

STANDING COMMITTEE REPORT NO. 13-226

RE: C.B. NO. 13-199/W&M

SUBJECT: PRESIDENT'S SUPPLEMENTAL BUDGET REQUEST

JANUARY 26, 2005

The Honorable Peter M. Christian
Speaker, Thirteenth Congress
Federated States of Micronesia
Fifth Regular Session, 2004

Dear Mr. Speaker:

Your Committee on Ways & Means to which was referred C.B. No. 13-199 entitled:

"A BILL FOR AN ACT TO FURTHER AMEND PUBLIC LAW NO. 13-46, AS AMENDED, BY AMENDING SECTIONS 2, 3, 4, 5, 7, 8, AND 9 THEREOF FOR THE PURPOSE OF APPROPRIATING AN ADDITIONAL SUM OF \$1,819,162 FROM THE GENERAL FUND OF THE FEDERATED STATES OF MICRONESIA FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2005, BY REPEALING SECTION 10, BY AMENDING SECTION 12, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

The intent and purpose of the bill are expressed in its title.

C.B. No. 13-199 is the President's request for a supplemental appropriation from the General Fund for fiscal year 2005. Through this bill, the President also proposes to amend the existing public law to (a) fund through restricted Compact I carryover funds \$944,828 in appropriations previously made from local revenues, thereby freeing that amount of local revenues for other uses, and (b) substantially change the provisions restricting the reprogramming of funds.

On January 24, 2005, your committee held public hearings on the supplemental budget request. In attendance were the President's Congressional liaison, the Secretaries of Finance and TC&I, the Acting Secretaries of Justice and Economic Affairs, the interim President of the College of Micronesia FSM, representatives of NORMA, the National Olympic Organizing Committee and the National Election Director's Office, and a number of other department and agency representatives.

Your committee has considered the testimony of the hearing witnesses, thoroughly reviewed the President's request and arrived at a number of recommendations with respect to C.B. No. 13-199. As an initial matter your committee supports the use of Compact I carryover funds, to the extent feasible, to finance activities that were previously

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appropriated out of local revenue funds. We recommend approval of those provisions of the bill that would effect that change. Below, your committee will address each of the President's specific requests for additional funding:

1. Office of the President. The President requests \$200,000 as matching funds for the Disaster Assistance Emergency Fund. Your committee understands that, under the terms of the amended Compact, this amount is to be contributed by the FSM to the Fund. However, \$100,000 was previously appropriated for this purpose from the General Fund for FY 2004, presumably leaving only an additional \$100,000 to be appropriated. No one in attendance at the hearing was able to shed any light on why, under these circumstances, \$200,000 is now being requested. Accordingly, your committee recommends approval of only an additional \$100,000 at this time. This matter can be reviewed in a later session when more information is available.
2. Department of Finance and Administration. Your committee supports the President's request for \$10,000 as the National Government's contribution for the new Financial Management Information System. Your committee does not agree with the proposal to appropriate an additional \$30,000 for overtime compensation in the Customs and Tax Administration. Congress has already appropriated \$52,000 for this purpose and, your committee understands, much of that money has not yet been expended. This item, too, can be reviewed later in the year.
3. Department of Economic Affairs. Your committee recommends approval of the request for \$75,562 for the purpose of providing matching funds to fund the FSM-wide Household and Expenditure survey project. We believe that this appropriation should be specifically identified as not reprogrammable to any other use.
4. Department of TC&I. Your committee does not approve the request for \$50,000 for fuel for the M/S Voyager. We believe it important that the operations of the Voyager be financed from tariffs and user fees. We continue to be concerned that the Voyager is being made available to non-paying passengers and shippers, rendering the operation of the vessel uneconomic. Your committee recommends

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approval of \$83,000 to pay the bill of Robert Nathan and Associates relating to the preparation of the Infrastructure Development Plan. We do not believe it appropriate that this obligation was incurred without prior Congressional approval of the funding. However, we understand that this now is a financial obligation of the National Government and must be paid to preserve the reputation of the government. Your committee was surprised to receive large requests for funding relating to the construction of the Tuna Commission Headquarters and the four residential units for National Government officials. Previously, we were led to believe that these projects were being entirely funded by the Government of the People's Republic of China. The Secretary of the Department advised your committee that the Chinese funding does not cover the costs of site preparation. We have been provided with little information on how that came to pass. Nor do we have much information on how the cost estimates were arrived at. Your committee has no doubt that the construction of the Tuna Commission building is a priority item and, therefore, recommends appropriation of \$200,000 for that purpose, subject to further review upon the receipt of additional information. On the other hand, we do not believe that the construction of the official residences is of equal priority and urgency. We recommend no funding for those projects until a further explanation has been provided by the Department.

5. Department of Justice. Two hundred thousand dollars are requested for patrol boat slipping services. Your committee is advised that the slipping is already overdue, and believes that this item should be funded. Money (\$50,000) is also requested for patrol boat fuel. Funds have previously been appropriated for this purpose. It is your committee's understanding that those funds have not been exhausted and, also, that, at the current rate of fuel usage, there is no urgency about providing additional funds. Your committee suggests that the Department renew its request for funds during the May, 2005 session of Congress. At that time, it would be helpful if the committee were to be provided with current information respecting the remaining funds available for this purpose and the rate of fuel usage. Your committee does not believe that a showing has been made that would justify the \$30,000 requested for a photocopier and additional automobile for the Department. We, therefore, do not recommend approval of that request.

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6. Office of the Public Defender. Your committee supports the request for \$10,000 for computers, which it understands are to be used in making courtroom presentations. We do not recommend approval of the additional \$96,000 being sought for travel. No one from the PD's Office appeared at the hearing to explain this item and the committee has been provided with no information as to the remaining balance of funds previously appropriated for travel.
7. NORMA. Your committee recommends approval of \$16,000 to cover NORMA's membership fee in the Eastern and Central Pacific Tuna Management Commission.
8. National Election Director's Office. The President proposes the appropriation of \$25,000 to fund an FSM-wide educational program in respect of the three constitutional amendments proposed by Congress. We support that proposal.
9. FSM Games. Your committee does not, at this time, support the request for an additional \$100,000 to fund the 2005 FSM Games. We previously appropriated \$250,000 for this purpose. Your committee understands that the states agreed to provide funding for the FSM Games as part of the EPIC agreement relating to the division of Compact funds between the National Government and the states. We are concerned that the request for large amounts of National Government funding for the 2005 Games reflects the failure of the states to contribute as agreed. No one at the hearing was able to provide any information on contributions, if any, being made by the states.
10. FSM Fisheries and Maritime Institute. A request has been made for supplemental funding for FMI in the amount of \$275,000. Again, your committee is troubled that this request may be necessary in part because of the failure by the states to honor their agreement at EPIC to provide financial support to COM. However, your committee understands that lease payments must be made by FMI and that there is a pressing need for funds, particularly for food for the students. Thus, we recommend approval now of \$75,000 for lease payments and an additional \$100,000 to cover other expenses, priority to be given to making sure that there is adequate food for

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the students. FMI may return in a later session to seek additional funding if necessary. At that time, your committee would appreciate current information on the status of the states' agreement to provide support for COM.

11. World Expo in Japan. The President seeks \$103,600 for this purpose. The funds would be used to finance the travel of 16 dancers and a number of public officials to participate in one-day--to be designated "FSM Day"---during the six-month Expo. Your committee is not persuaded that the benefits to the FSM from this very limited participation in Expo would justify this expense. Further, we believe that the financing of such participation, if it is to occur, should come primarily from the states, which would be the direct beneficiaries of any increased tourism that might result.

12. Office of the National Public Auditor. Your committee is unsure why the Auditor needs "representation funds". No one from that office was present at the hearing to explain. We recommend that, pending the availability of more information, \$2,500 be approved.

In addition to the items proposed by the President, your committee recommends the following supplemental appropriations:

1. An increase in the funding for the Legislative Branch in the amount of \$170,000. Of this amount, \$140,000 would be used for contract services (member representation funds) and \$30,000 would be used to cover the upgrading of computer systems and/or housing allowances for staff and members.
2. An increase of \$50,000 in the appropriation for Micronesian Legal Services. This would restore the funding to FY 2004 levels.

Your committee further recommends that, of the \$35,000 appropriated by P.L. NO. 13-46 for the Yap Judiciary, \$10,000 be earmarked for law school scholarships. This amendment requires no additional appropriation of funds.

The total of all supplemental appropriations recommended by your committee is \$1,117,062. This would bring the total appropriations from the FY 2005 General Fund to \$30,058,011, including appropriations

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from local revenues, amended Compact funds and Compact I carryover funds. Projected total revenues from these sources are \$32,911,641.

Finally, the Committee, with three qualifications, supports the President's request for the further amendment of the provisions of P.L. No. 13-46, as amended, relating to reprogramming of funds. (a) Your committee submits that the ability to reprogram funds within a department or agency should be limited to 10% of the department or agency's total appropriation. (b) We do not support creating the ability to reprogram monies appropriated for personnel. This would potentially allow a department with personnel vacancies to reprogram significant amounts of money to uses never contemplated by Congress. (c) All reprogramming within Executive Departments should require approval by the President and be reported to Congress.

Specifically, your committee recommends the following amendments to C.B. No. 13-199:

1. Title, line 4, delete "\$1,819,162", and insert "\$1,117,062" in lieu thereof.
2. Page 1, line 5, delete "\$13,841,522" and insert "\$13,585,522" in lieu thereof.
3. Page 2, line 8, delete "\$2,835,932" and insert "\$2,805,932" in lieu thereof.
4. Page 3, line 4, delete "\$1,264,922", and insert "\$1,214,922" in lieu thereof.
5. Page 3, line 19, delete, "\$2,462,338" and insert "\$2,382,338" in lieu thereof.
6. Page 4, line 11, delete "\$661,513" and insert "\$565,513" in lieu thereof.
7. Page 4, line 20, delete "\$2,958,077" and insert "\$3,128,077" in lieu thereof.
8. Page 5, line 25, delete "\$670,028" and insert "\$667,528" in lieu thereof.
9. Page 7, line 14, delete "\$2,541,253" and insert "\$2,131,253" in lieu thereof.
10. Page 7, line 23, delete "\$200,000" and insert "\$100,000" in lieu thereof.
11. Page 10, delete line 21.
12. Page 11, line 11, delete "and Branch Head residences".

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13. Page 11, line 11, delete "\$460,000" and insert "\$200,000" in lieu thereof.
14. Page 11, line 19, following "Yap Judiciary" insert ", provided that, of this amount, \$10,000 shall be used to provide financial assistance to Yap students enrolled in law school, unless there are no Yap students so enrolled during the fiscal year.
15. Page 11, line 20, delete "100,000" and insert "\$150,000" in lieu thereof.
16. Page 12, line 4, delete "\$7,110,887" and insert "\$6,913,287" in lieu thereof
17. Page 13, line 11, delete "\$738,360" and insert "\$638,360" in lieu thereof.
18. Page 13, line 22, delete "\$103,600" and insert "0" in lieu thereof.
19. Page 14, line 10, following "Reprogramming" insert "to or"
20. Page 14, line 11, following "shall" insert "not".
21. Page 14, lines 11-12, delete "but not to personnel items".
22. Page 14, line 22, delete "15" and insert "10" in lieu thereof.
23. Page 14, line 22, following "apportionment", insert "provided that no such department head shall reprogram funds appropriated by section 2 of this act, except with the written approval of the President. The President shall report to Congress with respect to all reprogramming that is effected pursuant to this section.

With these amendments, your Committee on Ways and Means is in accord with the intent and purpose of C.B. No. 13-199 and recommends its passage on First Reading, and that it be placed on the Calendar for Second and Final Reading in the form attached hereto as C.B. No. 13-199, C.D.1.

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Respectfully submitted,

/s/ Sabino S. Asor
Sabino S. Asor, chairman

/s/ Roosevelt D. Kansou
Roosevelt D. Kansou, vice
chairman

Claude H. Phillip, member

/s/ Henry C. Asugar
Henry C. Asugar, member

Peter M. Christian, member

Dohsis Halbert, member

/s/ Isaac V. Figir
Isaac V. Figir, member