



COMPACT IMPACT DEBT-RELIEF

Guam's Request for Debt-relief to Offset Unreimbursed Costs of the Compacts of Free Association

EXECUTIVE SUMMARY

A. Compact Impact Reconciliation: U.S. Public Law 108-188

The Compact of Free Association Amendments Act of 2003 (P.L. 108-188) renewed the original Compacts of Free Association between the United States and the Federated States of Micronesia (FSM) and the Republic of the Marshall Islands (RMI). A provision in the new law authorizes the President, at the request of the Governors of Guam and the Commonwealth of the Northern Mariana Islands (CNMI), to release, reduce, or waive, in whole or in part, any amounts owed by the Government of Guam to the United States Government as an offset for previously accrued and un-reimbursed Compact impact costs. This process begins with the submission by the Governors of a report detailing un-reimbursed Compact Impact costs for their respective area by April 15, 2004. After the report is submitted to the Secretary of the Interior, the Governors may request the exercise of this authority by the President who will notify Congress by December 31, 2004 of his intent to exercise this authority.

B. Guam's Un-reimbursed Compact Impact Costs: FY 1987 to FY 2003

Pursuant to P.L. 108-188, the Government of Guam submitted a report on April 13, 2004 to the Secretary of the Department of the Interior detailing the un-reimbursed amount of assistance provided to citizens of the Federated States of Micronesia (FSM) and the Republic of the Marshall Islands (RMI) under P.L. 99-239 and the Republic of Palau under P.L. 99-658 by Guam for the period FY 1987 to FY 2003. As required by P.L. 108-188, an independent accounting firm was engaged by the Government of Guam to provide attestation services in the form of agreed-upon procedures to substantiate Guam's un-reimbursed Compact Impact costs. The independent accounting firm verified that the un-reimbursed costs incurred by the Government of Guam for providing educational and social services to citizens of the FSM, RMI, and Palau (collectively known as the Freely Associated States, or FAS) under the Compacts of Free Association for the period FY 1987 to FY 2003 was \$269,313,119.

C. Guam's Compact Impact Debt-relief Request: U.S. Public Law 108-188

The Government of Guam requests that the President of the United States exercise his authority under P.L. 108-188 to release, reduce, or waive, in whole or in part, the amounts owed by the Government of Guam to the United States Government as an offset for previously accrued and un-reimbursed Compact impact costs incurred for providing educational and social services to citizens of the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau. The federal debts that the Government of Guam has currently identified as eligible under the debt-relief provisions of P.L. 108-188 and for which relief is requested is **\$191,718,653**.

Government of Guam Compact Impact Debt-relief Request

Federal Department/Agency/Instrumentality	Government of Guam Debt to Federal Agencies
Compact Impact Debt-relief Request	\$191,718,653
Department of Agriculture (USDA)	104,994,471
Department of Defense (DOD)	13,583,172
Department of Education (USDOE)	1,931,985
Department of Health and Human Services (HHS)	6,571,676
Department of Homeland Security - FEMA*	24,610,025
Department of Housing and Urban Development	1,758,043
Department of Justice (DOJ)	598,275
Department of Labor (USDOL)	971,770
Department of the Interior (DOI)	14,260,923
Department of Transportation (DOT)	665,877
Environmental Protection Agency (USEPA)	420,019
Federal Bureau of Prisons (FBP)	4,896,231
Federal Financing Bank (FFB)	16,456,186

* FEMA -- Federal Emergency Management Agency

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COMPACT IMPACT DEBT-RELIEF REPORT

A. Compacts of Free Association: P.L. 99-239 and P.L. 99-658

The Compact of Free Association Act of 1985 (P.L.99-239), implemented in 1986, establishes the relationship between the United States and the Federated States of Micronesia (FSM) and Republic of the Marshall Islands (RMI). The Compact of Free Association Act for Palau (P.L.99-658), implemented in October 1994, establishes the relationship between the United States and the Republic of Palau. Compact immigration provisions authorize unrestricted immigration into the United States, its territories and possessions, enabling citizens of these nations to enter into, lawfully engage in occupations, and establish residence as non-immigrant aliens. In recognition of the possible adverse impact to Guam's economy of providing health care, education, job training and public assistance to the peoples of a foreign nation not domiciled on Guam, Congress promised to appropriate sums to cover costs incurred by Guam resulting from any increased demands placed on educational and social services by immigrants from the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau (collectively known as the Freely Associated States, or FAS).

Since the passage of P.L. 99-369 in 1986, Guam has worked to identify and quantify the increased demands placed on the educational and social services by immigrants from the Freely Associated States. All information and data collected from Government of Guam departments and agencies was compiled into reports submitted to the Secretary of the Department of the Interior for inclusion in the Presidents' report to Congress as Guam's views of the impact of the Compacts of Free Association. Since 2000, changes in the law (P.L. 106-504) allows the Governors of Guam, the Commonwealth of the Northern Mariana Islands (CNMI), American Samoa, and the State of Hawaii to report directly to Congress on the costs to their respective areas due to the Compacts of Free Association. The reports by each insular area are compiled by the Department of the Interior and transmitted with the administration's comments by the President to Congress.

B. Compact Impact Reconciliation: U.S. Public Law 108-188

The Compact of Free Association Amendments Act of 2003 (P.L.108-188) renewed the original Compacts of Free Association between the United States and the Federated States of Micronesia (FSM) and the Republic of the Marshall Islands (RMI). A provision in the new law authorizes the President, at the request of the Governors of Guam and the Commonwealth of the Northern Mariana Islands (CNMI), to release, reduce, or waive, in whole or in part, any amounts owed by the Government of Guam to the United States Government as an offset for previously accrued and un-reimbursed Compact Impact costs. This process begins with the submission by the Governors of a report detailing un-reimbursed Compact Impact costs for their respective area by April 15, 2004. After the report is submitted to the Secretary of the Interior, the Governors may request the exercise of this authority by the President who will notify Congress by December 31, 2004 of his intent to exercise this authority.

C. Guam's Un-reimbursed Compact Impact Costs: FY 1987 to FY 2003

Pursuant to P.L. 108-188, the Government of Guam submitted a report detailing un-reimbursed Compact Impact costs on April 13, 2004 to the Secretary of the Department of the Interior. The report examined the un-reimbursed amount of assistance provided to citizens of the Federated States of Micronesia (FSM) and the Republic of the Marshall Islands (RMI) under P.L. 99-239 and the Republic of Palau under P.L. 99-658 by Guam for the period FY 1987 to FY 2003 as a result of these Compacts of Free Association. As required by P.L. 108-188, an independent accounting firm was engaged by the Government of Guam to provide attestation services in the form of agreed-upon procedures to substantiate Guam's un-reimbursed Compact Impact costs. The independent accounting firm verified that the un-reimbursed costs incurred by the Government of Guam for providing educational and social services to citizens of the FSM, RMI, and Palau (collectively known as the Freely Associated States, or FAS) for the period FY 1987 to FY 2003 included \$178 million for education, \$48 million for health, welfare and labor, and \$43 million for public safety. The total un-reimbursed cost was determined to be \$269,313,119.

D. Compact Impact Debt-relief Request: U.S. Public Law 108-188

The Compact Impact Debt-relief Report continues the process started by the Compact Impact Reconciliation Report. The debt-relief report identifies debt owed to federal government agencies and instrumentalities by the Government of Guam and serves as the basis for the Governor's request to the President to release, reduce, or waive, in whole or in part, the amounts identified as an offset for previously accrued and un-reimbursed Compact impact costs incurred for providing educational and social services to citizens of the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau. The Governor can request up to, but not exceed, the \$269 million identified as the past un-reimbursed Compact impact costs by the Compact Impact Reconciliation report. The President then has up to December 31, 2004 to exercise his authority and grant Guam's request for Compact Impact debt-relief.

Each Government of Guam department and agency was asked to identify any obligations or debt owed to the federal government that it believes should be considered under the debt-relief provisions of U.S. Public Law 108-188. The four major types of obligations or debts owed to federal agencies and instrumentalities currently identified include:

1. Loans
2. Single audit questioned cost on federal grants based on audit findings
3. Outstanding federal payables for direct services from federal agencies
4. Federal fines and forfeitures

Information provided by the departments and agencies was reviewed to insure the obligations or debts met all criteria and was suitable for inclusion in the debt-relief request. The amount of debt was found to be \$131,211,708 for obligations to five federal agencies and instrumentalities and \$60,506,945 in single audit questioned costs for a total of \$191,718,653.

The Government of Guam requests that the President of the United States exercise his authority under P.L. 108-188 to release, reduce, or waive, in whole or in part, the amounts owed by the Government of Guam to the United States Government as an offset for previously accrued and un-reimbursed Compact impact costs incurred for providing educational and social services to citizens of the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau. The federal debts that the Government of Guam has currently identified as eligible under the debt-relief provisions of P.L. 108-188 and for which relief is requested is **\$191,718,653**. This amount may increase as the Government of Guam continues its efforts to identify all qualifying federal debts.

Government of Guam Compact Impact Debt-relief Request

Federal Agency or Instrumentality	Loans, Fines, and Other Obligations	Single Audit Questioned Costs	Total Guam Debts to Federal Agencies
Total Debt to Federal Agencies	\$131,211,708	\$60,506,945	\$191,718,653
Department of Agriculture (USDA)	104,601,248	393,223	104,994,471
Department of Defense (DOD)	3,500,000	10,083,172	13,583,172
Department of Education (USDOE)	----	1,931,985	1,931,985
Department of Health and Human Services (HHS)	----	6,571,676	6,571,676
Department of Homeland Security - FEMA*	----	24,610,025	24,610,025
Department of Housing and Urban Development	1,758,043	----	1,758,043
Department of Justice (DOJ)	----	598,275	598,275
Department of Labor (USDOL)	----	971,770	971,770
Department of the Interior (DOI)	----	14,260,923	14,260,923
Department of Transportation (DOT)	----	665,877	665,877
Environmental Protection Agency (USEPA)	----	420,019	420,019
Federal Bureau of Prisons (FBP)	4,896,231	----	4,896,231
Federal Financing Bank (FFB)	16,456,186	----	16,456,186
Compact Impact Debt-relief Request			\$191,718,653

* FEMA -- Federal Emergency Management Agency

Detailed Tables

Government of Guam Outstanding Obligations* to Federal Agencies

Federal Agency or Instrumentality	Government of Guam Agency Debt Amounts	Government of Guam Debt to Federal Agencies
Total Amount Owed		\$131,211,708
Department of Agriculture (USDA) - Rural Development		20,714,623
Guam Community College	437,696	
Guam Housing and Urban Renewal Authority	1,640,851	
Guam Judiciary	5,136,076	
University of Guam	13,500,000	
Department of Agriculture (USDA) - Rural Utilities Service		83,886,625
Guam Telephone Authority	68,483,498	
Guam Telephone Authority	15,403,127	
Department of Education (USDOE)		3,500,000
Guam Community College	3,500,000	
Department of Housing and Urban Development (HUD)		1,758,043
Guam Housing and Urban Renewal Authority	1,552,770	
Guam Housing and Urban Renewal Authority	76,470	
Guam Housing and Urban Renewal Authority	128,803	
Federal Bureau of Prisons (FBP)		4,896,231
Guam Department of Corrections	4,896,231	
Federal Financing Bank (FFB)		16,456,186
Guam Telephone Authority	16,456,186	

Source: Government of Guam department and agencies; Single Audit Reports

* Loans, Payables for Direct Services, Fines and Forfeitures, and other obligations (excludes Audit Questioned Costs)

Government of Guam Single Audit Questioned Costs for Federal Agencies

Federal Department/Agency/Instrumentality	Government of Guam Audit Questioned Costs
Total Questioned Costs	\$60,506,945
Department of Agriculture (USDA)	393,223
Department of Defense (DOD)	10,083,172
Department of Education (USDOE)	1,931,985
Department of Health and Human Services (HHS)	6,571,676
Department of Homeland Security - FEMA*	24,610,025
Department of Justice (DOJ)	598,275
Department of Labor (USDOL)	971,770
Department of the Interior (DOI)	14,260,923
Department of Transportation (DOT)	665,877
Environmental Protection Agency (USEPA)	420,019

Source: Government of Guam department and agencies; Single Audit Reports

* FEMA -- Federal Emergency Management Agency

GOVERNMENT OF GUAM

Summary of Unresolved Questioned Costs Arising from Prior Year Single Audits, Continued Year Ended September 30, 2002

<u>CFDA #</u>		<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>Total</u>
12.110	DOD/DOE	\$ -	\$ -	-	\$ 9,721,901	\$ -	\$ 9,721,901
12.401	National Guard	-	155,914	-	-	-	155,914
15.605/ 15.611	Fish and Wildlife Cluster	-	339,414	-	-	-	339,414
15.875	Compact Impact	679,010	4,262,576	3,526,590	3,147,789	2,305,544	13,921,509
16.523	JAIBG	596,554	-	-	-	-	596,554
16.710	COPS	1,721	-	-	-	-	1,721
17.235	Senior Community Service	19,594	-	-	-	-	19,594
17.258/ 17.259/ 17.260	WIA Cluster	952,176	-	-	-	-	952,176
	Highway Planning and Construction	611,014	36,498	18,365	-	-	665,877
66.600	Environmental Protection	197,112	222,907	-	-	-	420,019
83.541	FEMA DUA	33,212	-	-	-	-	33,212
83.543	FEMA IFG	10,588	-	-	-	-	10,588
83.544	FEMA Public Assistance Grants	153,987	2,505,157	2,955,284	11,968,333	-	17,582,761
83.548	FEMA Hazard Mitigation Grant	-	328,039	295,507	-	-	623,546
84.126	Vocational Rehabilitation	-	57,857	-	-	-	57,857
84.186	Safe and Drug-Free Schools/Communities	-	-	17,612	-	-	17,612
93.000	Cost Pool Allocation Accounts	-	40,038	-	-	-	40,038
93.044	Aging Cluster	367,958	-	-	-	-	367,958
93.558	TANF	14,942	543,972	163,827	-	-	722,741
93.563	Child Support Enforcement	620,993	195,161	235,340	-	-	1,051,494
93.575	CCDF	-	633,606	804,925	-	-	1,438,531
93.667	Social Services Block Grant	-	89,865	-	-	-	89,865
93.778	Medicaid	-	464,242	2,045,213	-	-	2,509,455
	Totals	<u>\$4,258,861</u>	<u>\$9,875,246</u>	<u>\$10,062,663</u>	<u>\$24,838,023</u>	<u>\$2,305,544</u>	<u>\$51,340,337</u>

GUAM DEPARTMENT OF EDUCATION

Schedule of Prior Findings
Year Ended September 30, 2003

Unresolved Prior Year Comments

As the prior findings were issued subsequent to the year ended September 30, 2003, prior findings remain unresolved and are reiterated in current findings. A summary of unresolved questioned costs is as follows:

<u>CFDA #</u>	<u>Program Name</u>	<u>Federal Agency</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>Total</u>
10.551/ 10.553	Child Nutrition Cluster	Agriculture	\$ 596	-	194,468	66,125	132,034	-	\$ 393,223
12.110	State Planning Assistance	Defense	-	-	-	-	-	205,357	205,357
83.544/ 97.036	Public Assistance Grants	FEMA	304,047	-	-	1,649,112	3,130,222	1,276,537	6,359,918
84.027	Special Education – Grants to States	Education	372,544	417,916	77,426	59,481	-	-	927,367
84.181	Special Education – Infants and Families with Disabilities	Education	21,738	13,364	-	14,917	-	58,204	108,223
84.992	Consolidated Grants	Education	-	281,811	82,603	115,926	206,553	134,033	820,926
93.600	Head Start	HHS	<u>6,494</u>	<u>181,337</u>	<u>43,053</u>	<u>101,913</u>	<u>-</u>	<u>18,797</u>	<u>351,594</u>
	Totals		<u>\$ 705,419</u>	<u>894,428</u>	<u>397,550</u>	<u>2,007,474</u>	<u>3,468,809</u>	<u>1,692,928</u>	<u>\$ 9,166,608</u>

