

GAO Highlights

Highlights of [GAO-16-550T](#), a testimony before the Committee on Energy and Natural Resources, U.S. Senate.

Why GAO Did This Study

U.S. compacts with the FSM and the RMI entered into force in 1986 and were amended in 2003. A compact with Palau entered into force in 1994. Legislation pending before the Senate would approve, provide funding for, and make modifications to a 2010 agreement between the U.S. and Palau governments regarding their compact.

Under the compacts, the United States provides each country with, among other things, economic assistance—including grants and contributions to a trust fund; access to certain federal services and programs; and permission for citizens of the three countries to migrate to the United States and its territories without regard to visa and labor certification requirements. Guam, Hawaii, the Commonwealth of the Northern Mariana Islands, and American Samoa, which are designated in law as jurisdictions affected by compact migration, receive grants to aid in defraying the cost of services to migrants.

This testimony examines (1) the potential impact of the proposed legislation approving the 2010 Palau agreement, (2) challenges affecting implementation of the FSM and RMI compacts, and (3) migration from the FSM, RMI, and Palau and its impacts on U.S. areas. For this statement, GAO summarized previous reports issued in 2007 through 2013 and incorporated updated information from Palau, the Department of the Interior, and affected jurisdictions. GAO is not making any new recommendations in this testimony. GAO has made recommendations in its prior reports, some of which have not yet been addressed.

View [GAO-16-550T](#). For more information, contact David B. Gootnick at (202) 512-3149 or gootnickd@gao.gov.

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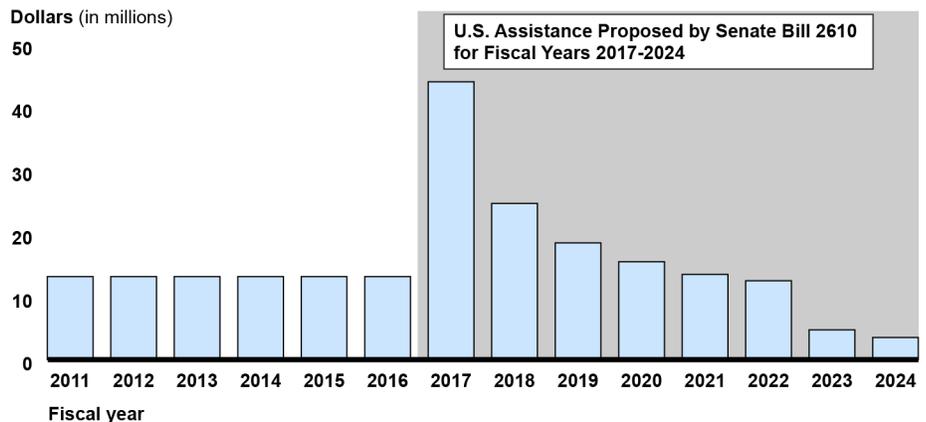
COMPACTS OF FREE ASSOCIATION

Issues Associated with Implementation in Palau, Micronesia, and the Marshall Islands

What GAO Found

If enacted, Senate Bill 2610 (S. 2610) would change the schedule for U.S. assistance to the Republic of Palau and improve prospects for Palau's compact trust fund. S. 2610 would approve a 2010 agreement between the U.S. and Palau governments and provide annual assistance to Palau through 2024. Congress has not approved legislation to implement the 2010 agreement, which scheduled \$216 million in U.S. assistance for fiscal years 2011 through 2024. Since 2011, the United States has provided \$79 million in economic assistance to Palau through annual appropriations. However, this amount was less than anticipated under the agreement and has not included trust fund contributions. S. 2610 would modify the agreement schedule to provide the remaining \$137 million in fiscal years 2017 through 2024, including a \$20 million trust fund contribution in 2017 and smaller contributions in later years (see fig.).

U.S. Assistance to Palau Provided in Fiscal Years 2011-2016 and Proposed by Senate Bill 2610 for Fiscal Years 2017-2024



Source: GAO analysis of Senate bill 2610 (S. 2610), 114th Cong. (2016) (as introduced in the Senate) and Department of the Interior documents. | GAO-16-550T

The Federated States of Micronesia (FSM) and Republic of the Marshall Islands (RMI) face challenges to achieving the compact goals of economic growth and self-sufficiency. GAO previously found that neither country has made significant progress on reforms and compact implementation has been characterized by unreliable performance data and by accountability and oversight challenges.

GAO has previously reported on the growth of migrant populations from Palau, the FSM, and RMI in U.S. areas as well as the reported impacts of these compact migrants. In Guam, Hawaii, and the Commonwealth of the Northern Mariana Islands—areas Congress has deemed affected jurisdictions—compact migrants increased from about 21,000 in 2003 to about 35,000 in 2013. In fiscal years 2004 through 2016, the Department of the Interior provided approximately \$409 million to affected jurisdictions to aid in defraying costs, such as for education and health services, attributable to compact migrants. In contrast, affected jurisdictions estimated costs of \$2.1 billion for these services in 2003 through 2014. However, GAO has noted that these estimates have limitations related to accuracy, documentation, and comprehensiveness.