

*Office of the Governor of Guam*

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*Governor*Kaleo Scott Moylan
*Lieutenant Governor***13 APR 2004**The Honorable Gale A. Norton
Secretary
U.S. Department of the Interior
1849 C Street, N.W.
Washington, DC 20240

Dear Secretary Norton:

Pursuant to U.S. Public Law 108-188, Title I, Section 104(e)(9)(a), with respect to previously accrued and un-reimbursed Compact Impact costs, the Governor of Guam may request that the President:

"reduce, release, or waive all or part of any amounts owed by the Government of Guam ... (or either government's autonomous agencies or instrumentalities), respectively, to any department, agency, independent agency, office, or instrumentality of the United States."

Section 104(e)(9)(b) states that:

"Not later than 120 days after the date of the enactment of this resolution, the Governor of Guam ... submit to the Secretary of the Interior a report, prepared in consultation with an independent accounting firm, substantiating un-reimbursed impact expenses claimed for the period from January 14, 1986, through September 30, 2003."

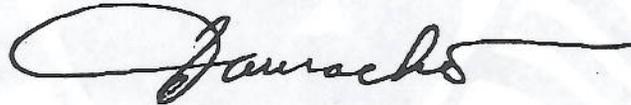
I am pleased to present to you Guam's Compact Impact Reconciliation Report. This report, prepared in consultation with an independent accounting firm, identifies Guam's un-reimbursed Compact Impact costs from Fiscal Year 1987 to Fiscal Year 2003 based on all presently available information from Government of Guam agencies providing educational and social services to citizens from the Freely Associated States (FAS) who have migrated to Guam. We have found that the Government of Guam has substantiated an un-reimbursed Compact Impact cost of \$269,313,119.

We are requesting your assistance in presenting to the President our request for the reduction, release or waiver of debts owed to the federal government. Guam's economy has been in decline over the past years, mirroring the slowdown in the U.S. economy, but exacerbated by costs of recent typhoons, the decline in tourism after SARS, and geopolitical events in Iraq, North Korea, and other parts of Asia. Forgiveness or debt-reduction of Guam's outstanding obligations to the federal government would greatly help Guam join the rest of America on the road to economic recovery.

The Honorable Gale A. Norton
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I trust that you will concur with me and support Guam in its efforts to recover the un-reimbursed Compact Impact costs that we have incurred, by providing services for over 17 years to citizens of the Freely Associated States, under the Compacts of Free Association.

Sincerely Yours,



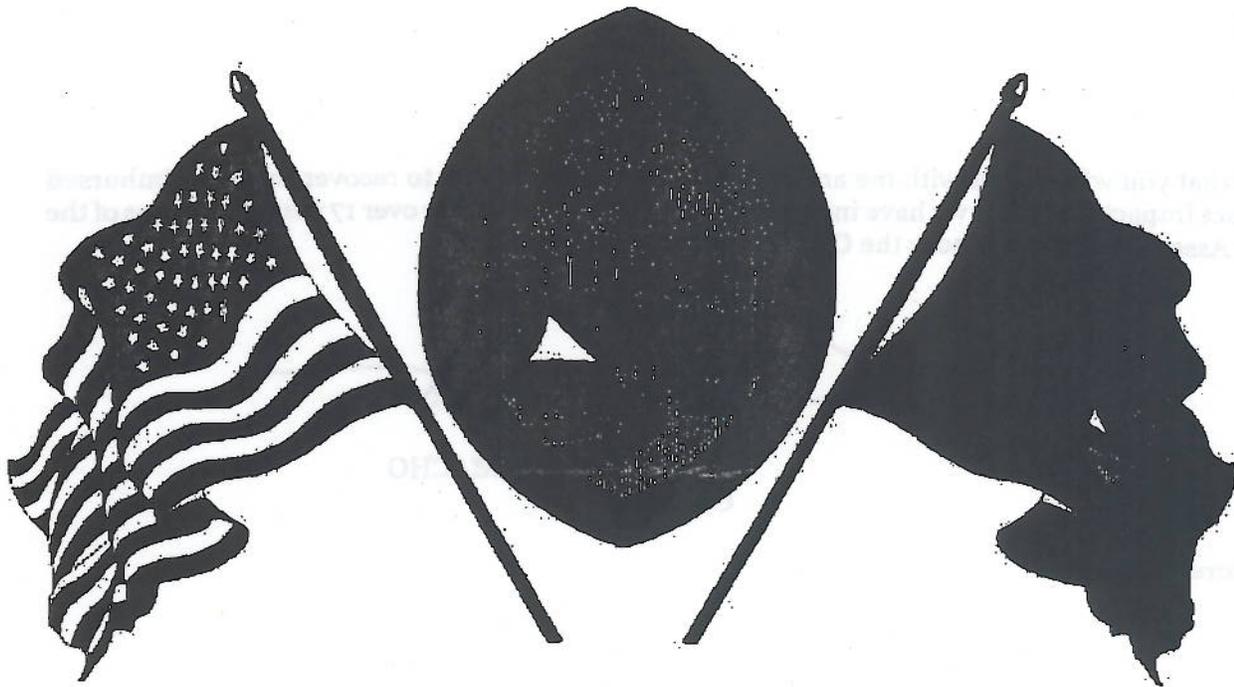
FELIX PEREZ CAMACHO
Governor

Enclosure

COMPACT IMPACT RECOGNITION

Guam's Unreimbursed Costs of the
Compacts of Free Association
Fiscal Year 1987 to Fiscal Year 1994

Office of the Governor, Government of Guam, P.O. Box 2008, Agaña, Guam



COMPACT IMPACT RECONCILIATION

Guam's Unreimbursed Costs of the Compacts of Free Association

Fiscal Year 1987 to Fiscal Year 2003

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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 or the government of the CNMI to the United States Government as an offset for previously incurred 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

This report examines 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 to provide attestation services in the form of agreed-upon procedures to substantiate Guam's un-reimbursed Compact Impact costs. The Government of Guam finds that the un-reimbursed costs incurred 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 is \$269,313,119.

Government of Guam

COMPACT IMPACT RECONCILIATION -- FY 1987 to FY 2003

Un-reimbursed Compact Impact Costs		\$269,313,119
Education		\$178,366,947
Department of Education		135,734,890
Department of Public Works - Bus Operations		5,588,881
Guam Community College		20,491,676
University of Guam		16,573,500
Public Safety		\$42,984,779
Department of Corrections		1,396,051
Department of Law		1,310,382
Department of Military Affairs, Office of Civil Defense		243,905
Department of Youth Affairs		2,442,022
Guam Fire Department		12,839,584
Guam Police Department		16,075,850
Public Defender Services Corporation		1,730,960
Superior Court of Guam		6,946,025
Health, Welfare, and Labor		\$47,961,393
Department of Public Health and Social Services		38,485,872
Division of Public Health		5,507,141
Chief Public Health Office	723,708	
Bureau of Professional Support Services	2,428,894	
Bureau of Family Health and Nursing Services	2,356,739	
Division of Public Welfare		31,560,010
Bureau of Health Care Financing		
Medically Indigent Program (MIP)	25,412,940	
Medicaid (MAP)	6,147,070	
Division of Senior Citizens		1,428,721
Department of Mental Health and Substance Abuse		411,713
Department of Integrated Services for Individuals with Disabilities		653,663
Guam Memorial Hospital Authority		8,353,319
Department of Labor		46,826

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I. INTRODUCTION

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 Department of the Interior's (DOI) Office of Insular Affairs (OIA), formerly the Office of Territorial and Insular Affairs (OTIA). In 1998, Guam lost its lawsuit to compel the Department of the Interior to report to Congress on the impacts of the Compacts as required under 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. These reports are compiled by the Department of the Interior and are transmitted with DOI'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 or the government of the CNMI to the United States Government as an offset

for previously incurred 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

This report examines the un-reimbursed amount of assistance provided to citizens of the Federated States of Micronesia (FSM), the Republic of the Marshall Islands (RMI), and the Republic of Palau by Guam for the period FY 1987 to FY 2003 as a result of the Compacts of Free Association. As required by P.L. 108-188, an independent accounting firm was engaged to provide attestation services in the form of agreed-upon procedures to substantiate Guam's un-reimbursed Compact Impact costs. The Government of Guam finds that the un-reimbursed costs incurred for providing educational and social services to citizens of the FSM, RMI, and Palau for the period FY 1987 to FY 2003 is \$269,313,119.

Government of Guam Compact Impact Reconciliation Report

Guam	EDUCATION				PUBLIC SAFETY				HEALTH, WELFARE, and LABOR								
	Public Education		Higher Education		General Protective Services		Law and Judiciary		Health and Welfare		Labor						
	Department of Education	Department of Public Works- Bus Operations	Guam Community College	University of Guam	Department of Military Affairs, Office of Civil Defense	Guam Fire Department	Guam Police Department	Department of Corrections	Department of Law	Department of Youth Affairs	Public Ombudsman Service Corporation	Public Ombudsman Service Corporation	Department of Mental Health and Substance Abuse	Department of Integrated Services for Individuals with Disabilities	Department of Public Health and Social Services	Guam Memorial Hospital Authority	Department of Labor
Unreconciled Compact Impact Expenditures by Fiscal Year																	
TOTAL COST	\$193,754,890	\$5,960,881	\$79,491,478	\$18,573,000	\$243,895	\$13,458,884	\$16,075,899	\$1,290,061	\$1,310,202	\$2,462,021	\$1,730,660	\$6,945,025	\$411,715	\$650,069	\$93,495,073	\$8,353,819	\$44,828
FY 2003	14,065,113	490,349	1,060,851	1,267,059	10,350	1,273,169	1,023,623	1,294,061	254,492	443,595	255,851	530,710	411,713	203,375	4,627,812	2,020,837	12,051
FY 2002	14,850,875	451,890	1,065,235	1,063,278	32,574	1,205,698	1,024,679	293,700	453,355	299,810	299,810	715,923	234,018	234,018	5,072,245	8,768,560	34,778
FY 2001	16,304,149	452,831	1,005,140	1,057,486	21,659	1,055,243	977,723	168,627	230,780	232,447	232,447	591,677	273,479	273,479	5,088,914	8,768,850	
FY 2000	13,897,968	429,466	1,100,353	1,090,384	10,316	942,764	939,918	36,135	382,110	123,246	123,246	730,973			3,605,001	1,212,638	
FY 1999	13,050,583	505,841	1,307,211	1,008,768	84,787	1,014,163	1,298,990	270,024	268,555	339,263	700,844				4,320,602	774,265	
FY 1998	13,067,029	691,295	1,135,783	2,099,789	7,068	835,820	1,242,892	257,404	387,092	338,895	186,410				2,998,067		
FY 1997	11,020,475	487,919	1,244,431	2,120,549	7,457	674,197	1,043,906		269,534	262,145					2,690,550		
FY 1996	8,754,957	479,675	1,451,252	1,942,533	6,824	789,844	994,844								2,987,137		
FY 1995	7,864,544	594,769	1,505,647	1,771	7,771	788,325	1,139,037								1,997,310		
FY 1994	9,091,407	362,830	1,330,437	2,284,905	10,586	1,033,719	1,431,842								2,385,834		
FY 1993	6,134,893	300,845	1,404,655		29,845	689,405	1,341,899								1,023,060		
FY 1992	3,893,949	593,630	1,272,295		14,498	797,794	1,289,399								873,798		
FY 1991	2,899,743	755,137	1,202,751		10,538	522,316	652,480								949,305		
FY 1990	1,205,709	95,073	1,218,955		5,755	311,304	581,469								16,541		
FY 1989	634,681	30,572	689,504		3,250	225,952	369,315								11,344		
FY 1988	0	0	170,452		1,979	181,150	363,474								5,248		
FY 1987	0	0	89,993		1,449	128,919	233,267								4,182		

Compact Impact Reconciliation Report

Government of Guam

II. METHODOLOGY

A. Cost Reporting Methodology

The Government of Guam defines Compact Impact costs as the cost of providing services to immigrants from the Freely Associated States (FAS), and secondly, the cost of benefit displacement to the local residents as a result of FAS immigration to Guam. The following is the general methodology used to capture the cost of service and displacement.

1. Service Cost Determination (Unit Cost of Service)

For a department or agency that has been impacted by FAS immigration, the service cost is based on the total annual post-audited expenditures of the agency divided by the total number of units of service as defined by the agency based on the nature of its programs. This average unit cost is then multiplied by the total number of units of service provided to FAS citizens within each of the agency's programs. For years without an audited financial statement, unaudited expenditures reports were used. A unit of service can be the number of persons, households or families receiving a service or the counts of the service itself.

Where there are administrative expenses involved in the overall departmental cost such as management, accounting, personnel, facilities and maintenance, procurement, and management information system, these expenses were considered overhead or indirect costs. These expenses were combined and then allocated to individual programs within an agency.

The cost allocation basis used for this purpose is the aggregated total cost of multiple programs of the agency. This summary amount is then divided into each program total to determine a rate, which is used in the prorating of the indirect cost. Once the administrative cost has been prorated, each amount is added back to the program total, resulting in an increased program cost. It is this amount that is used to determine the FAS impact on each program of an agency or department.

There are departments and agencies where the average unit cost of service for individual types of service or programs could not be determined because of the nature of the services provided made defining a unit of service infeasible. For the Guam Fire Department (GFD), Guam Police Department (GPD), the Office of Civil Defense (OCD) and the Chief Public Health Office (CPHO), the cost of service to the FAS citizens are based on the percentage of the FAS population to the defacto island population for the fiscal year in question. This percentage is applied to the annual net expenditures of the agency or program to determine the cost of service to FAS citizens.

The Superior Court of Guam, the Public Defender Service Corporation, and the Department of Law are based on the percentage of FAS cases to the total annual caseload. This percentage is applied to the annual net expenditures of the agency or program to determine the cost of service to FAS citizens.

The expenditures used in this report are net of expenditures charged to federal programs, grants, or other federal sources of funding. Autonomous agencies such as the Guam Community College and the University of Guam have been requested to deduct all FAS payments (payment by the client or on behalf of the client) since these payments represent a recovery of service cost applicable to the FAS impact costs.

The methodology used to compute Compact Impact costs in this report considered the findings and recommendations of Department of the Interior, Office of the Inspector General's 1993 report ("Impact of the Compact of Free Association on the Government of Guam") and the Office of Territorial Affairs (now Office of Insular Affairs) guidelines dated June 1994 ("Guidelines for Preparation of A Report on Impact of the Compact of Free Association"). In particular, all federal funds were eliminated from consideration and only locally funded expenditures were used.

2. Displacement Cost

As defined earlier, displacement cost is the benefits received by FAS immigrants that would otherwise been received by local residents of Guam. There are no existing annual waiting lists of applicants for government programs such as housing, welfare, education and health at the agencies being included in Guam's request for debt relief. Therefore, no displacement costs are included in this report.

3. Direct payments

Some of the departments and agencies have reported the cost of services to clients at the program level based on direct payments to the client (payments to, or on the behalf of, the client) such as the Medically Indigent Program (MIP), Medicaid, and certain welfare and public assistance programs. For the purposes of this report, these direct payments (benefits) are considered as actual program expenditures.

4. Sources of Information and Data

In general, the expenditures used in the determination of Compact Impact cost for the Government of Guam line agencies (non-autonomous agencies) were derived from the audited Government of Guam General Purpose Financial Statement. Otherwise, the expenditures are based on the figures

from the Department of Administration financial accounting system. Exceptions are noted in the description for each individual agency.

The expenditures used in the determination of Compact Impact costs for the autonomous Government of Guam agencies were derived from the individual agency's audited financial statements for the fiscal years being reported. Otherwise, the expenditures are based on the figures from the agency's financial accounting system. Exceptions are noted in the descriptions reports for each individual agency.

Information about the units of service are from the individual department, agency, or program. A unit of service can be the number of persons, households or families receiving a service or the counts of the service itself. For each department, agency, or program, the total number of service units provided to the population served and the total number of service units provided to FAS citizens was reported.

B. The Reporting Process

The instructions to the departments and agencies and procedures developed and used in the preparation of this report were very general because of the number of departments, agencies, and programs. Each had its own unique method of client information retrieval and storage, its own set of procedure to produce total client counts and FAS citizen participation by program, and internal accounting procedures which it used to determine the applicable expenditures for the fiscal year. However, a general set of guidelines were used and followed by all the department and agencies to gather the necessary information for this report.

The basic set of instructions to all departments and agencies were:

1. begin with FY 2003 and work backwards to FY 1987
2. identify and segregate FAS clients from the total client population; create a separate database or list if possible
3. determine the number of FAS citizens served by each program in each fiscal year
4. determine the total number of clients served by each program in each fiscal year
5. use the total audited expenditures when available; otherwise, use the most current annual expenditures report
6. identify the total audited expenditures by standard Government of Guam object categories such as personnel, contractual, utilities, supplies, equipment, capital outlay, etc.
7. breakdown the total expenditures by total administrative cost and program costs for use in the prorating of administrative costs to the various programs within a department or agency;
8. identify the funding source such as the General Fund, Special Funds, federal funds, etc.

9. provide a description of the program's mission and data source location
10. be prepared to substantiate the department's or agency's Compact Impact costs and units of service

The departments and agencies were asked to begin with FY 2003 and work backwards to FY 1987 since information on the fiscal year just completed would be the most readily available. Original records and documentation from previous fiscal years would become harder and harder to find for most of the departments the further they go back and, in many cases, are no longer available. Some have been lost due to the natural disasters over the years, stored in a format no longer supported, or subjected to the program's Records Management requirements. Because of this and the need to substantiate the units of service, several departments and agencies could only provide information from the mid-1990's to FY 2003.

The departments and agencies were instructed to enter the information onto a set of spreadsheets developed by the Bureau of Budget and Management Research (BBMR) to standardize the information collection and reporting. This would form the basis for determining the unit cost of service and the total cost of providing service to FAS immigrants for each department, agency or program. Upon completion of the process, each department or agency was asked to complete the "crossover" table by entering the information on the Compact Impact Reconciliation Report form provided by the Bureau of Statistics and Plans (BSP). The tables which contained the total audited expenditures, total FAS expenditures, total number of clients served, and the total FAS clients served would then be presented to the independent accounting firm in support of the department or agencies un-reimbursed Compact Impact costs.

Although P.L. 108-188 permits the reporting of un-reimbursed Compact Impact costs to being from January 14, 1986 when P.L. 99-239 was enacted (fiscal year 1986), the Government of Guam has chosen to begin its reporting with fiscal year 1987. The Government of Guam has based the starting date of the reporting process on President Ronald Reagan's Proclamation No. 5564 of November 3, 1986 which states:

"Sec. 3.(a) The Compact of Free Association with the Republic of the Marshall Islands is in full force and effect as of October 21, 1986 and the Compact of Free Association with the Federated States of Micronesia is in full force and effect as of November 3, 1986."

C. Relationship to Prior Reports

As previously mentioned, since the passage of P.L. 99-369, 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 Department of the Interior, Office of Territorial and Insular Affairs (now, Office of Insular Affairs). These reports differ from the Compact Impact Reconciliation Report in that their purpose is different. They represented the views of the Government of Guam about the impact the Compacts were having on Guam's educational and social systems by identifying and quantifying the impacts. They also represented a "point-in-time" look at what an individual department, agency or program believes are the costs of services to FAS citizens for any given fiscal year. In addition, the costs were based on total expenditures at the individual program level and administrative costs at the department or agency level were seldom included as part of the data provided.

This report differs from the 1999 Ernst & Young, LLP report ("Analysis of Compact Impact Costs: Fiscal Year Ending September 30, 1997") in several ways. First, the Ernst & Young report only looked at three agencies: Department of Education, Department of Public Health and Social Services, and the Department of Corrections. For this report, the Government of Guam looked at all department and agencies identified as providing services to citizens of the Freely Associated States. Secondly, the Ernst & Young report developed a range of Compact Impact cost based on different scenarios of FAS population growth. This report estimates the population of FAS citizens based on standard demographic procedures using the available information from the various Censuses and surveys taken over the years. Finally, the Ernst & Young report was, as the title states, an analysis of the Compact Impact reporting process at that time and not an attestation to agreed-upon procedures.

The Compact Impact Reconciliation Report follows the stringent requirements of P.L. 108-188. The law requires that the report be prepared in consultation with an independent accounting firm. Such a firm has been engaged to provide independent attestation services in the form of agreed-upon procedures to substantiate Guam's un-reimbursed Compact Impact costs. As a result, all calculations of Compact Impact cost are subject to general accounting procedures and are being calculated using audited financial statements when they exist. The use of cost estimates, cost schedules, federal cost guidelines, and negotiated rates have been eliminated to remove their subjectivity. In addition, Guam has limited expenditures to the locally funded portion only. The units of service counts were required to have the records and supporting documentation available. All identified baselines have been removed from the total. Thus, the un-reimbursed Compact Impact costs reported herein are very conservative.

EDUCATION

Fiscal Year	Public Education		Higher Education	
	Department of Education	Department of Public Works - Bus Operations	Guam Community College	University of Guam
Total Cost	\$135,734,890	\$5,566,881	\$20,491,678	\$16,573,500
FY 2003	14,085,113	450,349	1,698,851	1,287,839
FY 2002	14,850,875	451,650	1,654,238	1,683,276
FY 2001	16,204,149	482,831	1,605,140	1,657,486
FY 2000	13,807,955	429,466	1,190,903	1,698,384
FY 1999	13,650,583	505,941	1,307,211	1,808,768
FY 1998	13,607,629	691,298	1,135,783	2,099,769
FY 1997	11,020,475	487,919	1,224,431	2,120,549
FY 1996	8,734,957	479,675	1,451,282	1,942,523
FY 1995	7,684,541	384,786	1,535,847	2,294,905
FY 1994	8,081,407	352,830	1,330,437	
FY 1993	6,134,693	300,845	1,424,655	
FY 1992	3,885,989	328,830	1,272,255	
FY 1991	2,565,975	155,137	1,292,751	
FY 1990	1,205,709	95,013	1,218,955	
FY 1989	434,861	30,512	888,504	
FY 1988	0	0	170,452	
FY 1987	0	0	89,983	

III. EDUCATION

1. Department of Education

The Department of Education provides a comprehensive instructional program in the public schools that is consistent with its policies. It designs and provides programs and activities for students in order to develop physical, social and occupational skills as well as essential guidance to develop the attitudes, values and skill for success in society. The department makes available to all students of Guam the opportunity to benefit from an education.

The Department of Education provides a free public education for all of Guam's children. Under Guam law (17 GCA Sections 3101 ~ 9111), it is the duty of any parent, guardian or other persons having control or charge of any child between the ages of five and sixteen years to send the child to a public or private full-time day school for the full-time for which such schools are in session. The Compact of Free Association affords FAS citizens the right to attend school on Guam without special permit. No period of residency is required.

The Department of Education (DOE) is submitting a Compact Impact claim of \$135,734,890 for the period of FY 1989 through FY 2003. This amount is based on the average cost per student multiplied by the number of FAS students for each year claim. The average cost is computed by dividing the total annual expenditures by total annual student population. The amount that is being claimed is net of federal funds and adjusted for baseline student enrollment. (Baseline is the number of FAS students enrolled in Guam public school system prior to the start of the Compacts of Free Association, representing the number who would otherwise be enrolled irrespective of the Compacts.)

The above methodology provides conservative estimates of the cost to educate FAS students. DOE officials point out that children who come from FAS families demand more of their teachers and the school system in general than do other students. Factors such as limited English proficiency, socio-economic status, grade level completion, lack of records, and adjustment problems are not incorporated in the per pupil cost.

For fiscal years 1987 to 1995, DOE expenditure figures were developed using the audited Government of Guam General Purpose Financial Statements. For fiscal years 1996 through 2000, 2002 and 2003, DOE expenditures were derived from the DOE financial system. For FY 2001, an audited balance sheet and a compiled revenue and expenditure statement report were used in developing expenditure figures.

2. Department of Public Works - Bus Operations

The mission of the Department of Public Works' (DPW) Bus Operations is to: (1) provide transportation services for both public and private school students in accordance with an approved routing schedule for the school year, (2) to provide safe bussing services for school related activities, and (3) provide emergency evacuation and other bussing services as authorized by the Governor of Guam and applicable local statutes.

The Department of Public Works is submitting a Compact Impact claim of \$5,566,881 for the period of FY 1989 to FY 2003. This claim is based on the percentage of Freely Associated States (FAS) student ridership to the overall total annual student ridership multiplied by the actual local expenditures of DPW's bus operations for fiscal years 1989 to 2003, adjusted for the baseline public school FAS student enrollment. The total student ridership is the total enrollment of both the public and private school system for each fiscal year. For FY 1987 to FY 2002, the expenditures used in the DPW Bus Operations Compact Impact claim was derived from the audited Government of Guam General Purpose Financial Statements. For FY 2003, the expenditure data was derived from the Department of Administration's financial management system.

3. Guam Community College

The Guam Community College provides technical, vocational and other related occupational training aimed at developing skilled workers for Guam. It coordinates vocational-technical education programs in all public schools, and expands and maintains secondary and post-secondary educational programs in the vocational-technical fields. The College also maintains short-term extension and apprenticeship training programs in Guam.

The Guam Community College (GCC) is submitting a Compact Impact claim of \$20,491,676 for the period of FY 1987 to FY 2003. This amount is based on the average cost per credit hour multiplied by the number of credit hours attributed to FAS students. The average cost is computed by dividing the total annual expenditures by the total number of credit hours generated for the fall and spring semesters. Summer sessions and inter-sessions are not included in this review. The amount that is being claimed is net of federal funds, fees, and tuition. Fees and tuition have been deducted since this revenue source represents a recovery of expenses. For fiscal years 1987 to 1989, all expenditures funded by restricted funds have been deducted since the financial statements for the same period did not distinguish between federal and local funding under the restricted category. This deduction would account for the lower claim amounts for the same periods of the claim. Also, a baseline equal to the FY 1986 FAS expenditures was applied to FY 1987 and FY 1988 on the assumption that the students who comprise the FY 1986 baseline would graduate in two years. The expenditures used in the GCC

Compact Impact Claim were derived from the institution's annual audited financial reports for fiscal years 1987 to 2001 and unaudited financial statement reports for FY 2002 and FY 2003.

4. University of Guam

The University of Guam (UOG) is a Land Grant Institution that enables individuals to pursue an education in various fields of study and discipline. The University also provides the support services needed to accomplish its mission and maintain its accreditation, conducts further research studies, and provides public services to the people of Guam. It also provides financial assistance to students and encourages recipients to attain a specialized discipline in order to meet Guam's present and future manpower needs. The University offers residents continuing education programs, which further assist in the development and retention of an efficient and qualified workforce.

The University of Guam is submitting a Compact Impact claim of \$16,573,500 for the period of FY 1995 to FY 2003. This amount is based on the average cost per credit hour multiplied by the number of credit hours attributed to FAS students. The average cost is computed by dividing the total expenditures by the total number credit hours generated for the fall and spring semesters. Summer sessions and inter-sessions are not included in this review because they are self-sustaining. The amount that is being claimed is net of federal funds, fees and tuition, loan fund outlays, and the endowment fund expenditures. Fees and tuition have been deducted since these revenue sources represent a recovery of expenses. The loan fund outlays are not included because they represent cash outlays used in the payments of outstanding loans owed by the University. The endowment fund is also not considered since it represents funding that is non-operational to the University of Guam. Expenditures used in the UOG's Compact Impact claim were derived from the institution's annual audited financial reports for fiscal years 1995 to 2002 and an unaudited financial statement for 2003. For FY 1987 through FY 1994, the University of Guam was not able to provide the necessary historical student data from its records.

PUBLIC SAFETY

Fiscal Year	General Protective Services					Law and Judiciary			
	Department of Military Affairs, Office of Civil Defense	Guam Fire Department	Guam Police Department	Department of Corrections	Department of Law	Department of Youth Affairs	Public Defender Service Corporation	Superior Court of Guam	
Total Cost	\$243,905	\$12,839,584	\$16,075,650	\$1,396,051	\$1,310,382	\$2,442,022	\$1,730,960	\$6,946,025	
FY 2003	16,360	1,203,169	1,023,623	1,396,051	264,492	443,595	295,861	638,710	
FY 2002	32,574	1,209,566	1,034,409		295,700	455,356	268,810	715,923	
FY 2001	21,656	1,055,245	977,723		185,827	250,780	202,447	591,677	
FY 2000	10,318	942,794	930,918		36,135	382,110	123,545	730,973	
FY 1999	54,787	1,014,183	1,286,560		270,824	266,555	339,263	790,846	
FY 1998	7,988	935,620	1,242,602		257,404	387,092	238,889	818,410	
FY 1997	7,457	874,107	1,043,906			256,534	262,145	486,364	
FY 1996	8,524	796,844	984,944					486,434	
FY 1995	7,771	786,325	1,139,037					990,827	
FY 1994	10,966	1,032,719	1,431,842					695,859	
FY 1993	28,045	894,405	1,341,880						
FY 1992	14,490	737,764	1,289,399						
FY 1991	10,536	522,318	862,460						
FY 1990	5,755	311,304	561,489						
FY 1989	3,250	225,952	388,315						
FY 1988	1,979	168,150	303,474						
FY 1987	1,449	128,919	233,267						

IV. PUBLIC SAFETY

A. Protective Services

1. Department of Military Affairs, Office of Civil Defense

The Department of Military Affairs is tasked with controlling the operations of the Guam Army and Air National Guard and protecting Guam and the United States of America in time of war, rebellion, riot, imminent danger or any state of emergency. Public Law 24-298 consolidated the Office of Veterans Affairs and Office of Civil Defense with the Department of Military Affairs. The Department now includes responsibilities for the administration of veterans programs and services for citizens who served in the Armed Forces. The Department is also tasked with planning and development of programs that provide for the safety and protection of life and property in the event of natural disasters such as typhoons, earthquakes, floods and seismic (tidal) waves as well as Homeland Security.

The Office of Civil Defense (OCD) is claiming a Compact Impact cost of \$243,905 for the period of FY 1987 to FY 2003. As emergency services are provided to all residents and visitors of Guam, irrespective of citizenship status, the cost of providing services to Guam's Freely Associated States (FAS) population was determined by apportioning OCD's fiscal year expenditures as a percentage of FAS citizens living on Guam to the de facto population of Guam, less an estimated baseline of FAS citizens living on Guam prior to Compact enactment. There are no federal expenditures in this claim. For FY 1987 to FY 2000, the expenditures used in the OCD's Compact Impact claim was derived from the audited Government of Guam General Purpose Financial Statements. For FY 2001 to FY 2003, the expenditures used was derived from the Department of Administration's financial management system.

② Guam Fire Department

The Guam Fire Department is responsible for fire prevention and suppression and related hazards. The Department also provides emergency ambulatory medical and land and sea rescue services, all in the prevention of unnecessary loss of life and property. Guam Fire Department services are provided to all Guam residents, irrespective of citizenship or residency status, including visitors and military personnel and their dependents when they are on civilian lands.

The Guam Fire Department (GFD) is claiming a Compact Impact cost of \$12,839,584 for the period of FY 1987 to FY 2003. Expenditures for general police protection services to Freely Associated States (FAS) citizens is determined by apportioning GPD's fiscal year expenditures as a percentage of FAS citizens living on Guam to the de facto population of Guam, less an estimated baseline of FAS

citizens living on Guam prior to Compact enactment. There are no federal expenditures in this claim. For FY 1987 to FY 2002, the expenditures used in the GFD's Compact Impact claim was derived from the audited Government of Guam General Purpose Financial Statements. For FY 2003, the expenditures used was derived from the Department of Administration's financial management system.

3. Guam Police Department

The Guam Police Department is responsible for deterring and suppressing all crimes and providing overall protection of life and property from injuries and loss. The Department provides island-wide police coverage, and includes investigative services in the areas of criminal, juvenile, traffic, special investigations and crime laboratory. Police protection is provided uniformly to each person on Guam, including visitors and military personnel and dependents while they are on civilian lands.

The Guam Police Department (GPD) is claiming a Compact Impact cost of \$16,075,850 for the period of FY 1987 to FY 2003. Expenditures for general police protection services to Freely Associated States (FAS) citizens is determined by apportioning GPD's fiscal year expenditures as a percentage of FAS citizens living on Guam to the de facto population of Guam, less an estimated baseline of FAS citizens living on Guam prior to Compact enactment. There are no federal expenditures in this claim. For FY 1987 to FY 2002, the expenditures used in the GPD's Compact Impact claim was derived from the audited Government of Guam General Purpose Financial Statements. For FY 2003, the expenditures used was derived from the Department of Administration's financial management system.

B. Law and Judiciary

1. Department of Corrections

The Department of Corrections (DOC) is responsible for the maintenance and operation of the island's adult correctional and detention facility. The Department provides custodial care to prison inmates, and the parole and detainee population in accordance with judicial disposition. Custodial care is provided for inmates on-island and off-island and includes services for security, transportation, and treatment. The Department also makes recommendations for the potential release of inmates to the Guam Parole Board.

The Department of Corrections (DOC) is submitting a Compact Impact claim of \$1,396,051 for the fiscal year 2003. Because of short time frame of the reporting period for this report, the lack of fiscal people and the manual process of collecting the necessary data, DOC was only able to provide one year of information. The DOC claim is based on average cost per incarcerated day multiplied by the number of FAS incarcerated days. The cost per incarceration day was computed by dividing the total

fiscal year expenditures by the total incarceration days of its inmate population. Incarcerated days are actual days stayed at the prison during a fiscal year. There are no federal expenditures in this claim. For FY 2003, the expenditure data was derived from the Department of Administration's financial management system.

2. Department of Law

The Department of Law, as the legal representative office for the people of Guam, is responsible for judicious execution of all applicable laws. The Department prosecutes all criminal violations of Guam law, through trial and appeal. It processes, investigates and resolves all consumer complaints and claims files against the government. The Department provides legal counsel for the three (3) branches of government and compiles all Guam laws and decisions. Furthermore, it collects, enforces and distributes child support obligations.

The Department of Law, headed by the Attorney General, serves as the legal arm of the Executive Branch. In that capacity it renders legal opinions to the various agencies, participates in litigation involving governmental agencies and interests, collects and enforces the Child Support Laws, and prosecutes all criminal cases brought by the people of Guam.

The Office of the Attorney General (AG) is claiming a Compact Impact cost of \$1,310,382 for the period of FY 1998 to FY 2003. This claim is based on actual annual local fiscal year expenditures incurred by AG multiplied by the percentage of the FAS annual caseload to the overall total annual caseload of the AG. There are no federal expenditures in this claim. Financial and service level information was provided by the Office of the Attorney General.

3. Department of Youth Affairs

The Department of Youth Affairs (DYA) is responsible for operating and maintaining the island's youth correctional facility. It provides correctional services for youth clientele, including custodial care, treatment and rehabilitation services for those adjudicated by the courts. The Department administers the juvenile delinquency prevention programs, as well as provides for the development of pre-vocational skill and training.

DYA operates the only Youth Correctional Facility (YCF) on Guam. It is a rehabilitative extension of the Juvenile Justice System, with a mandate to offer care and custody services to those youths remanded to the facility by the Family Court. Youth can also be detained after apprehension by the Guam Police Department for either an arrest or pick-up order. Additionally, there are on-going efforts in youth rehabilitation services, in vocational education, and in employment related endeavors. The Department of Youth Affairs has three service divisions: Division of Special Services (Youth

Corrections), Division of Youth Development, and the Division of Vocational Rehabilitation and Support Services.

The Department of Youth Affairs (DYA) is submitting a Compact Impact claim of \$2,442,022 for the period of FY 1997 through FY 2003 for its Youth Corrections and Youth Development Divisions. The cost for Youth Corrections is based on the average cost per incarcerated day multiplied by the number of incarcerated days of Freely Associated States (FAS) youths for each year claim. The average cost of incarceration is computed by dividing the total annual expenditures by total annual incarcerated days of all DYA's clients. The cost for Youth Development is based on the average cost per client service multiplied by the number of FAS clients served the program. The average cost of service is computed by dividing the total annual expenditures by the total number of DYA clients served by Youth Development. DYA's Compact Impact cost claim is net of federal funds. The expenditures used in the DYA's Compact Impact claim was derived from the audited Government of Guam General Purpose Financial Statements or the Department of Administration's financial management system.

4. Public Defender Service Corporation

The Public Defender Service Corporation (PDSC) is a public corporation affiliated with the judicial branch of the Territory of Guam. Services are provided to indigent persons residing in the territory in keeping with the provisions of 12 GCA Sections 11101 et seq. The Corporations' duties are:

- a. To defend indigent persons charged in criminal cases before the courts of Guam (this includes adults charged with felonies, misdemeanors, and violations, and minors charged under the Family Court Act, as well as certain traffic offenders);
- b. To provide legal aid and assistance to persons in Guam who are indigent and are in need of legal assistance and representation; and
- c. To provide assistance in connection with certain Land Claims Awards.

Services provided to indigent persons fall under one of four program areas: Criminal, Civil, Juvenile, and Domestic.

The Public Defender Corporation (PDSC)'s claim for Compact Impact is \$1,730,960 for the period of FY 1997 to FY 2003. This amount is based on the average cost per client served multiplied by the number of FAS clients for each year claim. The average cost is computed by dividing the total annual expenditures by total annual clients served. PDSC's Compact Impact cost claim is net of federal funds. The expenditures used in PDSC's Compact Impact claim was provided by the Public Defender Service Corporation.

5. Superior Court of Guam

The Superior Court of Guam (SCOG) is vested with original jurisdiction in all cases arising under the laws of Guam, civil or criminal, in law or equity, regardless of the amount in controversy. Exceptions to the jurisdiction of the Superior Court are causes arising under the Constitution, treaties, laws of the United States, and any matter involving the Guam income tax.

The Superior Court of Guam is claiming a Compact Impact cost of \$6,946,025 for the period of FY 1998 to FY 2003. This claim is based on actual annual local fiscal year expenditures incurred by the Superior Court multiplied by the percentage of the FAS annual caseload to the overall total annual caseload of the Superior Court. There are no federal expenditures in this claim. Financial and service level information was provided by the Superior Court of Guam.

HEALTH, WELFARE AND LABOR					
Fiscal Year	Health and Welfare				Labor
	Department of Mental Health and Substance Abuse	Department of Integrated Services for Persons with Disabilities	Department of Public Health and Social Services	Guam Memorial Hospital Authority	Department of Labor
Total Cost	\$411,713	\$653,663	\$38,495,872	\$8,353,319	\$46,826
FY 2003	411,713	205,375	4,827,812	2,828,037	12,051
FY 2002		234,818	5,012,245	1,768,590	34,776
FY 2001		213,470	5,188,914	1,769,850	
FY 2000			3,608,001	1,212,638	
FY 1999			4,320,602	774,205	
FY 1998			2,908,987		
FY 1997			2,693,550		
FY 1996			2,987,137		
FY 1995			1,897,310		
FY 1994			2,385,834		
FY 1993			1,023,080		
FY 1992			873,738		
FY 1991			949,565		
FY 1990			18,541		
FY 1989			11,344		
FY 1988			9,249		
FY 1987			4,182		

V. HEALTH, WELFARE AND LABOR

A. Health and Welfare

1. Department of Mental Health and Substance Abuse

The Department of Mental Health and Substance Abuse (DMHSA) is the sole agency authorized to provide mental health and substance abuse services to the people of Guam. It is responsible for providing mental health programs and services to children, adolescents, and adults suffering from ailments such as mental disorders, emotional disturbances, behavioral problems, familial dysfunctions and drug and alcohol treatment. The Department also maintains residential and day treatment services, operates an acute psychiatric inpatient facility, and provides emergency consultations.

The Department of Mental Health and Substance Abuse (DMHSA) is submitting a Compact Impact claim of \$411,713 for fiscal year 2003. Because of short time period of the project, DMHSA was only able to complete one year of information. The agency's claim is based on average cost per admission multiplied by the number of FAS admissions. Average admission cost is computed by dividing total annual expenditures by total admissions. There are no federal expenditures in this claim. All cost information was obtained from the Department of Administration's financial management system.

2. Department of Integrated Services for Individuals with Disabilities

The Department of Integrated Services for Individuals with Disabilities (DISID) was created to improve services for persons with disabilities by designating this department as a single point of entry to provide, promote and ensure a full continuum of lifelong programs and services for individuals with disabilities by promoting independence, productivity, and inclusion of these individuals into the community. DISID was only able to provide information its Residential Treatment Program.

a. Division of Support Services, Residential Treatment Program

The Residential Treatment Fund's (RTF) purpose is to provide children and youth with severe emotional disturbances with the necessary off-island residential treatment, per court order. Funding is appropriated from the general fund to the Department of Administration to pay authorized expenses for persons under the jurisdiction of the Superior Court for residential care arising from physical, mental or emotional disabilities, or from severe emotional disturbance.

DISID is claiming the amount of \$653,663 for the periods of FY 2001 to FY 2003. The amount that is being claimed is based on actual expenditures incurred. Funding for the period came from the Residential Treatment Fund which is locally funded.

3. Department of Public Health and Social Services

The Department of Public Health and Social Services provides programs and services in the areas of environmental health, public health, public welfare and senior citizens. The department ensures the public protection through protective measures against unsanitary conditions. It ensures the provisions of direct and indirect health care services such as dental, hearing, speech and nutritional health. It provides a variety of programs which stress the prevention of disease and disability, and by meeting the needs of the medically under-served population. The department also promotes positive social conditions for the economically and socially disadvantaged by providing financial and medical services, such as in its administration of the Public Assistance, Food Stamp, and Medicaid Programs. Additionally, it administers the State Plan on Aging program tailored for the elderly 60 years and older.

DPHSS is claiming a Compact Impact cost of \$38,495,872. Because not all the programs were available to provide data, DPHSS is making a claim for only those programs where expenditure data and service levels, both total and from the Freely Associated States (FAS), are available. They are the Chief Public Health Office, Bureau of Professional Support Services, and Bureau of Family Health and Nursing Services under the Division of Public Health; the Medically Indigent Program and the Medicaid Program under the Division of Public Welfare; and the Division of Senior Citizens.

a. Division of Public Health - Chief Public Health Office

The Chief Public Health Office (CPHO) serves as the administrative section of the Division of Public Health. It also operates programs that deal with the health of all the residents of Guam. Programs include Administration and Fiscal Management; Office of Physicians Services - medical consultation and advisement for policy development; Office of Epidemiology and Research - investigation of diseases or conditions which may pose a threat to public well-being; Office of Planning and Evaluation - conducts studies to identify health problems and advise policy makers on the impact of population and health status changes; Office of Vital Statistics - operates the system of vital registration; and Office of Emergency Medical Services - responsible for the establishment and maintenance of an effective system of emergency medical services.

Expenditures for general protection services to Freely Associated States (FAS) citizens is determined by apportioning CPHO's fiscal year expenditures based on the percentage of FAS citizens living on Guam to the de facto population of Guam, less an estimated baseline of FAS citizens living on Guam prior to Compact enactment. There are no federal expenditures in this claim. For FY 1987 to FY 2003, the expenditures used in the CPHO's Compact Impact claim was derived from the Department of Administration's financial management system.

b. Division of Public Health - Bureau of Professional Support Services

The Bureau of Professional Support Services (BPSS) provides medical laboratory services, radiology services and pharmacy services to various public health programs and its patients. It is mandated under Title 10, Guam Code Annotated, Chapter 3, Articles 3, 5, 6, and 7. Eligibility are pre-screened by various public health programs and then referred to the medical laboratory, radiology (x-ray) and/or pharmacy.

BPSS' program expenditures were used in developing the Compact Impact cost. The average unit cost of service was derived by dividing the total Bureau expenditures for the fiscal year by total number of clients seen during the fiscal year. The average client unit cost for each fiscal year was then multiplied by total FAS clients seen by the Bureau for each of the year claimed. All cost information was obtained from the Department of Administration's financial management system.

c. Division of Public Health - Bureau of Family Health and Nursing Services

The mission of the Bureau of Family Health and Nursing Services (BFHNS) is to provide community health and nursing services by synthesizing nursing practice and public health practice which focuses on health promotion, disease prevention, early detection and treatment of health problems and the restoration of health among individuals, families and communities.

BFHNS' program expenditures were used in developing the Compact Impact cost. The average unit cost of service was derived by dividing the total bureau expenditures for the fiscal year by the total number of clients seen during the fiscal year. The average client unit cost for each fiscal year was then multiplied by total FAS clients seen by the Bureau for each of the year claimed. All cost information was obtained from the Department of Administration's financial management system.

Division of Public Welfare - Medically Indigent Program

The Medically Indigent Program (MIP) is a 100% locally funded program that provides medical assistance to low income families who are unable to afford private medical coverage and are residents of Guam. The type of coverage offered depends on income, resources and residency. The services range from full coverage, partial coverage, foster care coverage, and supplemental coverage to Medicaid clients for services not covered by Medicaid.

Guam's methodology for computing welfare and medical program costs is to include the locally funded portion of cash outlays and medical benefits paid on behalf of FAS program clients. The total FAS expenditures under this program is based on actual FAS clients disbursements for each of the fiscal years claimed. Expenditure information is based on actual FAS client listings of medical charges

claimed by health providers. The data was obtained from the Division's Medical Claims System (MCS).

e. Division of Public Welfare - Medicaid Program

Medicaid is a 50% federally and 50% locally funded program that affords medical coverage to individuals qualified under the Old Age Assistance (OAA), Aid to the Blind (AB), Aid to the Permanently and Totally Disabled (APTD), Temporary Assistance to Needy Families (TANF), and Categorically Needy Medicaid Only. Because there is a "cap" or limit to the amount of federal funds provided to Guam, any expenditures above the 50% local matching share requirement must come from the Government of Guam.

The Medicaid expenditures covering the local matching requirements and local overmatch were used in developing the Compact Impact cost. In developing the Compact Impact cost, average unit cost was derived by dividing Medicaid's total local expenditures for the fiscal year by total number of clients seen for the fiscal year. The average client unit cost was then multiplied by total FAS clients seen by the program for each of the years claimed. All cost information was obtained from the Department of Administration's financial management system.

f. Division of Senior Citizens

The Division of Senior Citizens (DSC) is the principal advocate for senior citizens throughout the island. Activities are planned, developed, and related to the purposes of the Older Americans Act. The Division is mandated by federal and Guam laws to ensure programs funded under Title III are coordinated effectively, serving as the effective and visible advocate for all older persons on Guam; and assisting agencies and other entities in the development of a comprehensive and coordinated service delivery systems throughout Guam.

As the State Agency on Aging, DSC does not provide direct services to elderly clients, with the exception of our Community Support Services and Adult Protective Services Unit activities. The Division, therefore, contracts for all services/programs funded locally and under Title III to private or non-profit organizations. Because there is a limit to the amount of federal funds provided to Guam, any expenditures above the local matching share requirement must come from the Government of Guam.

The expenditures for each Senior Citizen program covering the local matching requirements and local overmatch were used in developing the Compact Impact cost. In developing the Compact Impact cost, average service cost for each program was derived by dividing the program's total local expenditures for the fiscal year by total number of clients registered with the program for the fiscal

year. The average client service cost for each program was then multiplied by the total FAS clients seen by the program for each of the years claimed. All expenditure information was obtained from the Department of Administration's financial management system.

4. Guam Memorial Hospital

Guam Memorial Hospital Authority (GMHA) is a governmental, non-profit institution serving the people of Guam. As the sole hospital on the island, no patient is denied hospital care and services by reason of place of residence or ability to pay. Prior to the Compacts, citizens of what are now the Freely Associated States (FAS) were Trust Territory of the Pacific Islands (TTPI) citizens, and as such, received medical care from Department of Defense at the Naval Regional Medical Center.

The Guam Memorial Hospital Authority (GMHA) is claiming the amount of \$8,353,319. Because of a computer system change in 1996, which took almost three years to become fully operational, expenditure data and units of measure were limited to fiscal years 1999 to 2003. Statistics on the units of service were only available for these programs or ancillary service units: Pharmacy, Laboratory, Radiology, Hemodialysis, Physical Rehabilitation, Labor & Delivery, and Operating Room.

Each program service unit is mutually exclusive from each other because of the different measure used. As an example, the Pharmacy' unit of service is the total number of prescriptions filled for each type of drug. In the case of Hemodialysis, the unit of service is the number of admissions. Because one patient may be seen more than one time per year, the individual patient count is not used. Therefore, each of the hospital's ancillary services is treated as a separate cost center. The total fiscal year expenditures for each ancillary area was divided by the total program service units provided to obtain an average cost of service. The Compact Impact costs were determined by multiplying the average service cost by the FAS citizens service count for each ancillary service. Expenditure data for each program area was obtained for GMHA's financial management system.

B. Labor

1. Department of Labor

The Department of Labor is responsible to promote, develop, and improve the welfare of wage earners on Guam. It provides job placement assistance, outreach and consultation to increase awareness of employment practices, senior employment programs and alien labor certification. The Department enforces the prevailing wage schedule, Fair Labor Standards Act, Occupational Safety and Health standards, and administers workers compensation. Additionally, it oversees labor market and occupational information systems as well as provides statistical information regarding Guam's manpower and labor situation.

Labor is claiming a Compact Impact cost of \$46,826. Because not all the programs were available to provide data, Labor is making a claim for only those programs where expenditure data and service levels, both total and from the Freely Associated States (FAS), are available. They are the Guam Employment Service and the One Stop Career Center.

a. Guam Employment Service

The Guam Employment Service (GES), a division of the Department of Labor is part of a nationwide federal-state system of public employment service offices established by the Wagner-Geyser Act of 1933. The primary mission of the Guam Employment Service is to maintain and provide free labor exchange services to match employers' needs with qualified workers.

GES' program expenditures were used in developing the Compact Impact cost. Only locally funded expenditures were used. Average client service cost was derived by dividing total annual expenditures by total client served for the fiscal year. The total cost of services provided to Freely Associated States (FAS) citizens was calculated by multiplying the average client service cost by the number of FAS clients served during the fiscal year. Expenditure data were derived from the Department of Administration's financial management system.

b. One Stop Career Center

The One Stop Career Center (OSCC) is an extension arm of the Guam Employment Services. Created by the Workforce Investment Act of 1998 which amended the Wagner-Geyser Act, OSCC now provides accessibility to employment core services such as labor market information, career data, apprenticeship information, community services information, job matching & referral services, education & training programs, testing and assessment, available child care services and employer services. This center was once funded 100% by a federal grant at its inception but became locally funded three years after its inception.

The One Stop Career Center's program expenditures were used in developing the Compact Impact cost. Only locally funded expenditures were used. Average client service cost was derived by dividing total annual expenditures by total client served for the fiscal year. The total cost of services provided to Freely Associated States (FAS) citizens was calculated by multiplying the average client service cost by the number of FAS clients served during the fiscal year. Expenditure data were derived from the Department of Administration's financial management system.

SUPPLEMENTAL DATA

The tables in this section are provided to document the development of the population estimates for the defacto population of Guam and the number of Freely Associated States (FAS) citizens residing on Guam for impact cost calculations requiring this information.

1. **Population of Guam: 1990 to 2003**

Impact cost calculations requiring the use of the defacto population of Guam are based on this table. Resident population estimates are based on the decennial Censuses and data from the U.S. Census Bureau's International Programs Center. Visitor information is from Guam Visitors Bureau's reports.

2. **FAS Population on Guam**

The FAS population estimates are based on data from the U.S. Census Bureau's decennial Censuses and surveys of FAS citizens living on Guam, unless otherwise stated.

Population of Guam: 1986 to 2003

	1984	1987	1988	1989	1990	1991	1992	1993	1994
Resident Population*	122,880	125,724	127,545	130,947	133,152	138,159	142,326	143,825	143,157
Tourist Arrivals**	393,983	460,631	574,958	638,963	753,015	726,349	888,941	777,283	1,011,538
Average Length of Stay ***	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
Daily Average Tourist Population	3,508	4,102	5,119	5,689	6,705	6,467	7,915	6,921	9,007
Total Population (de facto)	126,388	129,826	132,664	136,636	139,857	144,626	150,241	150,746	152,164

Source: U.S. Census Bureau; Office of Planning and Evaluation, Department of Public Health and Social Services; Guam Visitors Bureau

* Estimates, except for 1980 and 2000 (Census of Population and Housing)

** Fiscal Year (October to September)

*** Number of nights; estimated for 1986 to 1994 based on average of available data from Japanese Exit Survey (1991 to 1996).

	1995	1996	1997	1998	1999	2000	2001	2002	2003
Resident Population*	144,190	145,324	146,799	149,724	152,590	154,805	158,330	161,057	163,593
Tourist Arrivals**	1,295,559	1,369,877	1,411,447	1,204,268	1,107,890	1,269,171	1,291,667	1,014,037	856,931
Average Length of Stay ***	3.25	3.25	3.19	3.19	3.23	3.29	3.29	3.36	3.32
Daily Average Tourist Population	11,536	12,198	12,336	10,525	9,804	11,440	11,643	9,335	7,795
Total Population (de facto)	155,726	157,522	159,135	160,249	162,394	166,245	169,973	170,392	171,388

Source: U.S. Census Bureau; Office of Planning and Evaluation, Department of Public Health and Social Services; Guam Visitors Bureau

* Estimates, except for 1990 and 2000 (Census of Population and Housing)

** Fiscal Year (October to September)

*** Number of nights; estimated for 1995 and 1996 based on average of available data from Japanese Exit Survey (1991 to 1999).

Prepared by: Bureau of Statistics and Plans

April 2004

Government of Guam

Compact Impact Reconciliation Report

Freely Associated States (FAS) Population of Guam: 1987 to 2003

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
FAS Population /a	3,085	3,520	4,091	4,737	5,759	7,527	9,001	9,394	9,919	9,137	9,519	9,943	10,401	10,971	11,576	12,225	12,921
Federated States of Micronesia	—	—	—	2,808	3,725	5,453	7,734	8,035	8,351	8,666	7,064	7,523	7,994	8,573	9,124	9,717	10,358
Chuuk	—	—	—	1,919	2,631	4,030	4,258	4,501	4,756	5,028	5,353	5,623	5,906	6,229	6,544	6,974	7,222
Koeror	—	—	—	101	140	230	228	239	249	272	278	285	298	306	313	306	313
Pohnpei	—	—	—	569	705	872	886	901	916	931	947	1,063	1,192	1,366	1,583	1,720	1,830
Yap	—	—	—	199	250	331	361	394	430	469	512	556	608	668	748	817	891
Republic of the Marshall Islands	—	—	—	71	100	162	171	181	192	203	214	227	240	257	272	288	304
Republic of Palau	—	—	—	1,858	1,933	2,012	2,094	2,176	2,276	2,248	2,221	2,184	2,167	2,141	2,100	2,021	2,281

Source: 1980 Census of Population and Housing; 2000 Census of Population and Housing; 1982 Census of Micronesia on Guam; 1988 Census of Palau; 1988 Census of Palau; 1987 (1988) NOTE: Freely Associated States (FAS) - Federated States of Micronesia and Republic of the Marshall Islands became independent in 1982; Republic of Palau became independent in 1994

/a Bureau of Statistics and Plans, except for 1987 to 1989 (Ernst & Young, 1999)

Freely Associated States (FAS) Percentage of the Population of Guam: 1987 to 2003

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Resident Population /a	125,724	127,545	130,947	133,452	138,159	142,325	143,825	143,157	144,180	145,324	146,799	148,724	152,590	154,806	156,330	161,057	163,993
Defacto Population /b	131,298	134,032	136,871	139,341	142,743	145,191	148,702	150,282	152,372	155,484	158,702	162,009	165,469	169,246	173,373	177,982	183,988
FAS Population /c	3,085	3,520	4,091	4,737	5,759	7,527	9,001	9,394	9,919	9,137	9,519	9,943	10,401	10,971	11,576	12,225	12,921
% of resident population	2.45%	2.76%	3.10%	3.58%	4.17%	5.39%	5.96%	6.12%	6.29%	6.46%	6.48%	6.64%	6.82%	7.09%	7.91%	7.99%	7.90%
% of defacto population	2.35%	2.63%	2.97%	3.40%	4.03%	5.25%	5.84%	5.41%	5.63%	5.49%	6.00%	6.23%	6.33%	6.60%	6.61%	7.17%	7.54%

Source: 1980 Census of Population and Housing; 2000 Census of Population and Housing; 1982 Census of Micronesia on Guam; 1988 Census of Palau; 1988 Census of Palau; 1987 (1988) NOTE: Freely Associated States (FAS) - Federated States of Micronesia and Republic of the Marshall Islands became independent in 1982; Republic of Palau became independent in 1994

/a Mid-year population estimates by Bureau of Statistics and Plans

/b Mid-year defacto population estimates by Bureau of Statistics and Plans

/c Bureau of Statistics and Plans, except for 1987 to 1989 (Ernst & Young, 1999)

Freely Associated States (FAS) Migrant Population of Guam: 1987 to 2003

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
FAS Population /a	3,085	3,520	4,091	4,737	5,759	7,527	9,001	9,394	9,919	9,137	9,519	9,943	10,401	10,971	11,576	12,225	12,921
Total Baseline /b	837	837	837	837	837	837	837	837	837	837	837	837	837	837	837	837	837
1980 baseline /c	837	837	837	837	837	837	837	837	837	837	837	837	837	837	837	837	837
1995 baseline /d	0	0	0	0	0	0	0	0	0	1,776	1,776	1,776	1,776	1,776	1,776	1,776	1,776
Additional FAS Population /e	2,448	2,683	3,424	4,100	5,122	6,690	7,364	7,757	8,408	8,724	7,108	7,530	7,989	8,669	9,163	9,612	10,508

Source: 1980 Census of Population and Housing; 2000 Census of Population and Housing; 1982 Census of Micronesia on Guam; 1988 Census of Palau; 1988 Census of Palau; 1987 (1988) NOTE: Freely Associated States (FAS) - Federated States of Micronesia and Republic of the Marshall Islands became independent in 1982; Republic of Palau became independent in 1994

/a Bureau of Statistics and Plans, except for 1987 to 1989 (Ernst & Young, 1999)

/b Total adjustment for the number of FAS citizens living on Guam prior to the Compact of Free Association in 1985

/c Adjustment for the number of citizens from the Federated States and Marshall Islands living on Guam prior to the Compact of Free Association in 1985

/d Adjustment for the number of citizens from Palau living on Guam prior to the Compact of Free Association in 1994

/e Number of FAS citizens living on Guam who registered to Guam under provisions of the Compact of Free Association for whom reimbursement can be claimed according to the federal government

Prepared by: Bureau of Statistics and Plans

April 2004

COMPACT IMPACT RECONCILIATION

**Guam's Unreimbursed Costs of the
Compacts of Free Association**

Fiscal Year 1987 to Fiscal Year 2003

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Slater, Nakamura & Co, LLP
Certified Public Accountants

Dhonson's Plaza, Suite B
790 South Marine Drive
Tamuning, Guam 96913

SLATER, NAKAMURA & Co, LLP

Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

The Honorable Felix P. Camacho
Governor
Government of Guam

We have performed the procedures enumerated below, which were agreed to by the Government of Guam, with respect to substantiating compact impact costs of the Government of Guam from January 14, 1986 to September 30, 2003, pursuant to House Joint Resolution 63 (HR 63), Section 104, Public Law 108-188, dated December 17, 2003, of the Congress of the United States. The Government of Guam is responsible for maintaining records of compact impact costs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and standards applicable to agreed-upon procedures attestation engagements contained in the 2003 revision of *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of the procedures is solely the responsibility of the Government of Guam. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Management's Assertion:

The Government of Guam, as responsible party, asserts the following:

- The schedules included in the Compact Impact Reconciliation of Un-reimbursed Compact Impact Costs from Fiscal Years 1987 through 2003 are mathematically accurate.
- The amounts claimed for un-reimbursed compact impact costs agrees to the Government of Guam financial accounting and reporting statements, and published population censuses.
- Eligible expenses claimed are according to the applicable provisions of HR 63, Public Law 108-188.
- The methodology to compute compact impact costs considered the findings and recommendations of the June 1993 U.S. Department of the Interior, Office of Inspector General Audit Report on "Impact of the Compact of Free Association on the Government of Guam" and the criteria contained in the June 1994 Office of Territorial and International Affairs (OTIA) "Guidelines for Preparation of A Report on Impact of the Compact of Free Association".

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Procedures:

The agreed-upon procedures included, as specified by the Government of Guam:

1. Evaluating the Government of Guam's planning methodology for the determination of un-reimbursed costs and its definition of "un-reimbursed impact costs".
2. Evaluating the sufficiency of the overall substantiation report design, format and content to facilitate its completeness and appropriateness.
3. Tracing the amounts reported as impact costs to Government of Guam accounting records and financial reports or other evidence of support, and to determine compliance with the eligibility provisions of HR 63, Public Law 108-188.
4. Verifying the population figures used in calculating the determination and allocation of impact costs.
5. Verifying the mathematical accuracy of the report calculations, such as service costs, displacement costs, unit costs by department or program, and any other calculations in supporting schedules to the report.

We also considered the findings and recommendations of the June 1993 U.S. Department of the Interior, Office of Inspector General Audit Report on "Impact of the Compact of Free Association on the Government of Guam" and the June 1994 Office of Territorial and International Affairs (OTIA) "Guidelines for Preparation of A Report on Impact of the Compact of Free Association" in the application of these procedures.

The extent to which these agreed-upon procedures were performed, and our findings reported, was based on our professional judgment and financial materiality, which were agreed to by the Government of Guam.

Procedures Performed and Findings:

Procedures performed and our findings are as follows:

Department of Education (DOE):

The un-reimbursed compact impact costs for DOE, according to the Compact Impact Reconciliation schedule accompanying this report, is \$135,734,890.

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We evaluated the methodology for the determination of un-reimbursed compact impact cost for the department and found it to be appropriate. We reviewed and evaluated the design, format and content of the un-reimbursed compact impact report and its underlying supporting schedules and found them to be appropriate and complete.

The annual expenditures used as a basis to compute the un-reimbursed compact impact costs were agreed to Government of Guam audited General Purpose Financial Statements (GPFS) for those years the department was a line agency, and to DOE's internal financial reports for the years since the department became semi-autonomous, without exception.

We verified the annual total service population of public school students and compact public school students, as defined, to the department's Research, Planning and Evaluation (RP&E) Division student enrollment reports. Compact students listed on separate subsidiary reports, by name and ethnicity, were agreed to student registration forms in their cumulative record folders at their respective schools. There was a 1% exception rate within the sample of compact impact students selected for verification.

We verified the mathematical accuracy of the compact impact report and its component calculations without exception.

Department of Public Works (DPW) - (School) Bus Operations:

The un-reimbursed compact impact costs for DPW School Bus Operations, according to the Compact Impact Reconciliation schedule accompanying this report, is \$5,566,881.

We evaluated the methodology for the determination of un-reimbursed compact impact costs for DPW School Bus Operations and found it to be appropriate. We reviewed and evaluated the design, format and content of the un-reimbursed compact impact report and its underlying supporting schedules and found them to be appropriate and complete.

The annual expenditures used as a basis to compute the un-reimbursed compact impact costs were agreed to DPW - Public Education program expenditures from Government of Guam audited General Purpose Financial Statements (GPFS) without exception.

We verified the annual total service population of public and private school students and compact public school students, as defined, to the same DOE Research, Planning and Evaluation (RP&E) Division student enrollment reports which were used to substantiate the DOE un-reimbursed compact impact costs, and to published Guam Annual Economic Review censuses of private school students without exception.

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We verified the mathematical accuracy of the compact impact report and its component calculations without exception.

Department of Public Health and Social Services (DPHSS) - Division of Public Welfare:
Bureau of Health Care Financing - Medically Indigent Program (MIP):

The un-reimbursed compact impact costs for the DPHSS MIP program, according to the Compact Impact Reconciliation schedule accompanying this report, is \$25,412,940.

We evaluated the methodology for the determination of un-reimbursed compact impact cost for the department's Medically Indigent Program and found it to be appropriate. We reviewed and evaluated the design, format and content of the un-reimbursed compact impact report and its underlying supporting schedules and found them to be appropriate and complete.

The annual expenditures and number of MIP claimants used as a basis to compute the un-reimbursed compact impact costs were agreed to DPHSS Medical Claims System (MCS) reports without exception. These reports listed the total number of patients, by ethnicity, and total dollar value for each fiscal year being reported.

We verified the total service population of compact MIP claimants by examining a detailed database report of all MIP compact ethnicity cases. Compact MIP claimants listed on this report, by name and ethnicity, were agreed to application forms in their respective claim file at DPHSS without exception.

We verified the mathematical accuracy of the compact impact report and its component calculations without exception.

Guam Community College (GCC):

The un-reimbursed compact impact costs for GCC, according to the Compact Impact Reconciliation schedule accompanying this report, is \$20,491,676.

We evaluated the methodology for the determination of un-reimbursed compact impact cost for GCC and found it to be appropriate. We reviewed and evaluated the design, format and content of the un-reimbursed compact impact report and its underlying supporting schedules and found them to be appropriate and complete.

The annual expenditures used as a basis to compute the un-reimbursed compact impact costs were agreed to GCC audited financial statements and accompanying supporting schedules without exception.

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We verified the annual total service population of GCC students and compact ethnicity students, as defined, to the College Registrar's Office admissions and registration student enrollment reports without exception.

We verified the mathematical accuracy of the compact impact report and its component calculations without exception.

University of Guam (UOG):

The un-reimbursed compact impact costs for UOG, according to the Compact Impact Reconciliation schedule accompanying this report, is \$16,573,500.

We evaluated the methodology for the determination of un-reimbursed compact impact cost for UOG and found it to be appropriate. We reviewed and evaluated the design, format and content of the un-reimbursed compact impact report and its underlying supporting schedules and found them to be appropriate and complete.

The annual expenditures used as a basis to compute the un-reimbursed compact impact costs were agreed to UOG audited financial statements and accompanying supporting schedules without exception.

We verified the annual total service population of UOG students and compact ethnicity students, as defined, to the University Registrar's Office academic and student affairs enrollment reports without exception.

We verified the mathematical accuracy of the compact impact report and its component calculations without exception.

Guam Fire Department (GFD) and Guam Police Department (GPD):

The un-reimbursed compact impact costs for GFD and GPD, respectively, according to the Compact Impact Reconciliation schedule accompanying this report, are \$12,839,584 and \$16,075,850.

We evaluated the methodology for the determination of un-reimbursed compact impact costs for GFD and GPD and found it to be appropriate. We reviewed and evaluated the design, format and content of the un-reimbursed compact impact report and its underlying supporting schedules and found them to be appropriate and complete.

The annual expenditures used as a basis to compute the un-reimbursed compact impact costs were agreed to program expenditures for GFD and GPD from Government of Guam audited General Purpose Financial Statements (GPFS) without exception.

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We verified the annual island-wide service population and compact citizens' service population, as defined, to U.S. Department of Commerce, Bureau of the Census, Guam Censuses of Population and Housing, and accompanying supporting calculations of estimated population growth prepared by the Bureau of Statistics and Plans, Government of Guam without exception.

We verified the mathematical accuracy of the compact impact report and its component calculations without exception.

Guam Memorial Hospital Authority (GMHA):

The un-reimbursed compact impact costs for GMHA, according to the Compact Impact Reconciliation schedule accompanying this report, is \$8,353,319.

We evaluated the methodology for the determination of un-reimbursed compact impact costs for GMHA and found it to be appropriate. We reviewed and evaluated the design, format and content of the un-reimbursed compact impact report and its underlying supporting schedules and found them to be appropriate and complete.

The annual expenditures used as a basis to compute the un-reimbursed compact impact costs were agreed to GMHA internal financial accounting reports and accompanying supporting schedules without exception.

We verified the mathematical accuracy of the compact impact report and its component calculations without exception.

We did not verify GMHA's annual total service population and the annual compact ethnicity service population to underlying statistical reports or data.

Remaining Reporting Agencies:

We did not perform agreed-upon procedures on the remaining agencies listed on the accompanying Compact Impact Reconciliation schedule. Our procedures and findings were limited to those agencies that have been specifically reported on above.

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We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertion and on the accompanying Compact Impact Reconciliation schedule. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. The Compact Impact Reconciliation schedule is presented as supplemental information and for reference purposes only. We have no responsibility to update this report for data or information coming to our attention subsequent to the date of this report.

This report is intended solely for the use of the specified users, which include the Government of Guam, the Department of Interior, the President of the United States, and the United States Congress, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Slater, Nakamura & Co, LLP

SLATER, NAKAMURA & CO, LLP
Tamuning, Guam

April 12, 2004

UNAUDITED
Government of Guam

COMPACT IMPACT RECONCILIATION -- FY 1987 to FY 2003			
Un-reimbursed Compact Impact Costs			\$269,313,119
Education			\$178,366,947
Department of Education			135,734,890
Department of Public Works - Bus Operations			5,566,881
Guam Community College			20,491,676
University of Guam			16,573,500
Public Safety			\$42,984,779
Department of Corrections			1,386,051
Department of Law			1,310,382
Department of Military Affairs, Office of Civil Defense			243,805
Department of Youth Affairs			2,442,022
Guam Fire Department			12,839,584
Guam Police Department			16,075,850
Public Defender Services Corporation			1,730,960
Superior Court of Guam			6,946,025
Health, Welfare, and Labor			\$47,961,393
Department of Public Health and Social Services			38,495,872
Division of Public Health		5,507,141	
Chief Public Health Office	723,708		
Bureau of Professional Support Services	2,426,694		
Bureau of Family Health and Nursing Services	2,356,739		
Division of Public Welfare		31,560,010	
Bureau of Health Care Financing			
Medically Indigent Program (MIP)	25,412,940		
Medicaid (MAP)	6,147,070		
Division of Senior Citizens		1,428,721	
Department of Mental Health and Substance Abuse			411,713
Department of Integrated Services for Individuals with Disabilities			653,663
Guam Memorial Hospital Authority			8,353,319
Department of Labor			48,828

Prepared by:
Government of Guam

Compact Impact Reconciliation Report

