Quality of Estimates from the American Community Survey for Small Population Groups," *Proceedings of the 2003 Joint Statistical Meetings* (2003).

<sup>b</sup>Nonresponse bias was assessed in the 2004 ACS on the three key items used to identify compact migrants: citizenship status, year of entry, and place of birth. The allocation rate for citizenship was low at 0.3 percent, similar to allocation rate for the 2004 Current Population Survey Annual Social and Economic Supplement. The rates for year of entry and place of birth were moderate at 7.3 percent and 5.5 percent, respectively. In the 3-year period of data used to produce the estimates, the allocation rates for place of birth ranged from 4.8 to more than 6 percent. Year of entry was allocated in up to 11 percent of the cases. J. Menendez, "Comparison of ACS and ASEC Data on Citizenship, Year of Entry and Region of Birth: 2004," U.S. Census Bureau (2007), available at [http://www.census.gov/acs/www/Downloads/library/2007/2007\\_Menendez\\_01.pdf](http://www.census.gov/acs/www/Downloads/library/2007/2007_Menendez_01.pdf).

<sup>c</sup>Census asserted in comments on a draft of this report that the 2003 survey effort faced similar nonresponse bias issues as highlighted for the 2008 COFA surveys.

<sup>d</sup>In general, allocation rates were similar between linguistically isolated households and English-only speaking households across all three modes of data collection. Households that were not linguistically isolated but contained people who spoke languages in addition to English had higher allocation rates across all three modes. Pamela McGovern, *A Quality Assessment of Data Collected in the American Community Survey for Households with Low English Proficiency*, (Washington, DC: U.S. Census Bureau, 2004).

<sup>e</sup>Census asserted in comments on a draft of this report that the 2003 effort was similar in this regard to the 2008 COFA surveys, with interviewer telephone information left at the housing quarters in situations of noncontact.

<sup>f</sup>Clifford L. Loudermilk and Mei Li, "A National Evaluation of Coverage for a Sampling Frame Based on the Master Address File (MAF)," *Proceedings of the Joint Statistical Meetings* (2009); Heather MacDonald, "The American Community Survey: Warmer (More Current) but Fuzzier (Less Precise) than the Decennial Census," *Journal of the American Planning Association*, vol. 72, no. 4 (2006); Xijian Liu, "Impact of MAF-Based Frame Coverage on Survey Estimates," *Proceedings of the Joint Statistical Meetings* (2009).

<sup>g</sup>Alexander and Navarro (2003) show that when the population is changing rapidly over the period, the estimate from multiyear data lags behind the actual value using the 5-year data. The large margin of error around the 3-year estimates makes it more likely that the upper-bound of the confidence interval meets or exceeds the actual population value for a rapidly changing small population.

# Appendix VI: Compact Impacts Reported by Affected Jurisdictions

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 (see table 8 for costs reported for 1986 through 2010). However, assessed against best practices for cost estimation, the 2004-2010 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.

**Table 8: Affected Jurisdiction Compact Impact Estimates, 1986-2010**

Dollars in millions

Year	Guam	Hawaii	CNMI	Total
1986-95	\$60.6	\$23.4 <sup>a</sup>	\$43.7 - \$71.7 <sup>b</sup>	<b>\$127.7 - \$155.7</b>
1996	16.1	6.4	11 <sup>c</sup>	<b>33.5</b>
1997	19.1 <sup>d</sup>	12.2	13.7	<b>45</b>
1998	19.1	12.4	15.1	<b>46.6</b>
1999	18.9	14.1	12.3	<b>45.3</b>
2000	24.5	17.5	9.2	<b>51.2</b>
2001	23.4	21.5	4.6	<b>49.5</b>
2002	23.3	30.4	4.6	<b>58.4</b>
2003	30.9	47.4	4.2	<b>82.5</b>
2004	31.2	55.3	10	<b>96.5</b>
2005	28.2	66.9	10.3	<b>105.4</b>
2006	42.2	81	9.7	<b>132.9</b>
2007	47.3	90.8	8.6	<b>146.7</b>
2008	53.3	101	8.2	<b>162.5</b>
2009	58.7	118.8	4	<b>181.5</b>
2010	65.7	114.9	4.7	<b>185.3</b>
<b>Total</b>	<b>\$562.5</b>	<b>\$814.1</b>	<b>\$173.9 - \$201.9</b>	<b>\$1,550 - \$1,579</b>

Source: GAO analysis of compact impact reporting and grant proposals.

Notes: Not all local government agencies in affected jurisdictions reported compact impact every year, although costs may have been incurred.

Amounts shown are rounded and unadjusted for inflation.

Amounts shown for the CNMI and Hawaii for 1986 through 2000 are from [GAO-02-40](#). Amounts shown for Guam for 1986 through 2003 are from its 2003 compact impact report; for 2004 through 2010, from its 2010 report. Amounts shown for Hawaii for 2001 through 2003 are from its 2002 to 2004 compact impact reports; amounts for 2004 through 2007 are from its 2007, 2008, and 2011 reports; amounts for 2008 through 2010 are from its 2011 report. Amounts shown for the CNMI for 2001 through 2003 are from its 2004 compact impact grant proposal, and amounts for 2004 through 2010 are from its 2008-2010 annual compact impact grant proposals. Guam and the CNMI calculated costs on a fiscal year basis; Hawaii's costs are a combination of fiscal year and calendar year costs.

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<sup>a</sup>Hawaii reported education and inmate incarceration costs for compact migrants for 1988 through 1995 in compact impact reports.

<sup>b</sup>The CNMI's range of estimated costs for 1986 through 1995 was provided in a 2000 CNMI congressional testimony.

<sup>c</sup>The CNMI's costs for 1996 were calculated for the government by the Hay Group/Economic Systems, Inc.

<sup>d</sup>Guam's costs for 1997 were calculated for the government by Ernst & Young, LLP. Guam's estimates for 1996, 1998, and 1999 were derived from the 1997 Ernst & Young calculations, although costs associated with the hospital that receives government funding were added beginning in 1998.

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### Cost Estimation Best Practices Call for Accuracy, Adequate Documentation, and Comprehensiveness

Best practices and guidance state, among other things, that to be credible, cost estimations should be characterized by accuracy, adequate documentation, and comprehensiveness.<sup>1</sup>

- **Accuracy.** Estimates should contain few errors and reflect actual costs.
- **Adequate documentation.** Cost estimates should include a detailed description of the derivation of the reported costs, such as the source data used, the calculations performed and their results, and the methodology used. Cost estimates should be captured in such a way that the data can be traced back to, and verified against, their sources, so that estimates can be replicated and updated.
- **Comprehensiveness.** Estimates should be structured in sufficient detail to ensure that cost elements are neither omitted nor double counted and should include documentation of all assumptions.

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### Compact Impact Cost Estimates Contain Numerous Limitations

We found a number of limitations affecting the credibility of cost estimates in the compact impact reports (2004-2010) that we reviewed. (See appendix I for a description of our methodology in evaluating the cost estimates.)

#### Accuracy

**Definition of compact migrants.** Several local government reporting agencies that responded to our inquiries did not define compact migrants according to the criteria in the amended compacts' enabling legislation and, as a result, may have either overcounted or undercounted costs. The legislation defines the population to be enumerated as persons, or

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<sup>1</sup>See appendix I for information about the sources of these best practices and guidance.

those persons' children under the age of 18, who pursuant to the compacts are admitted to, or resident in, an affected jurisdiction as of the date of the most recently published enumeration. By counting compact migrants based on their ethnicity or language, agencies may have overcounted by including those present prior to the compacts; by identifying compact migrants by their citizenship, agencies may have undercounted, because they would have excluded compact migrants' U.S.-born children under the age of 18. For example, school administrative data from each of the affected jurisdictions show a potential for overcounting by identifying compact migrant children by means of ethnicity (as in Guam and the CNMI) or the language spoken at home (as in Hawaii).<sup>2</sup> According to the 2003 Census survey data, approximately 32 percent of FAS citizens identified in the CNMI, 10 percent of those identified in Guam, and 13 percent of those identified in Hawaii were not part of the defined impact population. Therefore, the number of children used to estimate impacts may also be overstated.

**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. For example, the Hawaii Department of Education reported as compact impact the cost of programs that federal funding had

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<sup>2</sup>The Guam Bureau of Statistics and Plans (BSP), which is responsible for compiling data received from reporting agencies, writing annual impact reports, and submitting them to Interior, has taken a step to offset this potential for an overcount by subtracting the number of compact migrants it identified as present prior to the compacts. Although the number of impact school children changes over time, Guam subtracts the same number every year. Guam BSP said it calculated its baseline based on its interpretation of Interior's 1994 guidance, by counting the number of migrants from the FAS who were present and seeking U.S. citizenship before the compacts were signed. Guam identified FSM and Marshallese migrants using the 1980 decennial census and identified Palauans using a 1995 special study funded by Interior. The Guam government said that its baseline remains the same each year because it assumes there will always be an FAS migrant population on Guam irrespective of the compacts.

partially addressed.<sup>3</sup> In addition, Guam and the CNMI's single audit reports show that these jurisdictions have received federal revenue from various agencies such as the U.S. departments of Health and Human Services (HHS), Agriculture, and Homeland Security. To the extent that revenue for these programs 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, in fiscal years 2004 through 2008, Guam received an annual average of \$1,027,825 from HHS for the Consolidated Health Centers program, an amount based partly on the number of beneficiaries in Guam. Based on Guam's resident and compact migrant populations in 2008, services to compact migrants accounted for a \$112,942 share of that amount—equal to 16 percent of compact migrant impact costs reported by the Guam Bureau of Primary Care Services. However, in reporting impact costs, the Guam Bureau of Primary Care Services did not deduct the HHS funding that was used for compact migrants.<sup>4</sup>

**Revenue.** Multiple local government agencies that receive fees as a result of providing services to compact migrants did not consider them in their compact impact reports. For example, the CNMI Department of Public Health and Guam Department of Mental Health and Substance Abuse did not include payments received from compact migrants into their costs. This exclusion of revenue may cause an overstatement of the total impact reported.

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<sup>3</sup> This analysis is based on Hawaii's compact impact reports submitted from 2004 to 2008. The Hawaii Department of Education excluded federal funds from its costs reported to Interior in August 2011. Hawaii developed its educational impact costs by calculating a per pupil expenditure multiplied by the number of compact migrant students enrolled each school year. Federal funds received through several programs are included in these annual expenditures, which overstate the costs to the state of Hawaii. These programs include Title I, Child with Disabilities program, Child Nutrition Act, Drug-Free Schools program, and the Vocational Education program. If the federal funds component of per pupil expenditures were subtracted from Hawaii's education impact reporting, as well as an adjustment for erroneously double counting 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.

<sup>4</sup> Guam's technical comments on our draft report asserted that the Office of the Governor reports only the local costs for providing public services to compact migrants for which federal funding may also have been provided. Guam said these reported costs—displacement costs—are based on services that the local population could have used instead of compact migrants.

**Capital costs.** Many local government agencies, such as the CNMI Public School System, did not include capital costs in their annual compact impact reporting. This exclusion can cause an understatement of total costs of providing services to compact migrants.<sup>5</sup>

**Per person costs.** Many local government agencies estimated impact costs based on average, rather than specific, costs of providing services to compact migrants, possibly leading to under or overestimations. For example, the CNMI Department of Public Health based the cost of providing healthcare services to compact migrants on the number served out of the total patient load instead of totaling each patient's specific costs. However, other agencies more comprehensively accounted for costs by including additional compact impact expenses beyond the average costs. For example, the Hawaii Department of Education included language training costs in its reported per pupil expenditures. Alternatively, the CNMI Public School system did not include special services such as language training or translation which suggests an underestimation.

**Discretionary costs.** Some compact impact costs reported by local government agencies were for benefits or services provided at the discretion of the affected jurisdiction.<sup>6</sup>

**Data reliability.** In one case, we found a discrepancy between the data reported and the data provided during this review. According to the Hawaii Department of Education, this discrepancy resulted from a system error that caused a double counting of Marshallese students over a 5-year period, which resulted in an overestimation of impact costs. For its 2011 impact report, the Department of Education said it excluded federal funds from its 2008 through 2011 compact impact costs and corrected the

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<sup>5</sup>In schools, the number of additional compact migrant students will likely have lead to increased capital costs such as additional school space. According to school district data for the most recent school year – 2010 to 2011– in affected jurisdictions, migrants make up 21 percent of the student population in Guam, 12 percent in the CNMI and 3 percent in Hawaii. As noted above, however, all three affected jurisdictions have identified migrant students through the proxy definitions of ethnicity or language, which are likely to overstate the number of migrants.

<sup>6</sup>In technical comments on our draft report, Guam asserted that compact migrants are generally treated as if they are U.S. citizens and that, unless specifically deemed ineligible for programs, compact impact reimbursement is justified for all public services rendered.

reporting error made regarding the number of compact students for 2006 through 2008.

#### Adequate Documentation

Many local government agencies did not report their methodologies for estimating costs of providing services to compact migrants under the compacts. For example, the Hawaii Department of Human Services did not provide a detailed description of how it derived its estimates. As a result, it is difficult to determine whether the reported figures are accurate. Further, some agency methodologies vary between affected jurisdictions. For example, Guam prorates police costs based on the percentage of compact migrants in the total population, and the CNMI prorates its police costs based on the percentage of total arrests that are FAS citizens. The Guam Bureau of Statistics and Plans said it documented its methodologies in its 1995 compact impact report and applied these approaches in calculating its compact impact costs. However, these methodologies were not discussed in Guam's annual reports from 2004 to 2010 and were generally not used by the reporting agencies.

#### Comprehensiveness

Hawaii has not submitted annual compact impact reporting each year and is not required to do so, but for those years when affected jurisdictions submitted impact reports to Interior, not all local government agencies included all compact impact costs. However, some agency costs were reported in subsequent fiscal year reports. 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 the year they are submitted, the compact impact reports could understate Hawaii's 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.

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# Appendix VII: Interior-Awarded Compact Impact Grants to Affected Jurisdictions from 2004 to 2011

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Interior distributed the compact impact grants to the affected jurisdictions in 2004 through 2010 as follows:

- From fiscal year 2004 through 2009, based on the results of 2003 enumeration, Interior annually awarded approximately \$14 million to Guam, \$10.6 million to Hawaii, and \$5.2 million to the CNMI.
- In fiscal year 2010, having recalculated the division of funds based on the results of the 2008 enumeration,<sup>1</sup> Interior awarded approximately \$16.8 million to Guam, \$11.2 million to Hawaii, and \$1.9 million to the CNMI.

The amended compacts' enabling legislation and Interior's Office of Insular Affairs' Financial Assistance Manual guide the administration and management of compact impact grants. An official at Interior said the agency uses the same grant management process for compact impact funds as it does its other grants.<sup>2</sup> To implement these requirements, Interior has reviewed and at times questioned whether the proposed uses of compact impact grant funds were in keeping with the amended compacts' enabling legislation.

While the vast majority of Interior reviews resulted in approvals, Interior questioned some uses in Guam and the CNMI. Specifically:

- Interior initially viewed Guam's fiscal 2010 request to fund a Community Pool Complex and Fitness Trail as only distantly connected to compact migrants. Ultimately, Interior accepted Guam's justification that it could improve the health of migrants by reducing obesity and provide a healthy outlet for youth, thereby reducing public safety concerns.
- In fiscal year 2011, Interior approved the use of compact impact grant funds for Guam Memorial Hospital Authority (GMHA), but restricted their use to future purchases rather than paying past bills, contrary to previous Interior practice. According to an Interior official, this change

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<sup>1</sup>U.S. Census Bureau, Final Report: 2008 Estimates of Compact of Free Association (COFA) Migrants (Washington, D.C.: 2009).

<sup>2</sup>Further discussion on Interior's grant management process is in GAO, U.S. Insular Areas: *Opportunities Exist to Improve Interior's Grant Oversight and Reduce the Potential for Mismanagement*, [GAO-10-347](#), (Washington, D.C.: Mar. 16, 2010).

was made in order to strengthen the link between migrant impacts and compact funds and to stop “bandaging” the chronic financial issues of GMHA.<sup>3</sup>

- In fiscal year 2006, Interior denied a CNMI grant proposal to use \$400,000 for the Marianas Visitors Authority and \$500,000 for Financial Control/Economic Recovery Initiatives. An Interior official said the agency did not retain documentation of the specific nature of these grant requests or why it denied them.

As of August 2011, Guam had approximately \$14.2 million in compact impact grant funds available from fiscal years 2004 to 2011 that it had yet to draw down from Interior. Both Hawaii and the CNMI have fully drawn down prior fiscal year funds.

See table 9 for a complete list of Interior compact impact grant awards by jurisdiction and fiscal year.

**Table 9: Compact Impact Grant Awards to Affected Jurisdictions, 2004-2011**

<b>Year</b>	<b>Guam Compact Impact Grants</b>	<b>Award Amount</b>
FY 2011	Guam School Leaseback Program and Addendum	\$7,100,000
	Judiciary of Guam—case management system procurement	3,777,026
	Guam Memorial Hospital Authority—medical equipment purchase	2,500,000
	University of Guam—architectural and engineering design of student services center and school of engineering building	1,400,000
	Department of Public Health and Social Services—medical and pharmaceutical supplies purchase	750,000
	Department of Corrections—standby generators purchase	500,000
	Department of Corrections—electronic cell locking system upgrade	300,000
	Department of Youth Affairs Facilities Improvements	250,000

<sup>3</sup>GMHA officials stated that this restriction put the Hospital in a difficult position because many of the same vendors from whom they would purchase supplies were the same ones owed for past bills. Interior also denied the Guam Department of Public Works’ proposal for the purchase of vehicles and equipment, and the Customs and Quarantine Agency’s purchase of hardware and software, although it approved similar grants in previous fiscal years.

**Appendix VII: Interior-Awarded Compact  
Impact Grants to Affected Jurisdictions from  
2004 to 2011**

<b>Year</b>	<b>Guam Compact Impact Grants</b>	<b>Award Amount</b>
	Department of Integrated Services for Individuals with Disabilities–permanent injunction projects	250,000
	<b>Total award:</b>	<b>\$16,827,026</b>
FY 2010	Guam School Leaseback Program	6,100,000
	Guam Memorial Hospital Authority Vendor Payables	3,500,000
	Department of Parks and Recreation Northern Sports Recreation Complex	2,700,000
	Guam School Leaseback Addendum	1,000,000
	Guam Fire Department Equipment (Fire Trucks Purchase)	750,000
	Guam Police Department Equipment (Patrol Vehicles Purchase)	527,026
	Department of Public Health and Social Services–pharmaceutical supplies purchase	500,000
	Guam Memorial Hospital Authority–medical supplies purchase	500,000
	Department of Mental Health and Substance Abuse–permanent injunction projects	500,000
	Guam Memorial Hospital Authority–medical supplies purchase #2	500,000
	Department of Youth Affairs Building Renovation and Equipment Purchase	250,000
	<b>Total award:</b>	<b>\$16,827,026</b>
FY 2009	Guam School Leaseback Program and Addendum	7,100,000
	Guam Memorial Hospital Authority–pharmaceuticals and equipment purchase	3,142,322
	Guam Fire Department–equipment purchase	1,000,000
	Guam Police Department Forensic Crime Lab–equipment purchase	1,000,000
	Department of Public Health and Social Services–pharmaceuticals and medical supplies purchase	500,000
	Department of Mental Health and Substance Abuse–permanent injunction project	500,000
	Department of Integrated Services for Individuals with Disabilities–permanent injunction projects	500,000
	Department of Public Works–solid waste heavy equipment purchase	500,000
	Guam Memorial Hospital Authority Operational Assessment and Feasibility Study	286,657
	<b>Total award:</b>	<b>\$14,528,979</b>
FY 2008	Guam School Leaseback Program	6,100,000
	Guam Memorial Hospital Authority–pharmaceuticals, medical supplies and equipment purchase	5,000,000

**Appendix VII: Interior-Awarded Compact  
Impact Grants to Affected Jurisdictions from  
2004 to 2011**

<b>Year</b>	<b>Guam Compact Impact Grants</b>	<b>Award Amount</b>
	Guam Memorial Hospital Authority—pharmaceuticals, medical supplies and equipment purchase	1,992,303
	Department of Public Health and Social Services—pharmaceuticals, medical supplies and equipment	500,000
	Department of Integrated Services for Individuals with Disabilities—permanent injunction projects	287,000
	Department of Mental Health and Substance Abuse—personal care attendant pilot program	213,000
	<b>Total award:</b>	<b>\$14,092,303</b>
FY 2007	Guam School Leaseback Program	6,100,000
	Guam Memorial Hospital Authority—pharmaceutical supplies and equipment purchase	6,242,322
	Department of Integrated Services for Individuals with Disabilities —permanent injunction projects	500,000
	Department of Public Health and Social Services—pharmaceutical supplies and equipment purchase	500,000
	Department of Corrections—phase II fire sprinkler system	500,000
	Department of Mental Health and Substance Abuse—therapeutic group home services	230,000
	Department of Mental Health and Substance Abuse—psychotropic medication purchase	170,000
	<b>Total award:</b>	<b>\$14,242,322</b>
FY 2006	Guam School Leaseback Program	6,100,000
	Guam Memorial Hospital Authority—medical personnel and equipment purchase	2,478,986
	Guam Memorial Hospital Authority Vendor Payables	1,629,014
	Department of Integrated Services for Individuals with Disabilities—programs and facility improvements	1,000,000
	Department of Public Health and Social Services—pharmaceuticals purchase	1,000,000
	Department of Mental Health and Substance Abuse—permanent injunction projects	806,322
	Department of Mental Health and Substance Abuse—third floor main building renovations	684,068
	Department of Mental Health and Substance Abuse—psychotropic medication purchase	200,000
	Guam Memorial Hospital Authority—clinical health services for diabetes program	150,000
	Department of Mental Health and Substance Abuse—fire protection system	115,932
	Stray Animal Enhancement Program	78,000
	<b>Total award:</b>	<b>\$14,242,322</b>

**Appendix VII: Interior-Awarded Compact  
Impact Grants to Affected Jurisdictions from  
2004 to 2011**

<b>Year</b>	<b>Guam Compact Impact Grants</b>	<b>Award Amount</b>
FY 2005	Guam School Leaseback Program	6,100,000
	Guam Memorial Hospital Authority–pharmaceuticals payments	3,005,000
	Guam Memorial Hospital Authority–pharmaceuticals and supplies purchase	2,211,600
	Department of Mental Health and Substance Abuse–permanent injunction project: equipment for therapeutic group home	916,000
	Guam Fire Department–equipment purchase	538,005
	Department of Mental Health and Substance Abuse–acquisition of therapeutic group home for adolescents	412,000
	Department of Public Works–equipment (vehicles/heavy equipment purchase)	359,717
	Department of Youth Affairs–building improvement and equipment purchase	350,000
	Guam Police Department–equipment (ballistic vests purchase)	200,000
	Department of Public Works Equipment (two backhoes purchase)	150,000
	<b>Total award:</b>	<b>\$14,242,322</b>
FY 2004	Guam Memorial Hospital Authority–pharmaceuticals and supplies purchase	3,584,010
	Purchase of 40 School Buses	3,200,000
	Guam Police Department–building improvement and equipment purchase	2,837,000
	Department of Public Health and Social Services–pharmaceuticals and medical supplies purchase	1,800,000
	Guam Memorial Hospital Authority–building improvement and equipment purchase	1,500,000
	Department of Public Health and Social Services–building improvement and equipment purchase	764,238
	Department of Corrections–fire alarm and sprinkler improvement	300,000
	Guam Fire Department–ambulances and equipment purchase	257,074
	<b>Total award:</b>	<b>\$14,242,322</b>
<b>Year</b>	<b>CNMI Compact Impact Grants</b>	<b>Award Amount</b>
FY 2011	Department of Public Safety	\$1,157,234
	Department of Public Health	536,744
	Department of Corrections	154,698

**Appendix VII: Interior-Awarded Compact  
Impact Grants to Affected Jurisdictions from  
2004 to 2011**

<b>Year</b>	<b>CNMI Compact Impact Grants</b>	<b>Award Amount</b>
	Division of Youth Services	44,616
	Office of the Public Defender	37,151
	<b>Total award:</b>	<b>\$1,930,443</b>
FY 2010	Department of Public Safety	1,157,234
	Department of Public Health	414,453
	Department of Corrections	154,698
	Northern Marianas College	122,291
	Division of Youth Services	44,616
	Office of the Public Defender	37,151
	<b>Total award:</b>	<b>\$1,930,443</b>
FY 2009	Public School System	2,110,000
	Department of Public Health	1,125,000
	Department of Public Safety	1,000,000
	Department of Corrections	415,000
	Northern Marianas College	330,000
	Division of Youth Services	120,000
	Office of the Public Defender	71,914
	<b>Total award:</b>	<b>\$5,171,914</b>
FY 2008	Public School System	2,000,000
	Department of Public Health	1,240,000
	Department of Public Safety	1,000,000
	Department of Corrections	420,000
	Northern Marianas College	307,437
	Division of Youth Services	100,000
	Office of the Public Defender	50,000
	<b>Total award:</b>	<b>\$5,117,437</b>
FY 2007	Public School System	2,000,000
	Department of Public Health	1,371,914
	Department of Public Safety	1,000,000
	Northern Marianas College	350,000
	Department of Corrections	300,000
	Division of Youth Services	100,000
	Office of the Public Defender	50,000
	<b>Total award:</b>	<b>\$5,171,914</b>
FY 2006	Public School System Renovations	2,000,000
	Department of Public Health Hospital	1,431,914

**Appendix VII: Interior-Awarded Compact  
Impact Grants to Affected Jurisdictions from  
2004 to 2011**

<b>Year</b>	<b>CNMI Compact Impact Grants</b>	<b>Award Amount</b>
	Department of Public Safety	1,200,000
	Department of Corrections	350,000
	Division of Youth Services	100,000
	Office of the Public Defender	50,000
	Department of Public Health Mental Health Services	40,000
	<b>Total award:</b>	<b>\$5,171,914</b>
FY 2005	Department of Public Health	3,698,315
	Department of Public Safety	1,004,894
	Division of Youth Services	242,730
	Office of the Public Defender	153,826
	Department of Public Health Mental Health and Social Services	72,149
	<b>Total award:</b>	<b>\$5,171,914</b>
FY 2004	Department of Public Health	3,698,315
	Department of Public Safety	1,004,894
	Division of Youth Services	242,730
	Office of the Public Defender	153,826
	Department of Public Health Mental Health and Social Services	72,149
	<b>Total award:</b>	<b>\$5,171,914</b>

<b>Year</b>	<b>Hawaii Compact Impact Grants</b>	<b>Award amount</b>
FY 2011	Department of Health and Human Services—health care programs	\$11,228,742
FY 2010	Department of Health and Human Services—health care programs	11,228,742
FY 2009	Department of Health and Human Services—health care programs	10,571,277
FY 2008	Department of Health and Human Services—health care programs	10,504,556
FY 2007	Department of Health and Human Services—health care programs	10,571,277
FY 2006	Department of Health and Human Services—health care programs	10,571,277
FY 2005	Department of Health and Human Services—health care programs	10,571,277
FY 2004	Department of Health and Human Services—health care programs	10,571,277

Source: U.S. Department of the Interior, Office of Insular Affairs.

# Appendix VIII: Comments from the Department of the Interior

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



United States Department of the Interior

OFFICE OF THE SECRETARY  
Washington, DC 20240



OCT 24 2011

Mr. David B. Gootnick  
Director  
International Affairs and Trade  
U.S. Government Accountability Office  
Washington, DC 20548

Dear Mr. Gootnick:

The Department of the Interior (Department) views the draft report GAO-12-64, "Compact of Free Association: Improvements Needed to Assess and Address Growing Migration" (Report) as a useful and valiant attempt to fairly quantify the impact of immigrants from the Freely Associated States (FAS) on the affected jurisdictions of Hawaii, the Territory of Guam and the Commonwealth of the Northern Marianas since the implementation of the Compacts of Free Association (COFA) in 1986. We appreciate the new information contained in the Report, especially the location of population centers of FAS citizens throughout the United States. We note as well that GAO has encountered the same difficulties that the Department and other executive agencies have found in discovering valid data on employment, taxation and consumption of services by FAS immigrants.

The Report demonstrates that the impact of immigration from FAS countries has an economic cost to the affected areas greater than the \$30 million annually granted those areas under a permanent appropriation. The Department recognizes this impact and is working with other Federal agencies, the affected jurisdictions and the FAS governments to find ameliorative responses. It is a complex problem for which existing law and the Compact itself offer no easy solutions. We appreciate GAO's contribution to finding answers.

We have two recommendations to GAO we wish to see reflected in the Report. First, we believe that GAO should clarify that the purpose of Compact impact funds is "to aid in defraying costs incurred by the affected jurisdiction as a result of increased demands placed" on local services, and were not intended to fully reimburse the affected jurisdictions. Sprinkled throughout the Report are the terms "compensation" and "reimbursement" which imply that the Compact impact funds were to be equivalent to the affected jurisdiction's costs in providing services. This is clearly not the intent of the law. P.L. 108-188 permanently appropriated \$30 million annually from 2004 through 2023 without provision for inflation, and used limiting language, "aid in defraying", to establish a limit on Federal contributions for Compact impact in these areas. We believe this clarification would assist Congressional, state and territorial leaders in placing the Federal role in Compact impact in proper context.

Second, the Report implies that Compact sector grant resources can be shifted from providing assistance to the FAS governments *in situ*, to providing assistance to FAS expatriates living in the affected jurisdictions. There is nothing in the record of the Compact negotiations, the agreement itself, or in the law to support this implication. Funds appropriated in P.L. 108-188 are to support specific sections of the Compact providing sector grants and for other purposes. Each of the sectors, in turn, supports FAS government activities in-country. The few examples of training programs taking place outside of the FAS are the result of the FAS governments' choices in the use of sector grant funds. Without changes to

See comment 1.

See comment 2.

existing law and to the Compact, no shifting of resources from the FAS to the affected areas can be considered. We also believe that shifting Compact resources would have ruinous effects on the affected FAS sector activities and to the FAS economies.

With regard to the four actions recommended to be taken by the Secretary of the Interior, we offer the following:

- *In order to select the most appropriate approach for its next enumeration of Compact migrants, fully consider the strengths and limitations of its preliminary approach for 2013, weighing the costs of the approach for the need for data that will be fair as well as useful to the affected jurisdiction.*

The Department will consult with the Census Bureau on the various statistical methods extant for this sort of analysis, and will review the suggestions raised in the Report. We consider the expertise of the Census Bureau to be the standard, and we respect their advice. The question of cost will be significant in 2013. P.L. 108-188 allocates only \$300,000 for this purpose, an amount that was insufficient to perform the April 2009 report. In the current fiscal climate, it will be difficult to support a more extensive enumeration from within the Department's Office of Insular Affairs' budget.

- *In order to strengthen its ability to collect, evaluate, and transmit reliable information to Congress, disseminate guidelines to the affected jurisdiction that adequately address concepts essential to producing reliable impact estimates, and call for the affected jurisdictions to apply these guidelines when developing compact impact reports.*

P.L. 108-188 invites, but does not require, the governors of the affected jurisdiction to provide their comments with respect to impacts on their respective areas. To date, the Department has chosen not to instruct the governors on the contents of their report so as not to intrude into local prerogatives. Given, however, the suggestions contained in the Report such as the limitations of cost data and even the definitions of who is a compact migrant, the Department will advise the governors of possible guidelines to develop compact reports. The governors will remain free to accept these guidelines or provide their own comments in a manner that best suits them.

- *In order to promote the most effective use of compact impact grants, work with the affected jurisdiction to evaluate the current use of grant funds and consider alternative uses of these grants to reduce compact impact.*

P.L. 108-188 authorizes very broad uses of Compact impact funds to give the affected areas flexibility in their uses. Indeed, the universe of impacted areas is quite broad and the amount of impact funds is insufficient to address all aspects of impact. In this circumstance, the Department has chosen to respect the funding priorities of the governors of the affected areas, as we believe the law intends, and we do not believe any practical gains can be made by proposing alternative uses. We recommend that this action not be included in the final report.

- *In order to help mitigate compact impact and better assist Micronesian and Marshallese citizens who migrate to the United States, work with the U.S./Micronesia and U.S.-Marshall Islands committee to consider uses of sector grants that would address the needs of Micronesian and Marshallese citizens living in the United States as compact migrants and respond to the concerns of the affected jurisdiction.*

See comment 3.

See comment 4.

The Compact agreements outline with some specificity the appropriate uses of Compact funds. As we noted earlier, we also believe that Compact funds are limited to use within the territory of the FAS. However, we do agree that some activities may be related both to established Compact sector grant priorities and to programs that would better prepare potential immigrants to live and work in the U.S., or facilitate the exchange of information between the FAS and the affected jurisdictions in matters regarding health and education. We believe the bi-lateral committees will consider uses that meet both goals.

We appreciate the opportunity to comment on the draft report and look forward to its final publication. If you have any questions, please feel free to communicate with me at 202-208-6816. Or you or your staff may wish to communicate with Tom Bussanich, OIA's Director of Budget and Grants Management at 202-208-5947 or by email at <tom\_bussanich@ios.doi.gov>.

Sincerely,



Nikolao Pula  
Director of Insular Affairs

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The following are GAO's specific responses to the comments in the Department of the Interior's letter dated October 24, 2011.

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## GAO Comments

1. The Department of the Interior suggested that our report's use of the terms "compensation" and "reimbursement" to describe compact impact funds could give the impression that these funds were intended to fully reimburse the affected jurisdictions for their added expenses when the amended compacts' enabling legislation states that compact impact grants are "to aid in defraying costs incurred by affected jurisdictions as a result of increased demands placed on health, educational, social, or public safety services or infrastructure related to such services due to the residence in affected jurisdictions" of compact migrants. We have modified the text to make our characterization of the act's intent clearer. Also in response to this comment, as well as comments received from Guam, we have cited additional provisions of the amended compacts' enabling legislation that authorize funds to address compact impact. As the affected jurisdictions may view the law as implying a reimbursement, we have kept such a characterization when it reflects the viewpoint of the affected jurisdiction.
2. The Department of the Interior stated that the record of the compact negotiations, the compact agreements, and the amended compacts' implementing legislation do not support the use of sector grants to provide assistance to FAS expatriates living in affected jurisdictions. Interior stated that the compact provides sector grants to support FAS government activities in-country and that the few training programs taking place outside of the FAS are the result of the FAS governments' choices in the use of sector grants. We agree with Interior that the sector grants listed in the compacts are to support the governments of the FSM and the Marshall Islands by providing grants in certain sectors such as health care and education; however, we note that the compacts allow grants to fund other sectors as mutually agreed and we have added this text to our description of compact economic assistance. Currently, limited FSM compact grant funds are being used to support worker training in Guam, addressing a concern of compact migrants in Guam as well as the Guam government. According to the Center for Micronesian Empowerment, approximately 45 percent of its trainees in Guam are compact migrants residing in Guam.
3. The Department of the Interior did not agree with our recommendation that it work with affected jurisdictions to evaluate the current use of

compact impact grant funds and consider alternative uses. Interior observed that the amended compacts' enabling legislation authorizes broad uses and that it has chosen to respect the priorities of governors. Interior further stated that it does not believe there would be any practical gains from proposing alternative uses. We believe this position overlooks opportunities to respect the priorities of the governors while at the same time working with the governors to review their current use of funds and consider alternatives uses. In the course of our review we identified alternative grant uses for consideration. We found that government officials, service providers, and compact migrants in the affected jurisdictions identified a significant need for language and cultural assistance, job training, and improved access to basic services for compact migrants. The sources suggested that migrant needs could be addressed by, for example, establishing centers that offer such services. This may also help reduce some of the negative impact from compact migration. For example, more translators could result in more effective health treatment.

Other alternative uses may also offer practical gains. For example, health experts have advocated for the adoption of primary health care as a more cost-effective strategy for providing health care in the Pacific Islands.<sup>1</sup> This adoption would address the need for preventive care among Micronesians and Marshallese in Hawaii—studies have shown that the Marshallese in Hawaii do not generally seek

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<sup>1</sup>For advocates of primary health care in the Pacific Islands, see Neal A. Palafox and Seiji Yamada, "The Health Predicament of the U.S.-Associated Pacific Islands: What Role for Primary Care?," *Asian American and Pacific Islander Journal of Health*, 1997(5): 49-55. Also, GAO, *Medicare: Provision of Key Preventive Diabetes Services Falls Short of Recommended Levels*, [GAO/T-HEHS-97-113](#) (Washington, D.C.: Apr. 11, 1997) states that most experts agree that preventive care may help control costs for people with diabetes, a disease that is present among compact migrants in Hawaii. More generally, GAO, *Primary Care Professionals: Recent Supply Trends, Projections, and Valuation of Services*, [GAO-08-472T](#) (Washington, D.C.: Feb. 12, 2008) states that research shows that primary care medicine can achieve better outcomes and cost savings.

preventive care and only seek professional health care when they experience a certain level of pain.<sup>2</sup>

4. The Department of the Interior stated that it believes compact sector grants are limited to use within the FAS; however, Interior agreed that some activities may be related both to sector grant priorities and to programs that would better prepare migrants to live and work in the United States. Interior stated that our report implies that compact sector grant funds should be shifted from providing assistance to the FAS governments to providing assistance to FAS citizens living in affected jurisdictions, an action that Interior sees as inconsistent with the compacts and their enabling legislation. We expect that compact sector grant awards will be provided consistent with the terms of the compacts and the amended compacts' enabling legislation; we do not intend to imply that funds should be shifted from the FAS governments to FAS migrants. In response to Interior's concern, we clarified that our findings and recommendation highlight the opportunity for the joint management committees to consider the use of sector grants to the FSM and Marshall Islands in ways that address the concerns of FAS citizens—whether they are in the FAS or in U.S. areas—and the concerns of the affected jurisdictions. The recommendation supports consideration of the use of sector grants in ways that respond to the concerns of FSM and Marshall Islands migrants and the affected jurisdictions.

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<sup>2</sup>For studies describing the need for preventive care among FAS in Hawaii see, for example, Jin Young Choi, "Seeking Health Care: Marshallese Migrants in Hawaii," *Ethnicity & Health*, 13(1), January 2008: 73-92; and Eunice Brekke, Canisius Filibert, and Oramond Hammond, "A Study of Individuals and Families in Hawaii From the Federated States of Micronesia, the Republic of the Marshall Islands, and other Northern Pacific Islands."

# Appendix IX: Comments from the Census Bureau

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



**UNITED STATES DEPARTMENT OF COMMERCE**  
Economics and Statistics Administration  
**U.S. Census Bureau**  
Washington, DC 20233-0001  
OFFICE OF THE DIRECTOR

OCT 27 2011

Mr. David B. Gootnick  
Director  
International Affairs and Trade  
U.S. Government Accountability Office  
Washington, DC 20548

Dear Mr. Gootnick:

Please find enclosed the U.S. Department of Commerce's comments on the U.S. Government Accountability Office's (GAO) draft report titled "Compacts of Free Association: Improvements Needed to Assess and Address Growing Migration" (GAO-12-64). The comments are grouped into two sections; general comments that address higher-level issues and recommendations, and more specific comments that address technical issues.

Thank you for providing the opportunity to review the draft report and we hope you will find our comments helpful in completing the final report.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert M. Groves".

Robert M. Groves  
Director

Enclosure

**USCENSUSBUREAU**  
*Helping You Make Informed Decisions*

[www.census.gov](http://www.census.gov)

U.S. Census Bureau Comments on Draft Report entitled  
“Compacts of Free Association: Improvements Needed to Assess  
and Address Growing Migration” (GAO-12-64)

**General Comments**

See comment 1.

1. Regarding the content of the 2008 surveys, the Census Bureau wants to emphasize that the content was purposely chosen to be the content required to enumerate the Compacts of Free Association (COFA) migrants. This was approved by the Department of Interior and done to minimize costs and maximize respondent participation.

See comment 2.

2. The report states that Hawaii, Guam, and the Commonwealth of the Northern Mariana Islands (CNMI) surveys were not comparable in terms of reliability. In fact, the 2008 Guam and CNMI surveys were designed to produce estimates of COFA migrants with a similar coefficient of variation to the American Community Survey (ACS) estimates for Hawaii.

See comment 3.

3. The primary reason the Census Bureau indicated that the snowball approach would not meet OMB standards was standard 4.1, which requires estimates of error. A snowball census will virtually always undercount and unless a separate evaluation effort is also conducted, the degree of the undercount is unknown. Thus, it does not meet that standard.

4. The report recognizes that the Department of Interior is considering a two-pronged approach for 2013 – using the 2010 decennial census results for Guam and CNMI and the ACS for Hawaii – as an alternative to conducting surveys in Guam and CNMI as was done in 2008. The Census Bureau recommends that the Department of Interior adopt the two-pronged approach for the 2013 enumeration of compact migrants, drawing from the 2010 Decennial Census and ACS. This would provide the required estimates in a more cost effective manner.

See comment 2.

**Specific Comments**

1. "What GAO Found" 2nd paragraph -- The phrase "The 2008 approach allowed for determining the precision of the estimates but did not yield comparable results across jurisdictions . . ." is misleading. There are some time-related limitations on comparing the Hawaii estimate to the Guam and CNMI estimates, which may add some bias depending on the actual change over time in Hawaii, but to conclude they are not comparable at all is overstated.

2. "What GAO Found" 2nd paragraph -- "Interior and Census officials have a preliminary plan for the required 2013 enumeration but have not determined its costs or assessed its strengths and limitations." The report should clarify that the Department of Interior (in consultation with the Census Bureau) will determine the final plans for 2013.

Pages in the draft report may differ from those in this report.

See comment 1.

See comment 4.

See comment 5.

See comment 1.

See comment 6.

See comment 7.

See comment 8.

3. Page 18, Approach Used in 2008 Had Strengths and Limitations -- "...limiting the usefulness of the 2008 data for purposes other than the required enumeration." See General Comment #1.
4. Page 18, footnote 27 -- indicates that the 2008 surveys did not cover the homeless. The surveys were designed to select blocks and then enumerate everyone in the block, including the homeless population.
5. Page 19, first bullet point -- "The effect of the earlier time frame is to undercount the compact migrants in Hawaii relative to the counts in Guam and the CNMI". There is no evidence to support this conclusion.
6. Page 19, third bullet point -- "In 2008, Census did not collect ... beyond that required for the enumerations." See General Comment #1.
7. Page 20, top -- "The ACS for 2005-2007 identified a cumulative total of 295 compact migrants from which Census estimated the total reported population." That is why the Census Bureau used three years worth of data from the ACS to increase the reliability of the estimate of the number of compact migrants in Hawaii and designed the Guam and CNMI surveys to have the same level of reliability as three years of ACS data.
8. Page 20 -- Regarding the sentence "Both Guam and CNMI officials stated that the compact migrant population changed addresses frequently, potentially affecting the sampling methodology and leading to a miscount." Such movement would not produce bias in the surveys as designed. It may reduce the efficiency of the block stratification using 2000 Census data, but that loss of efficiency was factored into sample size selection to ensure the desired accuracy. The Census Bureau also gave both Guam and CNMI an opportunity to provide local information that might improve the accuracy. They did not produce this information before the design had to be finalized.
9. Page 21 -- "Census would again deploy a two-pronged approach, using the 2010 decennial census results for Guam and the CNMI and the ACS for Hawaii." The advantage of this approach is that it is cost effective since no additional data collection is required and that the 2010 Census for Guam and CNMI have similar content as the ACS that will be able to identify COFA migrants.
10. Page 22, second bullet point -- "The change in enumeration method ... would limit the comparability of the 2008 and 2013 enumerations." Both methods would provide a comparable count, which is what is required for the purpose of determining funding.
11. Page 51, Census Data Provide Varying Estimates of Compact Migrants in Arkansas. -- The estimates described in this section are not based on the same criteria and therefore should not be compared. ACS tabulations of compact migrants take into account very

specific rules regarding place of birth, year of migration and status of parent. This is a different basis from self-identification on the race question on the 2010 census form or on school enrollment forms.

12. Page 59, footnote 85 -- The Census Bureau generally provides coverage rates when using a list frame. This survey was a sample of blocks that geographically cover the target jurisdiction followed by list-enumerate of the block, so coverage rates are not provided.
13. Page 60, Reaching Target Population -- This section indicates that "The ACS was not designed to make estimates of a population as small as the compact migrants. Additional sampling is needed to make reliable estimates of a population this small." However, one of the references in footnote 86 on page 60 (Alexander and Navarro, page 1) indicates that "a priority objective of the ACS design has been to provide good information about smaller groups." Whether or not one can conclude that the ACS cannot provide reliable estimates depends on which definition of "reliable" is used. The reliability of the ACS estimate for Hawaii was at a similar level to the reliability of the survey estimates for Guam and CNMI.
14. Page 61, Nonresponse rate, right column -- "However, Census did not provide an unweighted response rate." The OMB standard, as noted, is to include only weighted response rates, as these are meaningful to users of the data. Unweighted response rates may be used internally for the purposes of operational examination. It is not usual to publish them.
15. Page 61, Nonresponse rate, right column -- "Proxy respondents were used; ... indicating that the response rate is overstated." Proxy responses are generally accepted as a "response" in household surveys and included in the response rate.
16. Page 61, Nonresponse bias, and Page 62, Collection strategy and content -- The 2003 survey (left column) had similar issues as highlighted for the 2008 surveys (right column), but they are not listed for the 2003 survey.
17. Page 63, Variance Estimation. -- The final weights were used when calculating the variance estimation, which may not have been clear in the documents the Census Bureau provided. Also, the weights for the original and supplemental sample blocks were calculated using the joint probability of selection and ended up with equal weights within each stratum. This was stated in the weighting and variance documentation.

See comment 9.

See comment 10.

See comment 11.

See comment 12.

See comment 13.

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The following are GAO's responses to comments from the Census Bureau letter dated October 27, 2011.

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## GAO Comments

1. Census emphasized that the migrant survey content was purposely chosen to enumerate compact migrants while minimizing costs and maximizing respondent participation. As our report notes, however, collecting only those data needed to enumerate migrants limited the collection of data that stakeholders such as affected jurisdictions would have found useful.
2. Census stated that, in contrast to our report's findings, the 2008 Guam and CNMI surveys were designed to produce estimates with a similar coefficient of variation to the ACS estimates for Hawaii. However, the 2008 Guam and CNMI estimates are point-in-time estimates while the ACS is a multiyear estimate. As Census guidance on interpreting the ACS multiyear estimates states, "The ACS estimates the average of a characteristic over the year or period years, as opposed to the characteristic at a point in time" and "When comparing estimates across geographies or subpopulations, users should compare the same period length for each estimate."<sup>1</sup> Our findings do not suggest that the 2008 Guam and CNMI surveys are not comparable with the ACS estimates for Hawaii in terms of reliability, but rather are not comparable in terms of their sampling methods and reporting period. We show that the estimates have similar relative errors, as presented in appendix V. If the reported precision for the Guam and CNMI surveys is accurately estimated, and includes proxy respondents, the estimates have similar levels of precision.
3. Census recommended that the Department of the Interior adopt the two-pronged approach described in our report for the 2013 enumeration of compact migrants and stated that the approach would provide cost-effective required estimates. We agree that the low cost is a strength of this approach. As our report notes, however, the 2013 two-pronged approach will have limitations such as using data from

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<sup>1</sup>Michael Beaghen and Lynn Weidman, American Community Survey Research Memorandum Series, *Statistical Issues of Interpretation of the American Community Survey's One-, Three-, and Five-Year Period Estimates* (Washington, D.C.: U.S. Census Bureau, 2008).

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different time periods, limited comparability with prior data, and limited collection of demographic data.

4. Census referred to a footnote in our draft report that indicated that the homeless population was not represented in the 2008 surveys. We have moved this discussion to appendix V and included an assessment of the varying coverage of the homeless population of the 2003 snowball, ACS, and 2008 migrant survey in Guam and the CNMI.
5. Census disagreed with our statement that the effect of using an earlier time frame of data in Hawaii relative to Guam and the CNMI results in an undercount of compact migrants in Hawaii relative to Guam and the CNMI. However, as our report notes, migration is ongoing, with approximately 7,000 persons estimated to have left the FSM and the Marshall Islands in 2007 and 2008. Other available data also indicate that the migrant population is growing. Because the Hawaii data do not include 2008 and the Guam and CNMI data are from the closing months of 2008, nearly a year of additional migration is captured in the Guam and CNMI totals that is not included in the Hawaii ACS data. Alexander and Navarro (2003) show that even the upper bound of the ACS multiyear confidence interval, an amount that is greater than the estimate, can lag behind the actual value for a growing small population at a given point in time.<sup>2</sup>
6. Census stated that the frequent changing of address by the compact migrant population, cited by Guam and CNMI officials as potentially leading to a miscount, would not produce bias in the surveys as designed. We agree with Census' comment that inaccurate migrant counts in the sample design would lead to lack of efficiency and not bias. However, we note that researchers inside and outside the Census Bureau studying the foreign-born population agreed that an assumption of complete coverage of legal immigrants and temporary migrants in the 2000 Census<sup>3</sup> was unreasonable indicating the potential for coverage error and bias of the estimates based on the

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<sup>2</sup>C. Alexander and A. Navarro, "The Quality of Estimates from the American Community Survey for Small Population Groups," Proceedings of the 2003 Joint Statistical Meetings (2003).

<sup>3</sup>Kevin Deardorff and Lisa Blumberman, "Evaluating Components of International Migration: Estimates of the Foreign-Born Population by Migrant Status in 2000". U.S. Bureau of the Census Population Division Working Paper Series No. 58 (December 2001).

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2000 Census sampling frame. Further, migrants, especially those who frequently change address, are not only hard to count in the census, but they also are less likely to participate in other surveys, indicating the potential for nonresponse bias. Census further stated that it gave both Guam and CNMI an opportunity to provide local information that might improve the accuracy but that neither produced this information before the design had to be finalized. However, we note that both Guam and CNMI officials stated that, from their perspective, implementation of the survey was rushed and they had only limited opportunity to provide such input.

7. Regarding our statement about the change in enumeration method limiting the comparability of the 2008 and 2013 enumerations, Census stated that both methods would provide a comparable count, which is what is required for the purpose of determining funding. We note that the estimates across jurisdictions, within an enumeration, are not comparable. We note that estimates across enumerations are not comparable due to changing methodology and the lack of use of a method that is statistically designed to measure change over time.
8. Census asserted that its varying estimates of compact migrants in Arkansas are not based on the same criteria and therefore should not be compared. We agree that the surveys have different bases for identification and have identified several reasons for these differences in appendix IV. However, we have also noted Arkansas' concerns about the accuracy of the ACS data.
9. Census disagreed with our observation that the ACS was not designed to make estimates of a population as small as the compact migrants and notes that concluding that the ACS cannot provide reliable estimates depends on which definition of "reliable" is used. We note that the Census Bureau did not determine the level of precision, or reliability, necessary for these estimates to be used for funding. As we show in appendix III, while the ACS can be used to detect the presence of compact migrants, the smaller the population, the less reliable the estimates will be, as indicated by the wide confidence intervals. In some cases, the estimates are so unreliable that we suppressed them.
10. In response to our observation that Census did not provide an unweighted response rate, Census stated that it is not usual for the agency to publish unweighted response rates. Our review of OMB *Standards and Guidelines for Statistical Surveys* indicates that both unweighted and weighted response rates should be calculated and

reported.<sup>4</sup> However, an unweighted response rate was not provided in Census Survey Documentation that we received for review.

11. Census disagreed with our statement that the use of proxy respondents indicates an overstatement of the response rate and asserts that proxy responses are generally accepted in household surveys and included in the response rate. Proxy respondents are substitutions for the intended sample member, and Census acknowledged that proxy responses are a potential source of nonsampling error due to the proxy respondent's potential lack of knowledge of the sample respondent's information. OMB guidelines and standards call for the calculation of response rates without substitutions, as well as overall response rates that include substitutions.<sup>5</sup>
12. Census stated that the issues of nonresponse bias, as well as collection strategy and content, that we highlight regarding the 2008 survey effort were also present in the 2003 survey but are not listed for the 2003 survey. For the 2003 survey, we had no documentation of the nonresponse bias or the collection strategy and content information related to personal interviewers leaving contact information. We have noted Census's comments in the report.
13. Census stated that final weights were used when calculating the variance estimates. While we acknowledge that final weights, including a nonresponse adjustment factor, were used when calculating variances, Census documentation does not indicate that variance estimates properly accounted for the variability due to the nonresponse adjustment factor, such as through the use of replicate weight methodologies, and thus will likely result in an underestimate of the variance.

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<sup>4</sup>OMB, *Standards and Guidelines for Statistical Surveys* (Washington, D.C.: 2006).

<sup>5</sup>OMB, *Standards and Guidelines for Statistical Surveys* (Washington, D.C.: 2006).

# Appendix X: Comments from the Government of Hawaii

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



EXECUTIVE CHAMBERS

NEIL ABERCROMBIE  
GOVERNOR

HONOLULU

October 19, 2011

David Gootnick  
Director  
International Affairs and Trade  
U.S. General Accounting Office  
441 G Street N.W.  
Washington D.C. 20548

Dear Mr. Gootnick,

Thank you for the opportunity to comment on the Government Accountability Office's (GAO) report on "Improvements Needed to Assess and Address Growing Migration" from the Compact of Free Association (COFA) nations. The State of Hawai'i generally agrees with the report's premises and the Recommendations for Executive Action on page 41, and makes the following observations.

First, the report sets out relative strengths and weaknesses of the different enumeration methodologies discussed, but it does not highlight the inherent inadequacies of the American Community Survey (ACS) for enumeration of small discrete groups such as the COFA migrants. COFA migrants are a small part of the general population base, are highly mobile, are not desirous of being located or interviewed, and may have weak English language skills. Capturing the data for this group requires oversampling and aggressive follow up, which the ACS methodology lacks. The report also does not point out the obvious discrepancies between the Census estimates in each affected jurisdiction compared to the utilization data for services provided by agencies in each jurisdiction. In certain cases the number actual persons served by an agency can be verified with relative confidence, for instance, the number of COFA migrant students enrolled in school. A comparison with reported Census data may be useful in assessing the accuracy of the different enumeration methodologies being proposed.

In addition, although the enumeration was established for the sole purpose of dividing compact impact assistance among the affected jurisdictions, it presents a prime opportunity to gather far more valuable information. The use of a methodology that would capture and report demographic information about this population would benefit all the stakeholders (Department of Interior, the Freely Associated States (FAS), and the affected jurisdictions) by providing information and the ability to plan and target

Now on p. 43.

See comment 1.

See comment 2.

services and resources to have the greatest overall impact, both in the U.S. and the FAS. Some examples of useful data may include: information on where migrants are from, reported by country of origin (or even by state in the case of the Federated States of Micronesia); date of first arrival in the U.S.; date of most recent arrival in the U.S.; health needs; age; educational attainment; and employment status of residents in a household.

Finally, we would suggest that whatever methodology is selected incorporate the interests and utilize the resources of the local authorities in each of the affected jurisdictions, which could help to eliminate perceived bias, increase participation, and lower the costs associated with conducting the enumerations.

The second recommendation calls for guidelines to be disseminated to the affected jurisdictions on how and what to include in the annual reports on compact impact. The GAO report indicates correctly that there has not been any guidance issued for Hawaii on the substance or format of information that should be reported. In addition, there has never been any follow-up to the reports that have been submitted prior to the investigation conducted for this report. As a result, the State has never provided more detailed information about methodology. Hawai'i has only attempted to provide essential information on the nature and extent of the services provided. The relative detail of the information is determined by each agency based on program needs and system capabilities.

We are willing to consider suggested guidelines for reporting data in a more detailed and uniform manner, including material such as background on the methodology employed by each agency. A standard definition of who should be counted would also be very useful. It may also be helpful if the Department of Interior worked with officials in the affected jurisdictions to formulate standard questions that service providers should be asking recipients or applicants for services such as date of original entry and most recent entry into the U.S.; citizenship of adults in a household; number of U.S. citizen children under 18; and number of children under 18 who were born in the FAS.

In addition, we ask the Secretary to recognize that the State's resources are already limited and strained. Any reporting requirements or guidelines should be necessary, useful, and not create any undue burdens on the agencies collecting the data. If there is no further review of the reports once they are submitted and they are never utilized for any practical purpose, creating bigger and better reports would be essentially an exercise in waste and futility.

Lastly, although we agree with the importance of disseminating guidelines for reporting purposes, it is equally important that we know if a decision has been made to not distribute guidelines. In this scenario, we would then work on guidelines to be distributed among our state agencies so that our departmental information would be more uniform. However, this process would not start until it was clear that the federal government would not be acting in this area.

The third recommendation calls for the Secretary to work with the affected jurisdictions

See comment 3.

to promote the most effective use of grant funds. Hawai'i has always utilized Compact Impact assistance for direct services to this population, and is confident that this has been done in an efficient and cost-effective manner. There have been suggestions to distribute the grant funding among many different service providers or to create new programs, but that may dilute the effectiveness of the funding or create new spending that will be unsustainable in the future. However, ideas to increase long-term capacity or efficiency of resources, or proposals to build a strong infrastructure of support could be of great benefit to the affected jurisdictions, especially if these changes would continue to serve the affected jurisdictions beyond 2023 when the compact impact funds will no longer be distributed.

The fourth recommendation calls for the consideration of using sector grants that would address the needs of Micronesian and Marshallese citizens living in the United States. We agree that a portion of the sector grants given to the FAS might more effectively be used to provide services to Compact citizens living in the affected jurisdictions. We would also suggest that the use of the sector grants, whether in the FAS or in the affected jurisdictions, should be viewed as a continuum across borders and be developed with input from representatives of the affected jurisdictions so that there can be increased coordination of the services received by Compact citizens wherever they are living.

Again, mahalo for the opportunity to comment. If you have any questions or need further information, please do not hesitate to get in touch with me. A cooperative effort is essential to addressing the issues identified in the GAO report.

Sincerely,

  
for NEIL ABERCROMBIE  
Governor, State of Hawai'i

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The following are GAO's specific comments on the government of Hawaii's letter dated October 19, 2011.

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## GAO Comments

1. The government of Hawaii stated that while the report sets out relative strengths and weaknesses of the different enumeration methodologies, it does not highlight the inherent inadequacies of the American Community Survey (ACS) for enumeration of small discrete groups such as compact migrants. Throughout the report we note the limitations of the ACS. As our report notes, ACS data have limited statistical reliability for populations as small as compact migrants in Hawaii. We further note in appendix V that ACS estimates are not equivalent to point-in-time estimates and may be biased due to nonresponse and coverage error.
2. The government of Hawaii stated that the report does not point out the discrepancies between the Census estimates in each affected jurisdiction and the utilization data for services provided by agencies in each jurisdiction, such as the number of compact migrant students enrolled in school. We did explore the use of school data in particular as a basis for evaluating the enumeration findings; however, we found that the schools identified compact migrant students by language (as in Hawaii) or ethnicity (as in Guam and the CNMI). These definitions do not match that contained in the amended compacts' enabling legislation and could include the children of persons with FAS ethnicity who were present in Hawaii prior to the compacts or the children of persons who were born in U.S. areas. For this reason, although they are informative in a general way, the difference between the school data and the enumeration data could result from methodological differences as well as from any potential miscount in the enumeration.
3. The government of Hawaii stated that it agrees that a portion of the sector grants given to the FAS might more effectively be used to provide services to compact citizens living in the affected jurisdictions and that the affected jurisdictions should provide input into the uses of the grants. In response to other comments, we clarified our recommendation regarding compact sector grants to not imply that the use of sector grants to address migration concerns should be in the affected jurisdictions. Our recommendation is to highlight the nexus between sector grants and the issues that concern the FAS, compact migrants and affected jurisdictions. We also report that the Federated States of Micronesia has used sector grant funds for activities in the affected jurisdiction of Guam.

# Appendix XI: Comments from the Government of Guam

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

EDDIE BAZA CALVO  
Governor



RAY TENORIO  
Lieutenant Governor

*Office of the Governor of Guam*

OCT 13 2011

Mr. Emil Friberg  
Assistant Director, International Affairs and Trade  
Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

*Håfa Adai* Mr. Friberg:

Thank you for allowing the Government of Guam the opportunity to respond to your draft report entitled "Compacts of Free Association: Improvements Needed to Assess and Address Growing Migration". We are pleased that the Government Accountability Office (GAO) decided to undertake a review of the current state of migration from the Freely Associated States (FAS), the enumeration of Compact migrants, reporting of the cost of providing education and social services, and the actions of the Department of the Interior in relation to Compact impact reporting and mitigation.

Much has changed since the issuance of your prior report "Foreign Assistance: Migration from Micronesian Nations Has Had Significant Impact on U.S. Island Areas (GAO-02-40)". It was hoped that this review of the impacts of the Compacts of Free Association on Guam and the other affected jurisdictions would produce definitive guidance on measures needed to be taken to mitigate the increased costs as a result of the immigration provision of the Compacts.

The fact that Interior's poor record of producing Compact impact reports during the time period of this study and failure to include the views of the affected jurisdictions is unacceptable and shows its lack of leadership in this area in past years. The costs borne by Guam for expenditures on behalf of Compact migrants is an unfunded federal mandate resulting from policy actions of the federal government which must be reimbursed to Guam.

During our review, we noticed that the draft report does not address in detail how the two options available in the Compact and its enabling legislation - direct financial compensation to the affected jurisdictions and non-discriminatory limits on migration- could be used to address the impacts caused by the migration from the FAS. The draft report does not say under what circumstances the current \$30 million for Compact impact reimbursement should be raised and to what level would be considered fair. There is also no mention of the option of debt-relief for previously accrued and un-reimbursed cost as was provided for in the Compact law, P.L. 108-188.

The requirement that each FAS citizen seeking to enter Guam and the island areas present a passport or official travel document has helped to establish a Compact migrant's entitlement to Compact privileges. However, the limits to migration through pre-screening as suggested in the

Ricardo J. Bordallo Governor's Complex • Adelup, Guam 96910  
Tel: (671) 472-8931/6 • Fax: (671) 477-4826 • www.governor.guam.gov

See comment 1.

See comment 2.

See comment 3.

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**Appendix XI: Comments from the Government  
of Guam**

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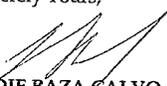
Mr. Emil Friberg  
Government Accountability Office  
Page 2 of 2

Congressional letter of request to the GAO and as now proposed in the FY 2012 Defense bill before Congress are not discussed. Pre-screening will help to insure that Compact migrants meet all immigration and other entry requirements.

On a positive note, the draft report does mention Congressional actions that recently occurred. Congresswoman Madeleine Bordallo has introduced a bill that would include Compact migrants under the Impact Aid program for education in recognition that they are present based on a treaty between the federal government and the Freely Associated States. Hawaii's Congressional delegation has introduced bill in the House and Senate to restore Medicaid benefits to Compact migrants. This is a good start in increasing the eligibility of Compact migrants for federal programs which will decrease the costs of providing educational and social services to Compact migrants living on Guam and the other affect jurisdictions.

Attached are our complete comments to the draft report.

Sincerely Yours,

  
**EDDIE BAZA CALVO**  
Governor of Guam

Attachment

Ricardo J. Bordallo Governor's Complex • Adelup, Guam 96910  
Tel: (671) 472-8931/6 • Fax: (671) 477-4826 • [www.governor.guam.gov](http://www.governor.guam.gov)



Office of the Governor  
Government of Guam  
P.O. Box 2950  
Hagåtña, Guam 96932

**Response to the GAO Draft Report**

**Compacts of Free Association:  
Improvements Needed to Assess and Address Growing Migration**

**GAO-12-64**

Office of the Governor  
Government of Guam

October 2011

**Compacts of Free Association**

**Improvements Needed to Assess and Address Growing Migration**

**General Comments to Draft Report GAO-12-64**

See comment 4.

1. Federal funds are not included for reimbursement because Interior considers reimbursement of federal funds “double-dipping” or getting additional federal funds for federal funds expended. According to Interior’s 1994 guidelines:

Guam’s impact cost computations incorrectly included amount expended for Federally funded programs, since the costs of the programs were already financed by the Federal Government. The inclusion of the same costs in the Compact impact calculations represents a duplicative claim for Federal reimbursement.

See comment 5.

2. There is no discussion on what costs are legitimate reimbursable Compact impact costs.
  - A. What costs are considered legitimate reimbursable costs incurred by the affected jurisdictions?
  - B. Does Interior recognize these costs as legitimate (why or why not)?
  - C. On what basis will the costs be determined for each affected jurisdiction (because of different accounting systems in each area)?
  - D. How and where do the affected jurisdictions find the data to report?
  - E. How is the data to be reported?

See comment 6.

3. It was hoped that this review of the impacts of the Compacts of Free Association on Guam and the other affected jurisdictions would produce definitive guidance on measures needed to determine costs and the steps that need to be taken to mitigate these costs as a result of the immigration provision of the Compacts.

See comment 7.

4. The fact that Interior’s poor record of producing Compact impact reports during the time period of this study and failure to include the views of the affected jurisdictions is unacceptable and shows its lack of leadership in this area in past years. The costs borne by Guam for expenditures on behalf of Compact migrants is an unfunded federal mandate resulting from policy actions of the federal government which must be reimbursed to Guam.
5. During our review of the draft report, we noticed that the draft report does not address how the two options available in the Compact and its enabling legislation, direct financial compensation to the affected jurisdictions and non-discriminatory limits on migration, could be used to address the impacts caused by the migration from the FAS. The report does not address the adequacy of the \$30 million in Compact impact reimbursement provided to the affected jurisdictions as requested in the Congressional letter to the GAO under the section entitled “Overall adequacy of current Compact-impact assistance”. The report does not report under what circumstances the amount of Compact impact reimbursement should be raised

and to what level would be considered fair. Also, there is no mention of opportunities the federal government may have to reimburse the affected jurisdictions or of the option of seeking debt-relief for previously accrued and un-reimbursed cost as was provided for in the Compact Law as amended, P.L. 108-188.

See comment 8.

6. According to the Congressional letter to the GAO in the section titled "Federal interagency cooperation for screening and admissibility", a review was requested of interagency, intergovernmental and diplomatic cooperation for examining the suitability and admission into the United States of FAS citizens in accordance with the Compacts of Free Association and applicable provisions of the Immigration and Nationality Act. The requirement that each FAS citizen seeking to enter Guam or the other affected jurisdictions present a passport or official travel document has helped to establish a Compact migrant's entitlement to Compact privileges. However, the limits to migration through pre-screening as suggested in the Congressional letter of request to the GAO and as now proposed in the FY 2012 Defense bill before Congress are not discussed. Pre-screening will help to insure that Compact migrants meet all immigration and entry requirements.

7. On a positive note, the draft report does mention Congressional actions that recently occurred. Congresswoman Madeleine Bordallo has introduced a bill that would include Compact migrants under the Impact Aid program for education in recognition that they are present based on a treaty between the federal government and the Freely Associated States. Hawaii's Congressional delegation has introduced bill in the House and Senate to restore Medicaid benefits to Compact migrants. This is a good start in increasing the eligibility of Compact migrants for federal programs which will decrease the costs to Guam and the other affected jurisdictions.

See comment 9.

8. Another area not addressed in the draft report is the ancillary benefits of the enumeration of Compact migrants. No significant socio-economic data on is available from 2008 Survey of COFA Migrants due to the methodology used (short form with few questions). Data quoted in the draft report is limited to the data from the 2003 enumeration and prior years. Interior's keeping with the letter of the law has done a disservice to the affected jurisdictions. Data lost can never be regained - point in time means once the moment passed, it's gone.

See comment 10.

9. According to the Congressional letter to the GAO in the section titled "Access to Department of Defense (DoD) medical facilities", the question was asked about the status of implementing arrangements and other protocols between civilian and DoD authorities affecting the referral of FAS citizens for medical diagnosis and treatment, how does DoD interpreting authority provided by Sec. 104(e)(7)(A), and what is the comparison of referral policy affecting FAS citizens between U.S. Naval Hospital, Guam and Tripler Army Medical Center, Honolulu, Hawaii. This issue is not addressed in the draft report.

10. While the funding for health in the Freely Associated States through the sector grants will help in the short term, FAS citizens will still migrate for health reasons unless the level of

care is substantially increased. Similarly, Compact sector funding for education would help lessen the need to migrate to receive a better education and insure that FAS students who do migrate perform better in their new schools in the short term. However, as mentioned in the previous GAO report, the migrating to further one's education by attending college in Guam and Hawaii will not help the FAS nations unless they can provide these highly educated people with jobs and wages commensurate with their skills when they return home.

11. While the concept of using the Compact sector grants to assist Compact migrants may lessen the impacts on the affected jurisdictions, diverting them from their intended use within the FAS itself must be carefully weighted. Socio-economic improvements within the FAS may yield more sustainable results and lessen the need for migration.
12. Interior must make a clear, unambiguous statement on its position on Compact impact reimbursement; its recognition of its role to mitigate impacts; its recognition of the impacts to the affected jurisdictions; its commitment to work with the FAS and affected jurisdictions to resolve issues surrounding reasons for migration; clearly state its position on criminal deportations and deportations in general with regards to family unity; position on the limits to migration, in particular, pre-screen as mentioned by the Congressional requesters and the FY 2012 Defense bill; and how Interior will protect the rights of Compact migrants in light of recent toughening of state laws targeting undocumented immigrants.
13. Guam does recognize Compact migrants' contribution to the overall economy of the island. However, federal policy such as the earned income tax credit (EITC), Medicaid caps, limited access to certain federal health and social service programs, etc., are negating any benefits.
14. The terms "agency" and "agencies" are used to refer to the sources of Compact impact annual reports in the affected jurisdictions or the affected jurisdictions directly. However, the term is also used to describe the individual entities that provide these "agencies" with the information for the Compact impact reports. It is sometimes difficult to identify who the draft report is referring to when reading a particular sentence. In many cases, the entire section must be read to give the proper context.

See comment 11.

**Compacts of Free Association**

**Improvements Needed to Assess and Address Growing Migration**

**Comments to Draft Report GAO-12-64 by Page Number**

Draft Page 8

Foot note 15 - Census was not told by Interior about children under 18 year for the 2008 Survey of COFA Migrants. Guam informed Census who later verified it with Interior

Draft Page 11

1. Interior should fund a special tabulation by the Census Bureau based on the 2010 Census of Guam
  - A. It should include status of US-born and Guam-born children of Compact migrants.
  - B. Prior Micronesian censuses have done cross-tabulations of small populations.
2. There have been five Micronesian Censuses on Guam since 1986. The 1995 Census of Palauans is missing.
  - A. 1992 Census of Micronesians on Guam (FSM and RMI only)
  - B. 1995 Census of Palauans
  - C. 1997 Census of Micronesian Migrants to Guam
  - D. 2003 Census of Micronesian Migrants to Guam
  - E. 2008 Survey of COFA Migrants
3. Only the latter three censuses/surveys covered all Compact migrants.

Draft Page 16

Based on the recently released 2010 Census population of Guam (159,358 persons), the percentage of Compact migrants on Guam is 11.6% based 2008 population estimate of 158,437 persons (<http://2010.census.gov/news/releases/operations/cb11-cn179.html>).

Draft Page 18

1. The block sampling was done based on 2000 Census block data which had a high Compact migrant population as the starting point. This was supposed to be updated with 2008 information of Compact migrant concentrations. There should be a statement about the source of the 2008 information and how it was applied to the 2000 blocks to determine the new Compact migrant concentrations for the 2008 Survey of COFA Migrants.
2. The 1995 Palauan survey should be included in footnote 18.
3. The 2008 Survey of COFA Migrants basically followed the letter of the law, not the spirit of the law which is to assess the status of Compact migrants.

Pages in the draft report may differ from those in this report.

See comment 12.

See comment 13.

See comment 9.

See comment 14.

4. The terms “census” and “survey” are used interchangeably when referring to Compact migrant counts. All are in fact surveys since they are not complete enumeration of all persons. To count homeless persons would mean a full Census of a subset of a sub-population.

Draft Page 19

Change footnote 31 to read “... that allowed the construction of additional tables ...”

Draft Page 20

If Interior and/or Census had asked OMB to consider the snowball method, the question of fairness between the affected jurisdictions may have been avoided. Also, this could have led to a survey instrument that collected the socio-economic data which the affected jurisdictions were seeking.

Draft Page 27 (also applies to Draft Page 66)

See comment 15.

1. Definition of compact migrants -  
The draft report questions the use of ethnicity, language, citizenship and other proxies rather than the definition according to the compacts enabling legislation. Yet, nowhere is here an explanation of what should be basis of identifying Compact migrants or how it should be accomplished.

See comment 16.

2. Federal funding -
  - A. It is unclear what reasoning behind the concept of federal funding offsets and how they are applied. Guam reports are based on locally funded costs only. Compact migrants would use a certain percentage of federal funds as indicated in the report, but that amount is ineligible for further reimbursement (“displacement cost”). There is no clear reason given as to why this amount should be subtracted from the local cost amounts as a credit since these are two separate funding sources.
  - B. In a formula grant based on population, the number of Compact migrants living on Guam do not significantly increase the amount of federal funds Guam would otherwise be eligible to receive without their inclusion. Moreover, in many population-based formula grant programs, the addition of their population has no impact upon the amount of federal funds Guam would otherwise be entitled to receive because there is a minimum level set for all recipients.
  - C. Considering all population-based federal funds as containing offsets of Compact impact costs assumes that these costs for services rendered proportionately based on the percent of Compact migrants or their use of a service. The federal funds expended for Compact migrants in excess of their proportionate share are funds that would have otherwise been available for

the benefit of a local client. This would be part of what would be referred to as “displacement cost” to Guam for which reimbursement can not be included in Compact impact cost calculations as they are considered a duplicative claim for Federal reimbursement according to Interior.

- D. Extending the argument, this would mean that population-based federal funds for which Compact migrants use less than their proportionate share would generate a “credit” according to the example. This would mean that costs in excess of their proportionate share would be eligible for reimbursement, possibly being offset by this “credit”.
  - E. If Compact migrants are ineligible or otherwise derived no benefit from population-based federal funds, the application of a “credit” raises would seem to raise some ethical questions.
  - F. Literature citations describing the rationale of these adjustments and examples of the application this methodology in immigration research is needed.
3. Capital costs-
- A. Leaseback program for new schools -
    - 1. The schools were built with federal dollars (Compact impact funds).
    - 2. This would make it ineligible for reimbursement as an education capital cost.
  - B. There has been no specific guidance from Interior on what capital costs can be considered for reimbursement and how to capture the information.

Draft Page 28 (also applies to Draft Page 68)

There is a general description of the methodology used for each reporting agency. Although the methodology may not be used by the individual reporting agencies, the Bureau of Statistics and Plans follows the methodology stated and policy directives given to the Bureau.

Draft Page 29 (also applies to Draft Page 68)

The first paragraph should read as follows to more accurately reflect the situation:

“... told us that the bureau attempts to adhere to them when preparing compact impact cost estimates. The bureau does not provide these guidelines in its annual letter to the agencies when requesting compact impact costs since the agencies do not do their reports for Interior directly. The bureau applies the guidelines to the data from by the agencies in the annual report submitted to Interior.”

Draft Page 30

- 1. Interior’s insistence on the inclusion of the economic contributions of Compact migrants has been a standard line since the 1980’s. However, no assistance or guidance has ever been offered.

See comment 17.

See comment 9.

2. Although Interior says it will do so, timely submission does not equate to completeness as this report points out.
3. No socio-economic data on Compact migrants is available for 2008 Survey of COFA Migrants due to the methodology used (short form with few questions). Interior's keeping with the letter of the law has done a disservice to the affected jurisdictions.
4. Cost-benefit analysis
  - A. This would seem reasonable if the Compacts were for recruiting labor. However, the concept of a cost-benefit analysis for Compact migrants would seem inappropriate given their special status. The Compacts gave Compact migrants the right to seek employment in a similar fashion as any US citizen, green card holder, or other work-eligible person.
  - B. Without the application of the immigration visa requirements, Compact migrants are not really immigrants, migrants, or non-immigrant aliens but persons seeking opportunities under the American economic and social system like any other US citizen. They are free to establish residence in any state, territory, or possession.
  - C. Compact migrants have rights that other non-immigrants as well as immigrants do not possess; they are not subject to controls like H-2B workers who face restrictions on when and where they work that affect their income potential.
  - D. When discussing cost of social services to US citizens, there is never a discussion of the economic contribution they provide being subtracted out when reporting the cost of the services provided. Also, the Compacts do not ask about benefits.

See comment 18.

Draft Page 32

See comment 19.

1. There is no mention of Elizabeth Greico's "The Remittance Behavior of Immigrant Households: Micronesians in Hawaii and Guam" (also Draft Page 48) as a comparative source.
2. The source report stating the basis of the Manuel Orozco calculation that Compact migrants sent back as much as \$71 million home should be cited.
3. No data on consumption and remittances were collected in 2003 because Interior limited the scope of the survey:

However, at the request of the Office of Insular Affairs, Department of the Interior, we developed the 2003 surveys to measure only negative impact; hence, we collected little housing data and no expenditures data, so we will not update those chapters in this report. ("The Status of Micronesian Migrants in 2003", Page 11)

4. This means that Interior does recognize that the Compact language only asks about costs of providing educational and social services and does not ask about benefits to

the affected jurisdictions. Otherwise, they would have insured that housing and expenditure data be collected.

Draft Page 34

It should be noted that, prior to 2004, Guam could only use the Compact Impact grants for capital improvement (CIP) projects.

Draft Page 40

1. The guidelines from Interior to the affected jurisdictions must be uniform across all jurisdictions. The cost basis must be the same (inclusions and exclusion).
2. Interior must respect the affected jurisdictions' right to determine what is appropriate for the jurisdiction to expend its Compact impact funds as currently being done.

Draft Page 41

1. We agree in principle to the four recommendations for executive actions by Interior as recommended by the GAO.
2. Because each jurisdiction has its own method of funding various social services which has led to the incomparability of between the areas, we recommend more that just general guidelines. The guidelines must specifically state what is to be collected, source of the data, caveats, etc. as well as how it is to be reported for each affected jurisdiction given that each reporting system will be different.
3. Alternate uses of Compact impact grants must balance the need and public good while provide more directed assistance to Compact migrants.

Draft Page 48

Change to read "... their average wages, and taxes paid. The method ..."  
Change to read "... first outlined by an official in the"

Draft Page 52

1. Change to read "... affected jurisdictions because Arkansas does not ..."
2. The issues facing Arkansas when asked to provide education and social services data on the Marshallese are similar to that faced by Guam when Compact Impact reporting began. For example, as with Arkansas education data, the information collected about the students were aggregated into a general category or not collected at the necessary specificity. Baseline data would have to be estimates based on available data (Interior seems to have a problem this concept).

See comment 20.

See comment 21.

See comment 22.

Draft Page 54

Arkansas differs from the affected jurisdictions in terms of the labor market and recruitment. There has been active recruitment of Marshallese citizens by local Arkansas businesses to the extent we do not believe happens on Guam.

Draft Page 57

The second sentence of footnote 52 - "As of September 2011, ..." - should be moved to the end of the first paragraph. Alternately, a third section should be added to discuss the 2010 Census for Guam and the Commonwealth of the Northern Mariana Islands and the data from the Census (or lack thereof). Although the data the GAO received was only for the Marshallese, the title of Appendix IV is the "2010 Decennial Census Data on Micronesians by Race".

Draft Page 59

There should be a section header "Survey design" below the 2003 and 2008 as all the other sections have headers.

Draft Page 65

Guam believes that the definition of Compact migrant should be defined more liberally.

Draft Page 66

1. The comments made for Draft Pages 26 to 29 in relation to Draft Pages 65 to 68 should be applied.
2. Change footnote 92 to read "... The Guam Bureau of Statistics and Plans ..."

Draft Page 68

1. Based on the terms of entry in the Compacts, it would seem that Compact migrants are "pseudo-citizens", having the ability to access all federal and local social services programs unless specifically barred. As such, even if the services are discretionary, they are provided on a non-discriminatory basis as applied to US citizens. Because they are non-immigrant, non-visaed, work eligible non-citizens here by federal statute, Compact impact reimbursement is justified for all services rendered.
2. All affected jurisdictions have had the right to submit Compact impact reports since the time of the original Compacts in 1986. The only thing that has change is the responsible reporting party which was changed from Interior to the affected jurisdictions by P.L. 106-504.

See comment 23.

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The following are GAO's responses to specific comments in the government of Guam's letter dated October 13, 2011.

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## GAO Comments

1. The government of Guam stated that the draft report did not address in detail how the two options available in the compact and its enabling legislation—direct financial compensation to the affected jurisdictions and nondiscriminatory limits on migration—could be used to address compact impact. Our report noted that additional appropriations are authorized in the amended compacts' enabling legislation; however, no additional appropriations have been provided to date and remain an option for Congress. We do not address limits on migration in our report.
2. The government of Guam stated that our report does not mention the option of debt relief for previously accrued and unreimbursed costs as was provided for in the amended compacts' enabling legislation. We have added a note to the report to describe this provision, but also note that the provision expired on February 28, 2005.
3. The government of Guam stated that the limits to migration through prescreening as suggested in the congressional letter of request to GAO and as now proposed, according to the government of Guam, in the “fiscal year 2012 Defense bill before Congress” are not discussed. We do not address limits on migration in our report.
4. The government of Guam stated that federal funds are not included in its compact impact reporting. We recognize the Guam Bureau of Statistics and Plans attempts to adhere to Interior's 1994 guidelines instructing the exclusion of federal funding in compact impact reports; however, we found that the bureau and some local government agencies do not always follow the guidelines. For example, the Guam Bureau of Primary Care Services within the Division of Public Health and Division of Public Welfare have included federal funds in their costs that the Bureau of Statistics and Plans has included in its compact impact reports submitted to Interior.
5. The government of Guam stated that our report does not discuss what compact impact costs are “legitimately reimbursable.” In our report, we discuss some basic principles regarding adequate cost estimation that we derived from OMB and our own guidance to identify the characteristics of costs that are accurate, well-documented, and comprehensive. However, Interior's implementation of our

recommendation to disseminate adequate guidelines may further instruct affected jurisdictions as to which costs are legitimate.

6. The government of Guam stated that it hoped our report would produce definitive guidance on measures needed to determine compact impact and the steps that need to be taken to mitigate these costs. We believe that our recommendation that Interior prepare adequate cost guidance will help in determining compact impact costs.
7. The government of Guam stated that our report does not address how financial compensation to affected jurisdictions, limits on migration, or debt relief could address impacts. See our response in comments 1, 2, and 3.
8. See our response to comment 3.
9. The government of Guam stated that the 2008 Census survey has done a disservice to the affected jurisdictions because it did not collect additional data. As our report notes, the lack of this data is one of the limitations of the 2008 and potentially the 2013 approach.
10. The government of Guam stated that our report does not address the amended compacts' enabling legislation's provisions for access to Department of Defense medical facilities by citizens of the FSM and Marshall Islands. We have added a note in the report to document that such access exists, but we have not addressed the referral policies of Department of Defense facilities in Guam and Hawaii.
11. The government of Guam requested we clarify the sources of compact impact reporting when we refer to "agency" and "agencies" in our draft report. We made changes throughout our report to more specifically identify the agencies.
12. The government of Guam noted that the 1995 Census of Palauans was not included in our report. We have now added a note with the findings of this survey. As Guam noted, unlike other surveys we have included in the report, this survey did not cover all three FAS.
13. The government of Guam stated that the recently released 2010 decennial census affects the estimate of 2008 Guam population used in figure 4. We have updated the estimated populations of affected jurisdictions used for figure 4 to use an estimate interpolated from

2000 and 2010 Census data. Like Guam, we now estimate that migrants in 2008 were approximately 11.6 percent of Guam's population.

14. The government of Guam noted that the terms "census" and "survey" are used interchangeably when referring to compact migrant counts but all counts are in fact surveys and omit the homeless. We have reviewed the text for our use of the terms "census" and "survey" and have also added a discussion of the various Census surveys' approaches to counting the homeless population in appendix V.
15. The government of Guam stated that the report draft questioned affected jurisdictions' varying definitions of compact migrants, which are based on proxies rather than what is stated in the amended compacts' enabling legislation, but did not provide an explanation of the correct definition. In our draft report we included the definition of the amended compacts' enabling legislation in appendix VI but have now also added it to the main body of the report.
16. The government of Guam stated that it is unclear about the application of federal funding offsets in its impact reporting, which it refers to as displacement costs, and asserted that its reports are based on locally funded costs only. Guam also noted that in population-based formula grants the number of compact migrants does not significantly change the amount of funds available to Guam. The government of Guam said that any spending over this type of federal funding is considered a displacement cost because it would have otherwise been available to a local client. We believe that our recommendation that Interior prepare adequate cost guidance will help in determining compact impact costs.
17. The government of Guam stated it would like the report to replace a paragraph to reflect how the Bureau of Statistics and Plans handles guidelines regarding compact impact reporting. The government of Guam said it does not provide Interior's guidelines to the reporting local government agencies, but attempts to apply them when compiling the data it receives in preparation for submission to Interior. We updated our paragraph with the additional information but also noted that we found some cases where the bureau and local Guam agencies did not follow Interior's guidelines.
18. The government of Guam stated that when discussing the cost of social services to U.S. citizens, the compacts do not discuss the

subtraction of economic contributions when calculating the cost of services provided, and do not mention the inclusion of compact benefits. The amended compacts' enabling legislation does not require the inclusion of such data in affected jurisdictions' impact reports and complete data on compact migrants' contribution to local economies does not exist. We provided available information on labor market participation, taxes, consumption, and remittances.

19. The government of Guam asked that we cite a study by Elizabeth Grieco as a comparative source on remittances and a source for the estimates of Mr. Orozco. Ms. Grieco's study uses the same 2003 Census data we cite in our report, but we have added it as a citation. We have also added an additional citation to the methodology used by Mr. Orozco.
20. The government of Guam stated the guidelines from Interior regarding compact impact reporting must be uniform across all jurisdictions and that it must respect the affected jurisdictions' right to determine what is appropriate for the jurisdiction to expend to address compact impact. However, there are opportunities to more effectively use those funds. These opportunities may help address some of the needs identified by various officials, service providers, and compact migrants. These needs include access to language and cultural assistance, job training, and improved access to basic services for compact migrants. These sources suggested that migrant needs could be addressed by, for example, establishing centers that offer such services.
21. The government of Guam stated that it agrees in principle with our four recommendations. It also noted that guidelines must specifically state what data is to be collected and how. We agree that having clear and detailed guidelines would help affected jurisdictions when developing their impact reporting. With regard to usage of compact funding, please see our comment in response 20.
22. The government of Guam suggested edits to the text of appendix IV. We have moved the sentence on the availability of Guam and CNMI estimates to the text as they suggest. We have not changed the title of the appendix because it addresses data for all three FAS, though only data on Marshallese are currently available.
23. In response to the discretionary costs discussion in our draft report, the government of Guam stated that, based on the terms of the

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compacts, it seems compact migrants are treated as if they are citizens in that they have access to all federal and local services unless specifically barred; therefore, reimbursement is justified for all services rendered because they are provided on a nondiscriminatory basis. We believe that our recommendation that Interior prepare adequate cost guidance will help in determining compact impact costs.

# Appendix XII: Comments from the Government of the Commonwealth of the Northern Mariana Islands



COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

**Benigno R. Fitial**  
Governor

**Eloy S. Inos**  
Lt. Governor

October 12, 2011

David B. Gootnick  
Director  
International Affairs & Trade  
U.S. Government Accountability Office  
Washington, DC

Dear Mr. Gootnick:

Thank you for the opportunity to comment on the GAO-12-64 report, "Improvements Needed to Assess and Address Growing Migration".

Regional cooperation as in the Micronesian Chief Executive Summit brings leaders of the Micronesian islands together to discuss important issues affecting the region. One such issue is the impact and contributions of the FAS migrants in Guam, Hawaii and CNMI. We want to state that we welcome all FAS migrants to live and contribute to the economy and the communities in the CNMI most especially during this time of federal transition. It is important to note that regional collaboration and partnership play an important role in the development of our economic future.

For the past few years, CNMI had voiced concerns over the disproportion in compact impact grant reimbursements. What the CNMI claims are not commensurate to what the US Congress allocates, and the amount DOI/OIA reimburses. This report points to weaknesses in the CNMI's reporting methodology due to DOI/OIA's inadequate guidelines of 1994 and limitations in enumeration approaches as possible reasons why such gaps occur. We seek to address these issues with DOI/OIA based on recommendations provided by the report.

We generally agree with the report's recommendations and further recommend that DOI/OIA consult with the CNMI on developing future guidelines using resources and recommendations from the DOI/IG report of 1993<sup>1</sup>, OMB circular A-94<sup>2</sup>, GAO-09-3SP<sup>3</sup>, and GAO-04-733<sup>4</sup>. We also recommend that

<sup>1</sup> Department of Interior Office of the Inspector General, *Audit Report: Impact of the Compact of Free Association on the Government of Guam, Report No. 93-1-1195* (1993).

<sup>2</sup> OMB Circular No. A-94, *Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs*, revised October 29, 1992.

<sup>3</sup> GAO-09-3SP, *Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Capital Program Costs*.

<sup>4</sup> GAO-04-733, *Illegal Alien Schoolchildren: Issues in Estimating State-by-State Costs*.

Caller Box 10007 Saipan, MP 96950 Telephone: (670) 664-2200/2201 Facsimile: (670) 664-2211

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**Appendix XII: Comments from the Government  
of the Commonwealth of the Northern Mariana  
Islands**

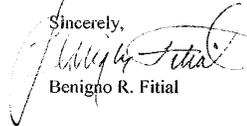
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DOI/OIA consult with the CNMI on the best approach to enumerate all compact migrants, quantify migrants' economic contributions and effects in the CNMI, and other purposes.

Finally, we further recommend that the US Congress with CNMI's Delegate to the US Congress, without delay, provide additional appropriations as mandated by the 2003 Amended Compact legislation to redress the outstanding costs for services provided to FAS migrants from past years to present.

We anticipate working with DOI/OIA and the FAS countries to address these issues cooperatively.

Sincerely,



Benigno R. Fitial

# Appendix XIII: Comments from the Government of Arkansas

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



## Arkansas Department of Health

4815 West Markham Street • Little Rock, Arkansas 72205-3867 • Telephone (501) 661-2000  
Governor Mike Beebe  
Paul K. Halverson, DrPH, FACHE, Director and State Health Officer

October 11, 2011

Dr. David Gootnick  
Director, International Affairs and Trade  
U.S. Government Accountability Office  
441 G. St., NW  
Washington, DC 20548

Dear Dr. Gootnick,

This is in response to your request that staff in Arkansas review the draft report entitled "Compacts of Free Association: Improvements Needed to Assess and Address Growing Migration." Our view of this document is set out below.

1. The history and scope of the migrant issue is reviewed adequately.
2. The lengthy discussion regarding how best to enumerate the migrants in a state or territory is well done. It is clear that few persons are satisfied that the correct numbers are in hand and that the variations among the states are probably greater than the data reflect.
3. As a general statement we agree that Arkansas has a large number of migrants from the Marshall Islands, certainly the largest number in the continental U.S.
4. The methods used to determine government expenditures for the Marshal Islanders are an estimate at best because many health services provided could not be determined since ethnicity is frequently not recorded on health records at the Arkansas Department of Health or in other health provider institutions.
5. We have no objective basis to disagree with the data you give for Arkansas since these are the data we provided to you. However, we are in serious doubt about the count of the migrants thinking that there is an undercount despite the good efforts of those charged with the counting operation. In particular we are concerned about figure 2 on page 14. It shows the number of migrants in each of several states as determined by the American Community

See comment 1.

Now on p. 63.

Survey (ACS) that relies heavily on mail survey methods sent to selected households. The number of migrants in Arkansas as shown in the figure is 1,155 total for the period of 2005-2009. This is a very serious and misleading undercount, indeed there were 1,092 Marshallese children in grades K-12 enrolled in the Springdale school system in the year 2008-2009. Later on in the report on page 57 of the appendix the 2010 census count for Marshallese in Arkansas is given as 4,324 as set out in table 6.

We ask that Figure 2 be reconfigured to show the values for the 2010 census rather than the data from the flawed ACS report. This is most important because Figure 2 as it stands is a powerful visual that will impress readers of your report in contrast to the table hidden away on page 57 of the appendix. We are very concerned that congressional leaders and staff who review the GAO report will be much more likely to see and remember Figure 2 as it stands instead of the more accurate data shown in the appendix. Specifically we ask that 2010 census data be used to create Figure 2 rather than the ACS data.

6. We recognize that it is stated more than once within the report that the affected jurisdictions have expressed concern that they do not receive adequate compensation for the costs of providing government services to the migrants. In the case of Arkansas it should be made clear that Arkansas has never received any compensation as reimbursement for the services provided over the years.

Thanks to you and your staff for your work to inform congressional leaders about the compact and its impact on the various states and territories.

Sincerely,



**Joseph H. Bates, MD, MS**  
**Deputy State Health Officer**  
**Chief Science Officer**

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The following is GAO's comment on the Arkansas Department of Health's letter dated October 11, 2011.

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## GAO Comments

1. The Arkansas Department of Health expressed serious doubts about the count of Arkansas migrants based on American Community Survey data and asked that 2010 census data be used to create figure 2 rather than the ACS data. We agree that there are differences between the count based on the ACS data and that based on 2010 decennial census data and have listed some of the reasons for the differences in appendix IV. We have added text to the report to more explicitly describe this appendix, the differences between the data sets, and Arkansas's concerns.

# Appendix XIV: Comments from the Government of the Federated States of Micronesia

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



EMBASSY OF THE  
FEDERATED STATES OF MICRONESIA  
1725 N STREET, N.W.  
WASHINGTON, D.C. 20036

TELEPHONE (202) 223-4383  
TELEFAX: (202) 223-4391  
[www.fsmembassydc.org](http://www.fsmembassydc.org)

12 October 2011

David B Gootnick, PhD  
Director  
International Affairs & Trade  
US Government Accountability Office  
441 G Street NW  
Washington, DC 20548

Dear Dr Gootnick

The Government of the Federated States of Micronesia (FSM) expresses its sincere appreciation to the US Government Accountability Office for extending the invitation to comment on the draft report: "Compacts of Free Association – Improvements Needed to Assess and Address Growing Migration." While the exercise is entirely an initiative of the US Government, we acknowledge its necessity as a tool in discerning and generating areas of possible improvement in our bilateral relationship pursuant to the Compact, as amended. Just as well, we recognize the hard work, diligence and professionalism that the GAO brought to bear on a multifaceted, complex and increasingly important subject, namely, the "impact" of the migrant populations of the Freely Associated States on the communities in which they reside in the US, particularly in the "affected jurisdictions" as defined by the Compact treaty.

Surely "Compact Impact" has taken on a new significance, and the migration of the FAS citizens to the US, including its territories and possessions, appears to be the leading contributor to placing the subject on the radar screen. It is precisely for this reason that we have been looking forward to the GAO report, as it is our sincere desire to help addressing the Compact Impact resulting from the migration of our citizens to the US and to also seek ways of improving their welfare.

Without meaning to delve into history, the "habitual residence" provisions of the Compact are one element that gives the treaty its unique character and practical meaning – a tribute to the architects of the treaty on both sides who envisioned the Compact as not just a mere relationship but a special and profound partnership. Thus, it is our desire in collaboratively addressing the Compact migrant impact issue to ensure that the treaty continues to be mutually beneficial to both the US and the FSM and that the spirit of partnership remains intact as the cornerstone and beacon light of the relationship as a whole.

True, in the economic condition of the present, these are real hard times for both the FSM and the US. However, the need to approach the issue objectively and on factual basis in a collaborative manner should not be compromised.

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**Appendix XIV: Comments from the  
Government of the Federated States of  
Micronesia**

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All in all, the FSM Government has concerns on various parts of the draft GAO report. Amongst those concerns, we would like to highlight the following:

1) Inconclusiveness of Findings and Absence of Net Cost and Net Contribution

We concur fully with the underlying assumption of the GAO study, and of those who commissioned it, that hardcore “numbers” or data are critical to gaining a fairly accurate picture of the impact of the FAS migrant populations in the US. To be credible, any measure aimed at addressing the adverse impacts of the “habitual residence” provisions of the amended Compact must be based on solid data. It is also highly desirable to present a comprehensive picture of the situation, showing both the net costs of services extended to the FAS migrants on the one hand and, on the other, the wide range of the migrants’ contributions to the communities where they reside.

The inconclusiveness of the findings of the GAO report is thus one of our main concerns. Our reading is that, despite its hard work and due diligence, the GAO is simply not in a position to provide a comprehensive picture as to the overall cost of the medical, educational, and other social services extended to the Compact migrants and the net contributions that they make to their communities. In other words, based on the GAO study, it cannot be said with maximum certainty that the FSM migrant population are a positive contributions to their respective communities; nor can it be said with full confidence that the Compact migrants are, on the whole, “free riders” on the social service systems of the communities where they reside. The statistics, the GAO report tells us, are simply not available or are not adequate.

But the inadequacy of solid data is not a good justification not to collaboratively confront the issue. It is for this reason that we take note of the GAO’s identification of measures that are necessary to facilitate or provide objective bases of addressing the issue of Compact migration in the affected jurisdictions. We are indeed pinning high hopes on the recommendations outlined in the report.

2) Impact of Application of Different Measurements

We appreciate the GAO draft report’s treatment of the different approaches that the US Government applied in trying to show the “picture” of our migrant populations in terms of both impact and characteristics. Our concern is that the application of these different approaches in different affected areas at different times yields numbers that cannot be easily used, if at all, for comparative purposes. The numbers as derived from the different approaches are less useful, if not misleading, in presenting an accurate picture of the scope of the Compact migration impact.

We are just as concerned that this “impact” of past disagreement in the selection of approaches to use may continue when the 2013 census is carried out. It is our hope – request rather – that those who are parties to, or will be involved in, the conduct of the census in 2013 hammer out an agreement on the best approach.

See comment 1.

See comment 2.

3) Inconsistency in the Definition of Compact "Migrant"

The question as to what constitutes a "Compact migrant" is critical to gaining a clear and accurate picture and scope of the migrant impact issue. It is very important that "Compact migrant" be clearly defined, or we will run the risks of miscounting the numbers and inaccurately describing the impact. One particular area of concern is with the FSM citizens who had arrived in the US *prior* to the entry into force of the Compact and who might be counted as "Compact migrants" but who should not be.

Another concern is with those who were born in the US, hence acquiring US citizenship as well, might be counted as "Compact migrants" for purpose of adding up the costs of medical, educational, and other social services and, on the other hand, listed as "US citizens" where their contributions would not be counted. As earlier noted, this ambiguity, if not inconsistency, in the definition of a Compact migrant is apt to yield not only inaccurate head-count of Compact migrants but misleading calculation or estimation of cost of services.

4) Exclusion of Citizens in the US Armed Forces

The security and defense agreement between the FSM and US is another significant element of the Compact relationship that we believe is not only mutually beneficial but which has brought hundreds of FSM citizens to the United States or to serve in the Armed Services of the United States. We believe that our citizens in the US military constitute a significant portion of our Compact migrant population.

To present the "whole picture" of the FSM migrant population in the US, we insist that our citizens in the US military be included in the head count and the calculation of their contributions. Their exclusion from the count, we believe, would not tell the whole story.

See comment 3.

5) Medicaid Deductions and Ineligibility for Benefits

Our understanding from the draft report is that the costs of providing healthcare constitute the second largest expenditures for the affected jurisdictions on the FSM "migrant" population. To provide a solid basis of addressing this particular issue, it is to be wondered whether the aggregate amount of expenditures by the affected jurisdictions includes costs for those who came to the US *before* the implementation of the Compact and those who were born in the US *after* the entry into force of the treaty, hence are US citizens as well.

See comment 4.

We also note with particular concern the finding that the FSM citizens working in the US pay into the Medicaid program, yet they do not receive benefits. This is an area of significant concern because it appears to raise an issue of fairness, if not indeed a legal question.

6) Possibility of Multiple-Counting in Expenditures

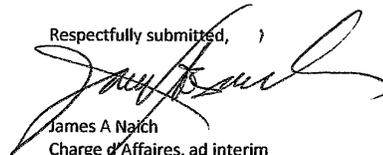
Subject to correction, it is our understanding that the affected areas receive certain federal funding for health, low-income housing and other social services – in addition to the \$30 million that is appropriated annually for the Compact Impact Fund. What is not clear to us is whether the cumulative amount that each of the affected jurisdictions claims to spend on the FSM migrants includes payments from local sources of funding, the Compact Impact Fund, and federal funding.

It would seem reasonable and appropriate that the sources of payment for the cost of extending medical, school, and other social services for the FSM migrants be clearly delineated. The interest here is to avoid the possibility of multiple-counting of expenditures.

\* \* \*

In closing, we would like to reiterate our gratitude for the opportunity to provide our concerns regarding the draft GAO report. We do so in the sincerest desire to work collaboratively to address the Compact migrant issue and, in the end, to sustain the mutual benefits of the Compact and its spirit of partnership.

Respectfully submitted, )



James A Naich  
Charge d'Affaires, ad interim  
(Deputy Chief of Mission)

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The following are GAO's comments on the Federated States of  
Micronesia government's letter dated October 12, 2011.

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## GAO Comments

1. The government of the FSM stated that our findings on compact migrant participation in local economies are not conclusive as to the net impact of migrants. The amended compacts' enabling legislation does not require the inclusion of such data in affected jurisdictions' impact reports and complete data on compact migrants' contribution to local economies does not exist. We provided available information on labor market participation, taxes, consumption, and remittances.
2. The government of the FSM stated the importance of clearly defining a compact migrant for the purposes of enumeration and reporting compact impact. As our report notes, Interior interprets the legislation's definition of a qualified nonimmigrant—which generally refers to a compact migrant living in an affected jurisdiction—as including those migrants' children under the age of 18 who are born in the United States; therefore, some U.S. citizens are included in the count of migrants. We have used Interior's definition for our estimates of compact migrants and costs. As our report also notes, a number of reporting local government agencies in affected jurisdictions do not use the definition of compact migrants in the amended compacts' enabling legislation, which affects the reliability of their reported compact impact costs.
3. The government of the FSM cited the fact that its citizens are eligible to serve, and have served, in the armed forces and asked that we include them in the count of migrants. We have obtained data from the Department of Defense on persons born in the FAS who are on active duty in the U.S. armed forces and have added this to the report.
4. The government of the FSM referred to a statement in the draft report that migrants pay into the Medicaid program but do not receive benefits. This statement was in error and has been deleted from the report.

# Appendix XV: Comments from the Government of the Republic of the Marshall Islands

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



## EMBASSY OF THE REPUBLIC OF THE MARSHALL ISLANDS

2433 Massachusetts Avenue, N.W.,

Washington, D.C. 20008

Tel. # (202) 234-5414 \* Fax # (202) 232-3236 \* E-mail: info@rmiembassyus.org

October 14, 2011

Mr. David B. Gootnick, Ph. D.  
Director, International Affairs & Trade  
441 G Street, NW  
Washington, D.C. 20548

Dear Dr. Gootnick,

I am pleased to transmit the Government of the Republic of the Marshall Islands (RMI) comments to the United States Government Accountability Office (GAO) report titled "Improvements Needed to Assess and Address Growing Migration."

The comments produced by the RMI are divided into two sections, namely, Technical Comments and Political and Policy Issues with respect to the information provided in the report.

Should you require further explanation, please do not hesitate to contact me here at the Embassy.

Sincerely

A handwritten signature in black ink, appearing to read "Charles R. Paul".

Charles R. Paul  
Ambassador

**RESPONSE AND COMMENTS OF THE GOVERNMENT OF THE REPUBLIC OF THE  
MARSHALL ISLANDS TO THE U.S. GOVERNMENT ACCOUNTABILITY OFFICE  
REPORT "COMPACTS OF FREE ASSOCIATION, IMPROVEMENTS NEEDED TO  
ASSESS AND ADDRESS GROWING MIGRATION"**

The Government of the Republic of the Marshall Islands (GRMI) wishes to congratulate the United States Government Accountability Office (GAO) for its draft report "Compacts of Free Association, Improvements Needed to Assess and Address Growing Migration" (Report). Although questions and issues remain, this is the first objective effort to examine an issue of growing importance to the Freely Associated States (FAS), and "affected jurisdictions" within the United States. A fair and objective assessment of "Compact Impact" costs is long overdue, and the GRMI appreciates the efforts of the GAO in providing an initial effort at an honest and impartial assessment of these issues that have become so highly charged in the past year.

Technical Comments

1. The GRMI notes that on the first page summary of the Report, GAO concludes that: "Compact migrants participate in local economies through employment, taxation, and consumption, but data on these effects are limited." The GRMI believes that not including RMI citizen contributions to the economies of "affected jurisdictions" (and elsewhere) is a serious flaw, undermining the credibility of claimed Compact Impact costs. Although challenging, a methodology needs to be developed that determines "net" Compact costs.<sup>1</sup> Not including contributions encourages a system that tracks RMI citizens living in the United States to determine negative impact only, (solely for purposes of seeking reimbursement of impact expenses), while not taking into account the benefits, including revenues accruing to affected jurisdictions resulting from RMI citizen migration. The GRMI does not claim that these contributions will equal costs or expenses, but will at least give everyone a more accurate and fair picture of Marshallese migration to the United States, its impact, as well as its benefits.

The GAO has recognized this deficiency in their conclusions and is recommending that action be taken to correct this and other significant problems with the enumeration process and determining impact costs or expenses. The GRMI requests that the contributions of RMI citizen participation in the Armed Forces of the United States also be taken into account.

<sup>1</sup> It is noteworthy that subsection (e)(2) of Section 104 of P.L. 108-188 does not define the term impact costs, or expense.

See comment 1.

See comment 2.

See comment 3.

Pages in the draft report  
may differ from those in  
this report.

See comment 4.

2. The Report indicates that the largest cost claimed by affected jurisdictions seems to be in the area of education. Noted, although not addressed in the report is that a number of Marshallese migrants attending public schools in the United States are in fact U.S. citizens. Although, they may also be dual citizens, and may legally be included for purposes of Compact impact costs<sup>2</sup>, the GRMI questions the inclusion of U.S. citizens in determining impact expenses and costs. When this is done without regard to citizenship, the process becomes one of identifying individuals based on ethnic background. There should be an effort in the enumeration process to determine the number of Marshallese who are U.S. citizens.
3. Page 7 of the Report refers to Congress acting sympathetically and expeditiously to redress any adverse consequences and authorized compensation for affected jurisdictions that might experience increased demands on their educational and social services by compact migrants from the Marshall Islands and Micronesia. Footnote 14 on page 7 further states that the amended compacts' enabling legislation authorized additional appropriations for grants to affected jurisdictions to offset impact. The GRMI would reiterate this point since it is the existing system already put in place, and that it is the responsibility of Congress to provide that the affected jurisdictions are fairly compensated for any adverse impact.
4. Page 33 of the Report discusses where and how the compact impact grants have been used. Examples include general support of local budgets, projects, and for specific departmental purchases in the areas of health, education, public safety, and social services. Also, in the last pages of the report, there is a table that list the projects for Guam, Hawaii, etc that were eligible for compact impact grants. Many of the projects are questionable and don't seem to address compact impact issues. The suggestions (page 35) to use these funds in areas such as language and cultural assistance, job training, improved access to basic services, and so forth seem much more appropriate for compact impact grants. Presently, it would appear that some of the existing Compact impact funds are not used properly to address compact impact issues.
5. The GRMI believes that it would be helpful to provide government leaders and decision makers with comparative information on emigration, or migration rates from other Pacific Island nations such as Kiribati, Tuvalu, Samoa, Tonga, Cook Islands, Niue, etc. Although the political and legal relationships in these nations are different from the FAS, we believe that emigration/migration rates in these nations over time are consistent with, and in some cases much greater than Marshallese migration to the United States. We also believe this to be true of migration rates of citizens from U.S.

<sup>2</sup> Subsection (e)(2)(B) of Section 104 of P.L. 108-188 defines "qualified nonimmigrant" to include dependants under the age of 18.

See comment 5.

flag island territories to the U. S. mainland. This simply reflects the fact that opportunities in the islands are limited, and people will often migrate or emigrate in order to seek more and better opportunities than a small island economy can provide.

6. The GRMI believes that some of the data for enumerations for Marshallese in the State of Hawaii may be erroneous and overstated since some Marshallese only transit Hawaii for a short period before moving to the U.S. mainland to accept employment. There is a substantial amount of anecdotal evidence that would indicate that many Marshallese enter the U.S. through Hawaii, and stay there for a limited amount of time until relatives living in the mainland identify suitable employment opportunities for them that don't exist in Hawaii.

Political and Policy Issues

1. The GRMI views the immigration privileges in the Compact as a fundamental cornerstone in the relationship of "free association", similar to how the U.S. views its prerogatives in the security and defense provisions of the Compact.
2. When the Compact, as amended, was negotiated in 2000-2003, the U.S. and RMI agreed on the major objectives of accountability (with respect to financial assistance), and a greater emphasis on health and education in the RMI itself so that our nation would have better educated and healthier citizens who will better contribute to their nation in the islands, or as migrants in the United States.

Although "Compact Impact" was also an issue at that time, both governments realized that the solution to these challenges was to improve health and education in the Marshall Islands. That continues to be the case. The GRMI has made a dedicated and disciplined effort in this respect since the amended Compact first came into effect. The GRMI has maintained a strong core commitment and emphasis on health and education along with related infrastructure while maintaining accountability. The GRMI is in compliance with its Compact commitments.

Achieving our mutual goal will take time and patience, however. The GRMI cannot overcome problems that date back to the Trust Territory period in a matter of only a few years. Resorting to draconian changes in immigration privileges by imposing a "de facto visa" as a few members of Congress have been recommending will not resolve the problem. Rather, it will only exasperate the problem and lead to an overall deterioration in the relationship.

See comment 6.

3. The GRMI believes that the Report does not provide any rational or reasonable basis to proceed with unilateral imposition of regulations pertaining to the rights and privileges of Marshallese to enter, live, work, and establish residence in the United States under the Compact. To the contrary, the Report shows that much work needs to be done in terms of providing fair and accurate data to support claims of Compact impact costs and expenses.
4. Although there is discussion in the Report regarding JEMFAC taking action to deal with Compact impact costs in affected jurisdictions in the United States, GRMI would point out that Compact Sector Grants were never designed or funded for that purpose. The language contained in Section 211 of the Compact, and Fiscal Procedures Agreement relate only to activities in the RMI.

Funding is also woefully inadequate for this task, and the GRMI notes that annual sector grant assistance is subject to a decrement of \$500,000 each year through 2023. Thus, the GRMI must grapple with the accumulated effects of this decrement on health and education budgets which will make it very difficult to maintain existing health and education investments. The GRMI has pointed this out in numerous bi-lateral meetings with the US Government including the JEMFAC as well as through the Section 104(h) Five Year Compact Review.

5. The GRMI believes that the Compact impact issue is ancillary to the overall Compact relationship. Nonetheless, GRMI wants its citizens who migrate to the United States to be good citizens and positive contributors to the communities in which they reside. One of the ways in which this can be advanced is by assuring that our citizens don't travel overseas (to the U.S. or elsewhere) with certain highly communicable diseases. The GRMI is in the process of setting up a special task force which will prioritize working on and implementing a program to provide that assurance in conjunction with the Ministry of Health budget and other resources to address these diseases.

The GRMI has used previous Department of Interior technical assistance to prepare a video for Marshallese intending to migrate to the United States that describes intending migrants' rights, duties, and responsibilities while living in the United States. This video has been widely shown on cable television in the RMI, and is available for viewing at the Office of the Attorney General where passports are processed.

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The following are GAO's comments on the Marshall Islands government's letter dated October 14, 2011.

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## GAO Comments

1. The government of the Marshall Islands stated that not including Marshallese citizen contributions to the economies of U.S. areas is a serious flaw that undermines the credibility of claimed compact impact costs. The Marshall Islands recommended that a methodology be developed that determines "net" compact costs. The amended compacts' enabling legislation does not require the inclusion of such data in affected jurisdictions' impact reports and complete data on compact migrants' contribution to local economies does not exist. We provided available information on labor market participation, taxes, consumption, and remittances.
2. The government of the Marshall Islands asked that the participation of Marshall Islands citizens in the armed forces of the United States also be taken into account. We have obtained data from the Department of Defense on persons born in the FAS who are on active duty in the U.S. armed forces and have added this to the report.
3. The government of the Marshall Islands noted that a number of Marshallese migrants attending public schools in the United States are U.S. citizens and that, while they may legally be included for purposes of compact impact costs, it questioned the inclusion of U.S. citizens in determining impact costs. As our report notes, Interior interprets the legislation's definition of qualified nonimmigrant—which generally refers to a compact migrant living in an affected jurisdiction—as including those migrants' children under the age of 18 who are born in the United States; therefore, some U.S. citizens are included in the count of compact migrants. The Census ACS tabulation we obtained for our estimates used Interior's definition of a compact migrant. The ACS interviews current residents—that is, those in the house on the day of the interview who have been staying there for more than 2 months, regardless of the individuals' usual residence.
4. The government of the Marshall Islands stated that it would be helpful to provide government leaders and decision makers with comparative information on emigration, or migration rates from other Pacific Island nations. This analysis was not part of the scope of our audit.

5. The government of the Marshall Islands stated that some of the data for enumerations for Marshallese in the state of Hawaii may be erroneous and overstated since some Marshallese only transit through Hawaii for a short period before moving to the U.S. mainland to accept employment. We do not have data to verify this assertion.
6. The government of the Marshall Islands stated that although there is discussion in the report regarding U.S.-Marshall Islands joint management committee taking action to deal with compact impact costs in affected jurisdictions in the United States, sector grants were never designed or funded for that purpose. In response to the government of the Marshall Islands and other comments, we clarified our recommendation regarding compact sector grants to not imply that the use of sector grants to address migration concerns should be in the affected jurisdictions. We also note that, though we did not find instances of the Marshall Islands using grant funds for activities in affected jurisdictions, the FSM has done so in Guam.

# Appendix XVI: Comments from the Government of the Republic of Palau

Note: GAO comments supplementing those in the report text appear at the end of this appendix.



14 October 2011

Mr. Emil Friberg  
Assistant Director, International Affairs & Trade  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, D.C. 30548

Dear Mr. Friberg:

I write on behalf of the Government of the Republic of Palau to comment on the draft GAO report entitled *Improvements Needed to Assess and Address Growing Migration*, GAO-12-64. Thank you for the opportunity.

At the outset we note that the draft report is a very thorough. Without prejudice to our review of and comments on the final product, for the most part we concur with the statements contained in the draft, with the following caveats specifically excepted. We also note that the draft report is lengthy and therefore the comments set forth below may concern matters that were contained in the draft but overlooked in our perusal of it.

We suggest that certain terminology used in the draft report be changed to avoid confusion. Throughout the draft report the word "Micronesian" is used to refer to the citizens of the Federated States of Micronesia. While perhaps technically this is an acceptable use of the word, in this part of the world, throughout most of the Pacific, and certainly in the so-called affected jurisdictions of Guam and Hawaii, the word "Micronesian" is commonly understood to include not only those islands comprising the Federated States of Micronesia, but also the islands of Republic of the Marshall Islands, the Republic of Palau, and even islands of Saipan, Guam. Since the report is being generated for the consumption of people living in this area there will be a tendency to understand the word "Micronesian" to include more than just the citizens of the Federated States of Micronesia. Hence, we suggest that instead of using the word "Micronesians" in referring to the citizens of the Federated States of Micronesia, that the phrase "citizens of the FSM" be utilized instead.

In our opinion, the draft report does not adequately address the lack of information regarding what we refer to as "positive impact" that has occurred by reason of the emigration of FAS citizens to the United States. The complaints of the affected jurisdictions concerning the impact of the emigration of FAS citizens to the United States relate to what is perceived in the affected jurisdictions as the negative impact of the emigration. Ultimately, whatever policies are established in connection with this matter must take into consideration the positive impact: the fact that the vast majority of FAS emigrants are gainfully employed, often times in jobs that U.S.

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[www.palauembassy.com](http://www.palauembassy.com)

See comment 1.

See comment 2.

2 | Page

See comment 3.

citizens themselves are not willing to work;\* the fact that many FAS citizens serve in the U.S. Armed Forces and fight side-by-side with U.S. citizens; the fact that the FAS emigrants pay taxes, participate in their communities, and generally positively contribute to the economies of the areas where they live.

See comment 4.

We commend the draft report to the extent it recognizes that much of the information relating to the impact of FAS emigrants is not very accurate and often anecdotal at best. We have long suspected that much of the perceived adverse impact is not well grounded in fact and even exaggerated in some instances. Contrary to one portion of the draft report that states some agencies may not have included capital costs in their impact reporting, we perceive that most have done so, thus contributing to a gross overstatement of the costs associated with FAS emigration. Unless an affected jurisdiction actually had to build a new school or hospital or other facility to accommodate the FAS emigrants, it is our position that the infrastructure would have existed in any event and should not be considered in the equation.

See comment 5.

We think that the draft report does not adequately explore whether the impact of the FAS emigrants to the United States differs from FAS country to FAS country. During his visit to Washington in June, Palau President Johnson Toribiong was told personally by Members of the U.S. Senate and House of Representatives from jurisdictions with large numbers of compact migrants that Palauans were not the cause of any adverse impact in their respective jurisdictions.

Palau is a sovereign state, separate and distinct from the FSM and the RMI. Palau's Compact of Free Association ("COFA") is separate and distinct from the COFA's of the FSM and RMI. Palauans are ethnically and linguistically distinct from the other areas of Micronesia and historically, except for neighboring Yap, had little or no commerce with the other areas of Micronesia. Palau's population is significantly smaller than the populations of the other FAS countries, yet Palau's economic development is significantly greater, thus giving Palauans less of an imperative to migrate. It is one thing to review the impact of emigration from all of the FAS countries, but in formulating policies on how to deal with the impact, it is imperative that the impact of each FAS country be quantified separately.

Now on p. 15.

See comment 6.

For instance, any report involving Palauan migrants first needs to distinguish between those who are present in the United States solely by virtue of the COFA and those who are in the United States under the auspices of other laws. The draft report states on page 13, that Palauans comprise about 9% or roughly 5,000, of the estimated 56,000 FAS migrants living in the United States. This is an accurate estimate, but it has to be understood that many, if not most, Palauans in the United States emigrated long before the COFA came into effect, some as far back as the late 1940's and early 1950's, some as refugees of World War II, and that they are scattered throughout the United States. While ethnically these people are Palauans and perhaps would identify themselves as such on a census form, they also are U.S. citizens or Green Card holders—as are their children, grandchildren, and in many cases, their great-grandchildren—and thus should not be considered in calculating the impact of FAS emigration.

See comment 7.

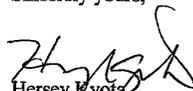
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For instance, our own numbers for Hawaii—admittedly anecdotal, but believed to be fairly accurate given the small size of the Palauan community—indicate that the adverse impact of Palauans emigrants in Hawaii is non-existent. Ethnic Palauans in Hawaii are categorized as follows: U.S. citizens, either by birth or through naturalization; U.S. permanent resident aliens (Green Card holders); members of the U.S. Armed Forces and their dependents; and, finally the Palauan migrants who are in Hawaii solely under the auspices of the COFA. The latter category of Palauans in Hawaii numbers about 350 disbursed throughout Hawaii, about 35 of whom are children attending public and private schools from K-High School.\*\* Although all of the students are eligible for the student health program sponsored by the State of Hawaii, not all of them use it as they are covered by their parents' job provided health insurance. To our knowledge, not more than five Palauan adults per year have requested health related assistance from the State of Hawaii, and some of those were temporary transients who encountered health problems and were advised to apply for the program. It is difficult to ascertain the number of Palauans in this latter category who are on welfare due to privacy laws and a reluctance of people to discuss the matter, but we believe that fewer than five of them have utilized Hawaii State housing assistance programs. Of those five unfortunates, one has gone back to Palau and one is a beneficiary of industrial health/accident benefits for which he will be disqualified should he move out of the state. Finally, except for Palauans sent to Tripler Hospital by the Palau Government pursuant to U.S. Department of Defense funded programs, which pay for all of the costs, no Palauans are known to have emigrated to Hawaii of any other state or affected jurisdiction to receive medical care not otherwise available in Palau.

Finally, since the affected jurisdictions and the Department of Interior have been unable in the past to agree amongst themselves on a method of enumerating the affects of the FAS emigrants, we suggest that your agency suggest the approach that should be utilized. We also suggest that an eCensus enumeration be considered.

Thank you again for the opportunity to comment.

Sincerely yours,

  
Hersey Kyota  
Ambassador

\* As an aside, the most recent wave of Palauans emigrating to the U.S. under the terms of the COFA were recruited to go to the U.S. to work in poultry and meatpacking plants in the Midwest.

\*\* For Guam the actual numbers in this category of emigrants are about 673 Palauans residing in Guam solely under the auspices of the COFA provisions, consisting of 452 adults, and 221 children under the age of 18. The rest of the ethnic Palauans living in Guam are U.S. citizens, permanent residents, or members of the armed forces.

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The following are GAO's comments on the Palau government's letter dated October 14, 2011.

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## GAO Comments

1. The government of Palau noted that our draft report's use of the term "Micronesian" to refer to citizens of the Federated States of Micronesia may be confusing, as Micronesian also has a larger meaning related to persons living on multiple Pacific islands. We have reviewed the report and now refer to the Federated States of Micronesia as the FSM. In keeping with a commonly used definition, we use the term "Micronesia" to refer to the three compact nations.
2. The government of Palau stated that our report does not adequately address the lack of information regarding "positive impact" from compact migration. The amended compacts' enabling legislation does not require the inclusion of such data in affected jurisdictions' impact reports, and complete data on compact migrants' contribution to local economies does not exist. We provided available information on labor market participation, taxes, consumption, and remittances.
3. The government of Palau noted that FAS citizens serve in the U.S. armed forces. We have obtained data from the Department of Defense on persons born in the FAS who are on active duty in the U.S. armed forces and have added this to the report.
4. The government of Palau stated that most agencies have included capital costs in their impact reporting, thus contributing to a gross overstatement of the costs associated with migrants. However, in our review, we did not find cases where agencies included such capital costs in their impact reporting. Such costs could be legitimate and addressed by future Interior guidelines.
5. The government of Palau stated that our report does not adequately explore the differences in the impact between the three FAS. Not all local government agencies reported compact impact costs by FAS country, and this assessment was not included in the scope of our review. Complete data on compact migrants' contribution to local economies does not exist; however, we provided available information on labor market participation, taxes, consumption, and remittances. If Interior implements our recommendation to disseminate adequate guidance on compact impact reporting to affected jurisdictions, assessing impact by FAS country may be a topic for Interior to address.

6. The government of Palau stated that our estimate of Palauan migrants is an accurate estimate, but that many Palauans emigrated before the compacts came into effect and, while ethnically Palauan, should not be considered in calculating the impact of FAS emigration. However, the Census tabulation and survey we used in estimating the number of Palauan compact migrants only included those who arrived in U.S. areas after the date of the Palau compact. Those who arrived in the United States prior to that date, and their children, are not included in our estimate.
  
7. The government of Palau noted that ethnic Palauans in the United States may be U.S. citizens, permanent resident aliens (Green Card holders), or members of the U.S. Armed Forces and their dependents, as well as compact migrants. As our report notes, Interior interprets the legislation's definition of qualified nonimmigrant—which generally refers to a compact migrant living in an affected jurisdiction—as including those migrants' children under the age of 18 who are born in the United States; therefore, some U.S. citizens are included in the count of migrants. However, we agree with Palau's comment that some persons who entered the United States after the date of the compacts may be lawfully present in U.S. areas under authorities other than those of Section 141 of the compacts and have noted this in the report.

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# Appendix XVII: GAO Contact and Staff Acknowledgments

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## GAO Contact

David B. Gootnick, 202-512-3149 or [gootnickd@gao.gov](mailto:gootnickd@gao.gov)

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## Acknowledgments

In addition to the contact named above, Emil Friberg, Jr., Assistant Director; Keesha Egebrecht; Fang He; Reid Lowe; Mary Moutsos; Michael Simon; Sonya Vartivarian; Adam Vogt; Greg Wilmoth; and Monique Williams made key contributions to this report. Michael Derr, Bob Lunsford, and Jena Sinkfield provided additional technical assistance.

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