

STANDING COMMITTEE REPORT NO. 14-126

RE: C.B. NO. 14-200/W&M

SUBJECT: ELIMINATING THE DIFFERENCE IN CHARACTERIZATION  
BETWEEN CAPITAL ACCOUNT AND CURRENT ACCOUNT FUNDS.

SEPTEMBER 27, 2006

The Honorable Peter M. Christian  
Speaker, Fourteenth Congress  
Federated States of Micronesia  
Fifth Regular Session, 2006

Dear Mr. Speaker:

Your Committee on Ways and Means ("W&M"), to which was referred  
C.B. No. 14-200 entitled:

"A BILL FOR AN ACT TO FURTHER AMEND TITLE 55 OF THE CODE OF  
THE FEDERATED STATES OF MICRONESIA, AS AMENDED, BY AMENDING  
SECTION 317 THEREOF IN ORDER TO REINSTATE THE  
CHARACTERIZATION OF REMAINING COMPACT I FUNDS AS CAPITAL OR  
CURRENT, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

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

Pursuant to Public Law No. 13-24, capital project funds provided  
under the Compact of Free Association and allotted to the State  
and National governments would revert to each respective  
government's current account when lapsed or de-appropriated. As a  
result, each government must provide a copy of legislation  
lapsing or de-appropriating the funds to the Secretary of Finance  
& Administration to effect a transfer. Pursuant to section 211(a)  
(2) of the Compact, such transfers are now permissible because  
the FSM has fulfilled its obligation to dedicate no less than 40%  
of all capital project funds to capital projects. Funds  
transferred would be available for reappropriation from the  
respective government's current account.

The enactment of Public Law No. 13-24 allowed the Chuuk State  
Government to use its current account for other purposes and not  
for capital projects. For instance, the Chuuk State Legislature  
practically used the transferred funds in its current account for  
representation, travels and land claims. Furthermore, the  
intended recipients (municipal governments) have not benefited  
from the funds. Therefore, the subject bill would reinstate the  
status quo ante, and effectively repeal Public Law No.  
13-24.

Your Committee on Ways and Means is in accord with the intent and  
purpose of C.B. No.14-200 and recommends its passage on First

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Reading, and that it be placed on the Calendar for Second and  
Final Reading.

Respectfully submitted,

/s/ Isaac V. Figir  
Isaac V. Figir, chairman

Roosevelt D. Kansou, vice chairman

Peter M. Christian, member

/s/ Dohsis Halbert  
Dohsis Halbert, member

Manny Mori, member

/s/ Claude H. Phillip  
Claude H. Phillip, member

/s/ Simiram Sipenuk  
Simiram Sipenuk, member