

STANDING COMMITTEE REPORT NO. 15-91

RE: C.B. NO. 15-97/W&M

SUBJECT: SUPPLEMENTAL BUDGET 2008

FEBRUARY 21, 2008

The Honorable Isaac Figir
Speaker, Fifteenth Congress
Federated States of Micronesia
Third Regular Session, 2008

Dear Mr. Speaker:

Your Committee on Ways and Means ("W&M"), to which was referred C.B. No. 15-97, entitled:

"A BILL FOR AN ACT TO AMEND PUBLIC LAW NO. 15-11, AS AMENDED BY PUBLIC LAW 15-18, BY AMENDING SECTIONS 1, 2, 4, 8, AND 9 THEREOF, IN ORDER TO APPROPRIATE AN ADDITION \$7,619,122 FROM THE GENERAL FUND FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2008, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

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

This is a supplemental appropriation bill requesting amendments to the comprehensive annual budget act, Public Law No. 15-11, to fund certain expenditures. The total appropriated amount for FY08 so far is \$39,178,699, leaving a fund balance of **\$6,357,159** available for appropriation. (This is using a total revenue estimate of \$45,585,858, which follows the Executive Branch's most recent projection of \$47,930,944, minus \$1,000,000 for Corporate tax, and minus the FY08 SEG grant of \$1,345,086. Testimony from the Executive Branch at other hearings confirmed these amounts cannot be relied upon for FY08. There are other appropriation bills before Congress, however, which if passed will significantly reduce the surplus.

The supplemental requests amount to **\$7,619,122** from the President. Of this, \$5,702,482 is from the general fund. A further \$1,916,640 in Compact funding was also requested by the President, but does not come from the General Fund.

DOMESTIC REVENUE

The projected amount for FY08 is \$33,606,000. Of this, \$1,000,000 must be subtracted in take into account the corporate tax received this year will be approximately \$45,000, not \$1,050,000 as projected. That leaves domestic revenue at \$32,606,000. The total appropriated from domestic revenue in FY08 is \$27,903,518. Congress has already passed

STANDING COMMITTEE REPORT NO. 15-91

RE: C.B. NO. 15-97/W&M

SUBJECT: SUPPLEMENTAL BUDGET 2008

FEBRUARY 21, 2008

public project appropriation bills this session for a total of \$4,142,000. If signed into law, this depletes the projected remaining domestic revenue for FY08 to **\$560,482**.

Your committee now turns its attention to the actual requests from the Executive. The President is asking for the following:

From Domestic Revenue:

1.	Department of Justice, Division of Litigation and Law .	33,000
2.	Department of Justice, Division of National Police	7,000
3.	Office of the Public Defender	40,000
4.	Office of EEM (SPREP Annual Meeting in the FSM) .	50,000
5.	Office of EEM	5,000
6.	Office of SBOC	35,000
7.	Office of EEM (FEMA Matching)	100,000
8.	Department of TC&I (Caroline Voyager Fuel)	100,000
9.	Judiciary (Fixed Assets)	5,000
10.	Discretionary Fund	1,800,000
11.	Office of the President (Reserved for Questioned Costs)	1,335,482
12.	Multi-purpose building	400,000
13.	Department of Finance/Admin (Outstanding Obligation) ..	100,000
14.	Department of Finance/Admin (Trust Fund)	1,000,000
15.	Department of Justice, Division of Immigration/Labor ..	135,000
16.	Department of Justice, National Police (Patrol fuel) ..	300,000
17.	Department of TC&I (Official upgrade/ security/maint) .	207,000
18.	Office of SBOC	50,000
Total Supplemental Requests		5,702,482

Compact Funding

1.	Department of Finance and Administration (FMIS)	211,954
	Extension of lapse date	
2.	Department of Finance (FMIS)	315,756
	FY05 Carryover	
3.	Department of Health and Social Affairs	247,496
	FY05 & FY06 Carryover	
4.	Department of Education	41,434
	FY05 & FY06 Carryover	
5.	Office of SBOC (Economic Statistics)	
6.	Capacity Building Sector Grant	300,000
	To assist the National Government to improve and strengthen its "economic statistics" functions	
7.	Office SBOC (Performance Reporting)	
8.	Capacity Building Sector Grant	350,000
9.	To assist the National Government to improve and strengthen its "performance reporting" system	

STANDING COMMITTEE REPORT NO. 15-91

RE: C.B. NO. 15-97/W&M

SUBJECT: SUPPLEMENTAL BUDGET 2008

FEBRUARY 21, 2008

10.	Department of Finance/Admin (FMIS)	
11.	Capacity Building Sector Grant	350,000
	For implementation of the financial management information system (FMIS) project	
12.	Department of R&D	
13.	Environmental Sector Grant	50,000
	For environmental planning	
14.	Office of EEM (FY08 Environment Sector)	
15.	Private Sector Development Grant	50,000
	Private sector development planning	
	TOTAL	1,916,640

A supplemental funding request was also made by the Speaker of the Congress. The amount is for \$20,000 to support the Chuuk Delegation Office, to go towards construction occurring at the office.

TOTAL 20,000

A supplemental request was also received form the Chief Justice of the Supreme Court. The request is broken down as follows:

1.	Fuel	15,000
2.	Contract Services	10,000
3.	Supplies and materials	5,000
4.	Utilities	3,000
	TOTAL	33,000

Your committee on Ways and Means, as well as your committees on Judiciary and Governmental operations and Health and Social Affairs, held several public hearing on the supplemental.

The first was a public hearing on the Executive supplemental appropriation requests commencing at 2 p.m., 6 February, 2008 in the Congress Committee hearing room at Palikir, Pohnpei. Senator Dohsis Halbert, Chairman of the Ways and Means Committee chaired the meeting. Committee members present were Vice Chairman Senator Roosevelt D. Kansou, Senator Moses A. Nelson, Senator Peter Sitan, Senator Claude H. Phillip, Senator Fredrico O. Primo and Senator Joseph J. Urusemal.

A public hearing was held by your Committee on Judiciary and Governmental Operations on 14 February 2008 at 9.30 a.m. Public hearings were held by your Committee on Health, Education and Social Affairs on Friday 15 February at 10.30 a.m. and on Monday 18 February 2008.

STANDING COMMITTEE REPORT NO. 15-91

RE: C.B. NO. 15-97/W&M

SUBJECT: SUPPLEMENTAL BUDGET 2008

FEBRUARY 21, 2008

Supplemental requests

Your Committee is at a loss as to how to get through to the Office of the President the appropriate form of supplemental requests.

Repeatedly, at each public hearing and in each committee report since prior the commencement of the new Administration, your committee has stated that supplemental requests must be accompanied by a detailed breakdown of costs. Once again, with the exception of the costs for immigration and labour salary increases, no breakdowns of requested supplemental appropriations were received from the Executive. They were promised to be provided after the public hearing, and were not received. Your committee now quotes from S.C.R. No. 15-54, the report on the previous supplemental request, verbatim:

"All other [supplemental] requests can wait until the January 2008 session. Your Committee has repeatedly requested that when supplemental requests are made, full information be provided about the requested amounts. It does not serve any useful purpose, both for witnesses and Committee members, to be provided with such details at the public hearing (or, more likely in practice, to be promised the documents will be provided after the hearing)."

Your Committee is not prepared to entertain supplemental requests made without comprehensive breakdowns of the requested amounts. It is fiscally irresponsible to do so. For reference for the January 2008 session, your Committee advises that it will not appropriate money for "payment of outstanding bills" without a detailed breakdown of the 'outstanding bills' that are to be paid. An assurance that finance will not allot the money until proof is provided is not sufficient evidence of such outstanding bills.

Your Committee is also wary of requests for 'Restoration' of funding. If a request was made in the FY08 budget, and not approved in full, or at all, the relevant Committee has considered the matter and made its decision. In the absence of new or compelling facts, these requests will not be re-entertained. To ask for a 'restoration', breakdowns of costs and convincing reasons for the repeated request must be provided.

The Compact funding that is requested is for categories too broad for Congress to be comfortable in discharging its duty of oversight. More information must be provided. Also, your Committee requests a detailed breakdown of the requested supplemental funding for the Division of Immigration and Labor, such as how the salaries will be adjusted, and which employees will receive an increase."

'Restorations'

STANDING COMMITTEE REPORT NO. 15-91

RE: C.B. NO. 15-97/W&M

SUBJECT: SUPPLEMENTAL BUDGET 2008

FEBRUARY 21, 2008

Your Committee is disappointed by the President's insistence on continually resubmitting redundant requests, inappropriately titled 'Restorations' which have been considered by Congress and rejected. The money for these funds was never appropriated in the first place, and therefore cannot be 'restored'. Some of these were new requests in the FY08 budget that were not approved for Public Law No. 15-11, or supplemental requests that were not approved for Public No. Law 15-18.

Not only are some of the current supplemental requests simply resubmitted, in the same form, the amount for some line items requested have INCREASED for no apparent purpose. For example, the Multi-purpose building was \$365,000 in the November request, and is now \$400,000 Further, the request for "Outstanding bills" for \$100,000 from the President's Office has remained at the level of \$100,000 requested in November 2007, despite a \$10,000 supplemental appropriation in Public Law No. 15-18 for outstanding telephone bills from the President's Office.

Due to the fact no breakdowns were provided, as requested, your Committee considered only a few requested items.

The supplemental requests your Committee considered are:

1. Department of TC&I\$ 50,000

This is for fuel to support the routine voyages of the Caroline Voyager. Despite no information being provided as to how the Voyager can be overspent on the entire FY08 budget only 5 months into the year, your Committee places great importance on contribution of the Caroline Voyager to the residence outer islands. Your Committee recommends the appropriation of this amount.

2. Department of Justice, Division of Immigration/Labor 80,472

Your Committee considered both the request for salary adjustment to be paid to employees of the Division of Immigration and Labor. The salary adjustment request was \$135,000.

Your Committee was very disappointed to discover at a public hearing that there is a dispute between the Division of Immigration and Labor and the Division of Personnel as to the amount it would cost the reclassify the employees. Your Committee feels that this is a very important and necessary task, however it cannot step in and arbitrate the dispute. The President must decide on the appropriate course of action. Your Committee recommends waiting until the dispute is resolved before

RE: C.B. NO. 15-97/W&M

SUBJECT: SUPPLEMENTAL BUDGET 2008

FEBRUARY 21, 2008

appropriating money.

Your Committee heard testimony on the outstanding overtime owed to Immigration and Labor employees, totally \$80,471.88. A breakdown of hours owed to specific employees and a calculation of the overtime rate was provided.

Your Committee is satisfied that the employees of the Division are indeed entitled to overtime. Your Committee recommends appropriation of \$81,472 to pay the owed overtime. Further, your Committee strongly urges the Executive to implement a more efficient way of billing carriers for overtime incurred by its staff.

3. Congress - Chuuk Delegation office expenses 20,000

Your Committee recommends this appropriation, which will be used to fund construction work on the Chuuk Delegation Office, a public building.

4. Supreme Court - 28,000

The Supreme Court request has resulted from a funding shortfall after a reduction of \$56,919 of Consumable Goods and \$17,000 of Contract Services in the FY08 budget. The Court has struggled to cope with this decrease. In light of the power issues in Chuuk, the Court cannot sustain the amount of fuel required to run a power back-up generator full time during work hours to keep the Court operational. This has already used more fuel in FY08 than for the entire FY07. The total of the original supplemental request was for \$51,000, but after a request from your Committee the Court pared the request down to absolute essential, urgent requests.

The breakdown is as follows:

Contract Services

Maintenance Contract for generator	5,000
Landscaping and drainage for Chief Justice residence	5,000

Consumable Goods

Fuel	15,000
Supplies and materials	5,000
Utilities	3,000

Your Committee recommends appropriation for:

RE: C.B. NO. 15-97/W&M

SUBJECT: SUPPLEMENTAL BUDGET 2008

FEBRUARY 21, 2008

Contract Services

Maintenance Contract for generator	5,000
Landscaping and drainage for Chief Justice residence	-0-

Consumable Goods

Fuel	10,000
Supplies and materials	5,000
Utilities	3,000

Total	23,000
--------------------	---------------

5. Trust Fund

Your Committee is committed to investing in the future of the FSM by appropriating money for the Trust Fund. However, the small surplus that will remain after the basic supplemental requests are met will not permit for any investment this Session. Your Committee strongly urges the Executive to examine the revenue projections, and incorporate all sources of revenue, for example European Union Fishing fees, to reflect the true status of the revenue projections for FY08. Hopefully, increased revenue projections will lead to money being invested in the Trust Fund in the near future.

6. Questioned Costs

Your Committee heard testimony on the progress of the Questioned costs under the Compact. It commends the Executive for thinking ahead and planning, but considers this request premature. Once the amount is known, your Committee will consider the evidence presented and determine the amount to appropriate. To set aside monies when the final amount is not known is not financially responsible, and may have the unintended effect of the FSM paying this amount rather than closely scrutinizing all questioned costs to attempt to get the balance to zero.

Domestic Revenue Recommendations

1. Department of Justice, Division of Litigation and Law .	0
2. Department of Justice, Division of National Police	0
3. Office of the Public Defender	0
4. Office of EEM (SPREP Annual Meeting in the FSM)	0
5. Office of EEM	0
6. Office of SBOC	0
7. Office of EEM (FEMA Matching)	0
8. Department of TC&I (Caroline Voyager Fuel)	50,000
9. Discretionary Fund	0
10. Office of the President (Reserved for Questioned Costs)0	0

STANDING COMMITTEE REPORT NO. 15-91

RE: C.B. NO. 15-97/W&M

SUBJECT: SUPPLEMENTAL BUDGET 2008

FEBRUARY 21, 2008

11. Multi-purpose building	0
12. Department of Finance/Admin (Outstanding Obligation) ..	0
13. Department of Finance/Admin (Trust Fund)	0
14. Department of Justice, Division of Immigration/Labor ..	80,472
15. Department of Justice, National Police (Patrol fuel) ..	0
16. Department of TC&I (Official upgrade/ security/maint) .	0
17. Office of SBOC	0
18. Chuuk delegation office	20,000
19. FSM Supreme Court	23,000
20. Micronesia Conservation Trust endowment fund	50,000
(see SCR 15-*)	

Total Supplemental Requests (Domestic Revenue) 223,472

Compact funding

Your Committee on Resources and Development did not have the opportunity to meet to discuss the requested amounts, and therefore the Environmental Sector grants for environmental planning and for private sector development are not approved.

Your Committees on Ways and Means approved the grants as set out below.

Your Committee on Health Education and Social Affairs approved the grants for the Health and Education sectors with the following changes:

\$50,000 for Health Workforce Strengthening: Replan Nursing Education

\$50,000 for a medical warehouse is not approved for this session, but on 'hold' pending further investigation and consideration.

Compact Funding

1. Department of Finance and Administration (FMIS)	211,954
Extension of lapse date	
2. Department of Finance (FMIS)	315,756
FY05 Carryover	
3. Department of Health and Social Affairs	147,496
FY05 & FY06 Carryover	
4. Department of Education	41,434
FY05 & FY06 Carryover	
5. Office of SBOC (Economic Statistics)	
6. Capacity Building Sector Grant	300,000
To assist the National Government to improve	
and strengthen its "economic statistics" functions	
7. Office SBOC (Performance Reporting)	
8. Capacity Building Sector Grant	350,000

STANDING COMMITTEE REPORT NO. 15-91

RE: C.B. NO. 15-97/W&M

SUBJECT: SUPPLEMENTAL BUDGET 2008

FEBRUARY 21, 2008

To assist the National Government to improve and strengthen its "performance reporting" system

9.	Department of Finance/Admin (FMIS)	
10.	Capacity Building Sector Grant	350,000
	For implementation of the financial management information system (FMIS) project	
11.	Department of R&D	
12.	Environmental Sector Grant	0
	For environmental planning Office of EEM (FY08 Environment Sector)	
13.	Private Sector Development Grant	0
	Private sector development planning	
TOTAL RECOMMENDED		1,716,640

Your committee on Ways and Means is in accord with the intent and purpose of C.B. No. 15-97 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. 15-97, C.D.1.

Respectfully submitted,

/s/ Dohsis Halbert
Dohsis Halbert, chairman

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

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

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

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

/s/ Peter Sitan
Peter Sitan, member

/s/ Joseph J. Urusemal
Joseph J. Urusemal, member