

STANDING COMMITTEE REPORT NO. 14-120

RE: C.B. NO. 14-218/W&M

SUBJECT: SUPPLEMENTAL APPROPRIATION

SEPTEMBER 26, 2006

The Honorable Peter M. Christian
Speaker, Fourteenth Congress
Federated States of Micronesia
First Regular Session, 2005

Dear Mr. Speaker:

Your Committee on Ways and Means to which was referred C.B. No. 14-218 entitled:

"A BILL FOR AN ACT TO APPROPRIATE THE SUM OF \$1,235,335 FROM THE GENERAL FUND OF THE FEDERATED STATES OF MICRONESIA FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2006, FOR THE PURPOSE OF FUNDING PROJECTS IN THE STATE OF CHUUK, FOR THE FSM CONTRIBUTION TO THE COSTS OF THE FY06 SINGLE AUDIT AND FOR PARTIAL PAYMENT FOR MICARE ACCOUNTS PAYABLE, 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. 14-218 is the President's request for a supplemental appropriation from the General Fund for the fiscal year 2006. On September 22, 2006, your Committee held a public hearing on the supplemental budget request. In attendance were the President's Congressional liaison, the FSM Public Auditor, and several representatives from the MiCare Board, including the Chairman of the Board.

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. 14-218. The committee was disappointed that, while invited, neither the Secretary of Finance or Secretary of Justice, nor their representatives, were present at the hearing. The inability of these key witnesses to attend the hearing does not give confidence to the committee in the necessity of the supplemental appropriations.

Your Committee's recommendations in respect of each of the President's requests are set out in detail below.

1. \$300,000 for Construction of the Chuuk State Legislature Building
Your committee expressed concern over the extent of the pressing

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need for this item to be funded through a supplemental appropriation. Other concerns were raised over the handling of the project to date and the status of land ownership for the proposed site of the project. Your Committee is prepared to recommend funding of this item, but only after evidence of clear title to the land in question is produced.

2. \$200,000 for POL for Chuuk Public Utility Corporation

Your committee recommends funding of the full amount requested by CPUC, but directs that these funds are to be used only for acquisition of new cash power equipment and repair of existing equipment, and that these funds are not to be used for ongoing operations.

3. \$435,225 for FSM Contribution to the Costs of the FY06 single audit

Your Committee was informed that participants at the Yap meeting of the Economic Policy Implementation Committee (EPIC) agreed that the National Government would pay the FSM's share of this year's audit costs. The amount requested represents 50 percent of the total cost, with the remainder being funded by the United States under terms of the amended Compact. Your committee is deeply concerned that this decision on appropriations was taken without consulting the Congress. In addition, such action would be counter to past practice by which each of the FSM States and National Government paid their respective shares of the audit costs. Thus, your committee recommends funding only the National Government share of the audit costs, for a total of \$288,000. The remainder of the FSM's share of these costs should be borne by the States in accordance with their share of these costs, as follows: Chuuk \$153,000; Kosrae \$118,000; Pohnpei \$171,000 and Yap \$123,000. Your Committee recommends that the remainder of the President's request in this category be added to the amount requested for payment of current accounts payable by MiCare, as described below.

5. Partial payment of accounts payable owed by MiCare

At its September 22, 2006, hearing, your committee heard testimony from the Board of Directors of MiCare on the current financial situation of the fund and on steps taken to reduce costs in order to reduce its current operating deficit, estimated at \$1.8 million. Your committee thanked the MiCare representatives for their continued efforts in this regard, and after clarification of which existing accounts payable would be paid through the appropriation, recommends that an additional \$147,225 obtained through not funding the states' shares of the cost of the FY 06 single audit be allocated toward reducing the balance of MiCare's present accounts payable, for a total of \$447,225 recommended for

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this purpose.

Your Committee also urges that the Executive Branch explore with the US the possibility of using section grant to funds the MiCare accounts payable. This will represent a good use of health sector grant funds, allowing for providers such as strub in Honolulu to be paid. This will also reduce any "shatfall" in spending in the health sector.

Your Committee therefore recommends the following amendments to C.B. No. 14-218:

1. Page 1, line 10, following "Building...", delete "... " and insert ", once clear title to land for the project can be certified to Congress." in lieu thereof.
2. Page 1, line 12, delete "POL for" and insert "Acquisition and repair of cash power equipment for" in lieu thereof.
3. Page 1, line 15, following "FSM" insert "National Government" in lieu thereof.
4. Page 1, line 16, delete "\$435,225" and insert "\$288,000" in lieu thereof.
5. Page 2, line 3, delete "\$300,000" and insert "\$447,225" in lieu thereof.

With these amendments, your Committee on Ways and Means is in accord with the intent and purpose of C.B. No. 14-218 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. 14-218.

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Respectfully submitted,

/s/ Isaac V. Figir

Isaac V. Figir, chairman

Roosevelt D. Kansou, vice chairman

/s/ Peter M. Christian

Peter M. Christian, member

/s/ Dohsis Halbert

Dohsis Halbert

/s/ Manny Mori

Manny Mori, member

Claude H. Phillip

Simiram Sipenuk