

STANDING COMMITTEE REPORT NO. 15-110

RE: C.B. NO. 15-115/W&M

SUBJECT: APPROPRIATION OF \$2,300,000 FROM THE COMPACT SECTOR GRANT FUND TO FUND FOR THE REDUCTION IN FORCE COMPONENT OF THE CHUUK STATE FINANCIAL RECOVERY PLAN.

April 3, 2008

The Honorable Isaac V. Figir
Speaker, Fifteenth Congress
Federated States of Micronesia
Fourth Special Session, 2008

Dear Mr. Speaker:

Your Committee on Ways and Means, to which was referred C.B. No. 15-115, entitled:

"A BILL FOR AN ACT TO APPROPRIATE THE SUM OF \$2,300,000 OUT OF THE GENERAL FUND OF THE FEDERATED STATES OF MICRONESIA FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2008, FROM THE COMPACT SECTOR GRANT FUND TO FUND THE REDUCTION-IN-FORCE COMPONENT OF THE CHUUK STATE FINANCIAL RECOVERY PLAN, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

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

Presidential Communication No. 15-167 dated March 26, 2008 requested that this Congress pass a resolution approving a "gratuitous grant of \$2,300,000" for the State of Chuuk reduction in force component of its economic recovery efforts. Presidential Communication No. 168 recalled the proposed resolution and substituted C.B. No. 15-115. The President's characterization of the grant as "gratuitous" and the initial request for approval in the form of the resolution have led to considerable confusion about the nature of the grant, the source of the funds and the appropriate process to be followed in its implementation.

A "gratuitous" foreign aid grant would ordinarily be approved by Congress by resolution and would be subject to Article XII of the Constitution. On the other hand, a Compact Sector Grant to the National Government would normally be appropriated by Public Law. Attachments provided with P.C. No. 15-167 reference "Grant Award No. CSG-FSM-2008-CAP-CHUUK-RIF" and make it clear the grant is subject to the terms, conditions, procedures, and requirements of the Compact of Free Association. This created even further confusion.

The grant is referred to as the "Chuuk Special Grant." An obvious question arises as to the source of the funds. Is it new money as the

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"gratuitous" or the "special" characterization would imply, or is it a "draw" against one or more sector grant accounts?

This Committee received an explanation from Mr. Fabian S. Nimea, Director of the Office of Statistics, Budget & Economic Management, dated April 1, 2008. It purports to show that all of the funds for the grant come from "the Chuuk share of FY'08 Compact sector grants, plus its carry-over in FY'05 and FY'06 in all sectors except in health and education."

While Director Nimea's letter may provide an explanation of where the money to be appropriated is coming from, it begs the question of why the grant is to the National Government in the first place. Your Committee notes from the attachments to the grant award provided with P.C. No. 167 a prior \$750,000 "RIF" sector grant award was made directly to Kosrae with no National Government involvement.

Your Committee supports all efforts directed at producing economic reform and recovery in the State of Chuuk, but only so long as they are conducted in a transparent, fair and equitable manner. It recognizes that the reduction in force of Chuuk State government employees is an important component of any recovery effort and that delays in implementing the program will be costly. The fact remains that whatever the reason, Grant Award No. CSG-FSM-2008-CAP-CHUUK-RIF is "awarded to the Government of the Federated States of Micronesia." It is noted the allottee of the funds is the President.

Because of these factors, and in reliance on the representation of SBOC Director Nimea that the funding comes from the Chuuk share of FY'08 and earlier Sector Grants, your Committee recommends passage of the Bill.

Your Committee on Ways and Means is in accord with the intent and purpose of C.B. No. 15-115 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. 15-115.

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Respectfully submitted,

/s/ Dohsis Halbert
Dohsis Halbert, chairman

Roosevelt D. Kansou, vice chairman

/s/ Moses A. Nelson
Moses A. Nelson, member

/s/ Fredrico O. Primo
Fredrico O. Primo, member

/s/ Peter Sitan
Peter Sitan, member

Joseph J. Urusemal, member

/s/ Paliknoa K. Welly
Paliknoa K. Welly, member