



# UPDATES TO THE FSM-U.S. COMPACT RELATIONSHIP

KEY ASPECTS OF THE 2023 COMPACT OF FREE ASSOCIATION AMENDMENTS ACT



**The Compact of Free Association Amendments Act of 2023**, signed into law by President Biden on March 9, 2024, approved four updated agreements negotiated between the U.S. and FSM and signed in 2023: 1) Economic assistance provisions in Title Two of the Compact, 2) Compact Trust Fund Agreement, 3) Fiscal Procedures Agreement and 4) Federal Programs and Services Agreement. On March 18, 2024, the FSM and the United States exchanged diplomatic notes to bring these agreements into force.

The 2023 Compact Amendments Act also enacted new benefits for the FSM and its citizens, including continued, restored, or new access to U.S. education benefits, new access to veterans' benefits, and access to certain social benefits for FSM migrants in the United States. The Government of the FSM has asked the Government of the United States to ensure that these benefits are made available for FSM citizens as quickly as possible.

## What are the updated economic assistance provisions for the next 20 years?

**The United States will provide the FSM with sector grants totaling \$140 million annually for 20 years, beginning in Fiscal Year 2024.** These funds can be used in the same sectors as under the current Compact: education, health care, private sector development, the environment, public sector capacity building, infrastructure, and enhanced reporting and accountability. Funds may be used for other sectors if mutually decided in the future.

**The United States will also make \$500 million in new contributions to the FSM Compact Trust Fund.** These mandatory appropriations will be made through two \$250 million contributions in FY 2024 and FY 2025. These payments will contribute to the long-term sustainability of the Compact Trust Fund, which is currently valued at just over \$1 billion.

## What are the main updates to the new Federal Programs and Services Agreement?

The updated Federal Programs and Services Agreement maintains the status quo of federal

programs and services for the next 20 years, with terms favorable to the FSM.

The 2023 Amendments guarantee continuation of FSM eligibility for the same categories of federal programs: postal services; weather services; civil aviation safety services; civil aviation economic services; disaster preparedness and response services; Federal Deposit Insurance Corporation (FDIC) services; and telecommunication services.

The U.S. Postal Service agreed to continue service to and from the FSM for another 20 years after a special appropriation was made for USPS in the COFA Amendments Act to offset costs of continuing service to the Freely Associated States. Under the updated Agreement, USPS will continue to provide letter, flat and parcel service to and from the FSM, but will no longer offer flat-rated service from the FSM to the United States.

## What are the main updates to the new Compact Trust Fund Agreement?

The Compact Trust Fund Committee will now have three members from each government (currently three from the U.S. and two from the FSM). The U.S. will have a tie-breaking vote only if the votes are evenly split.

The Trust Fund, including the new \$500 million contribution from the United States, is for the long-term use of the FSM. There are no plans to withdraw funds in the immediate future, especially given the new \$140 million sector grant payments. Beginning in FY 2044, the FSM can rely on disbursements from the fund to supplement its annual budget. There are some limited possibilities for withdrawals from the Fund during the next 20 years under specified circumstances, but no such plans have been made.

## What are the main updates to the new Fiscal Procedures Agreement?

The Joint Economic Management Committee (JEMCO) will have three members from each government instead of the current three from the U.S. and two from the FSM. The U.S. will have a tie-breaking vote only if the votes are evenly split.

For all non-infrastructure sectors, such as health, education, and the environment, JEMCO approvals will no longer be project-based and instead will be made for the sector as a whole after the FSM submits a detailed description of the anticipated use of funds in the relevant sector. The infrastructure sector will continue to be project-based.

The FSM will have flexibility to decide on sector allocations, subject only to a requirement that not less than a three-year moving average of 25 percent of the total annual grant amounts provided for grants go to the public infrastructure sector.

Finally, the FSM will no longer be required to make matching contributions to the Infrastructure Maintenance Fund (IMF). Starting in FY 2024, \$9.8 million (7%) of the total sector funds of \$140 million will be deposited in the IMF. This amount will increase gradually to \$14 million in FY 2043.

### **What other U.S. federal programs and services were authorized in the COFA Amendments Act?**

The Act continues existing programs, restores eligibility for some programs, and extends certain others for the first time. U.S. Government representatives have assured the FSM that it will work energetically to put the new and restored programs in place, but there may be slight delays as the COFA Amendments Act is implemented.

#### *Education Programs*

Certain eligibilities will continue, including under 1) Pell Grants, 2) Individuals with Disabilities Education Act (IDEA), and 3) continued eligibility for competitive grants under the Elementary and Secondary Education Act, the Carl Perkins Career and Technical Education Act, and the Higher Education Act.

The FSM and its citizens will again be eligible for Federal Supplemental Educational Opportunity Grants (FSEOG), Federal Work Study Program (FWS), and Head Start.

Public universities in U.S. States and Territories will now be required to provide FAS students in-state tuition as a condition of receiving several types of federal education assistance.

#### *Compact Impact Fairness Act*

Congress included the bipartisan and bicameral Compact Impact Fairness Act in the final package, which will restore the eligibility of FSM citizens living in the United States for key Federal social safety

net programs, such as the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), Supplemental Security Income (SSI), Social Services Block Grants (SSBG), and financial assistance from FEMA.

#### *Veterans Services*

Under the COFA Amendments Act, FSM veterans of U.S. military service will have increased access to health services and increased telehealth opportunities. This will help address the existing barriers our veterans face in accessing medical care through the U.S. Veterans Administration. This represents a significant step forward to support our veterans who have served in the U.S. military.

#### *Judicial Training*

A total of \$550,000 annually for judicial training opportunities across the FAS, which can be augmented by sector grants for public sector capacity building.

### **WHAT HAS NOT CHANGED?**

Other than the four agreements discussed here, most other aspects of the Compact relationship remain in effect and are unchanged from the 2003 Amended Compact. These include:

1. The ability of FSM citizens to freely travel to, live in, and attend school or work, in the United States and its territories.
2. The U.S. obligation to provide for the security and defense of the FSM.
3. The ability of the U.S. to deny third-party military access to the FSM.
4. Ability of qualified FSM citizens to serve in the U.S. military.
5. The ability of the FSM to conduct its own foreign affairs, including the ability to enter into treaty arrangements, join international organizations, and conclude agreements with other nations.

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