

STANDING COMMITTEE REPORT NO. 16-69

RE: C.B. NO. 16-70/W&M

SUBJECT: FY 2010 SUPPLEMENTAL BUDGET REQUESTS

FEBRUARY 11, 2010

The Honorable Isaac Figir  
Speaker, Sixteenth Congress  
Federated States of Micronesia  
Third Regular Session, 2010

Dear Mr. Speaker:

Your Committee on Ways & Means, to which was referred C.B. No. 16-70, entitled:

"A BILL FOR AN ACT TO APPROPRIATE FROM THE GENERAL FUND OF THE FEDERATED STATES OF MICRONESIA A SUPPLEMENTAL FUNDING IN THE AMOUNT OF \$2,274,901 FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2010, BY AMENDING SECTIONS 1, 2, 6, 8, AND 9 OF PUBLIC LAW NO. 16-7, AS AMENDED BY PUBLIC LAW NO. 16-20, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

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

#### **Reports on the Proposed FY 2010 Supplemental Budget Requests**

C.B. No. 16-70 was introduced by request, and transmitted to Congress along with Presidential Communication No. 16-149, detailing the supplemental budget items for FY 2010 that are, per the Executive, necessary for effective operations of the National Government departments, offices, and agencies. C.B. No. 16-70 includes prior requests made in C.B. Nos. 16-47 and 16-55, and supersedes prior supplemental requests made in C.B. Nos. 16-58 and 16-66.

Your standing Committees, aside from your Committee on Ways & Mean, have submitted Committee reports recommending funding levels for budget requests within their respective areas of jurisdiction. Congress has adopted each of the Committee reports. The report numbers are as follows: External Affairs - S.C.R. No. 16-60; Education - S.C.R. No. 16-61; Judiciary & Governmental Operations - S.C.R. No. 16-63; Resources & Development - S.C.R. 16-59; and Transportation & Communication - S.C.R. 16-62. Areas within the jurisdiction of your Committee on Ways & Means will be addressed later in this report.

#### **FY 2010 Revised Revenue Projections**

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Your Committee notes that revised revenue projections were received by Congress on January 15, 2010 from the Secretary of the Department of Finance & Administration (Departmental Communication No. 16-25).

In summary, a total of \$55,020,222 in revenues is estimated for FY 2010. Of this amount, \$36,793,491 will come from domestic revenues, \$18,106,633 will come from Amended Compact grants, and \$120,098 from foreign grants. The FY 2010 appropriations so far under Public Laws Nos. 16-07, 16-13, 16-18, and 16-20 total \$39,947,779, of which \$33,630,535 was appropriated in domestic revenues and \$6,317,244 in Amended Compact grants.

The available fund balance subject for appropriation is \$15,072,443. Of this amount, \$3,162,956 is available from domestic revenues, \$11,789,389 from Amended Compact grants, and \$120,098 for foreign grants. All supplemental requests in C.B. No. 16-70 are for funds available under domestic revenues.

The Committee notes that, while the FSM Infrastructure Sector Grant for FY 2010 was accepted by the Government of the Federated States of Micronesia on November 30, 2009, and finally transmitted to Congress on February 5, 2010, the grant award cannot be appropriated at this time. All appropriations under C.B. No. 16-70 are from domestic revenues.

### **Adjustments to Standing Committee Reports**

Your Committee has reviewed each of the Standing Committee Reports of your committees. Each report made recommendations in relation to the budgets of the departments, agencies, offices and programs within each Committee's respective jurisdictions. Your Committee concurs with all the recommendations made in the committee reports except for those recommendations explicitly revised by this report.

After reviewing each of the committee reports, your Committee wishes to make the following minor correction and clarification:

1. In S.C.R No. 16-63, your Committee on Judiciary & Governmental Affairs recommends funding \$250,000 for the purchase of blank passport books. Your Committee on Ways & Means concurs with the recommendation, but has shifted the appropriation from the Department

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of Justice Contractual Services to Grants, Subsidies and Contributions.

**Requests within the Jurisdiction of the Committee on Ways & Means**

Pursuant to rule 7, section 1(b), of the Official Rules of Procedure of the Sixteenth Congress of the Federated States of Micronesia, your Committee has limited its review to those portions of the supplemental budget requests relating to matters within its jurisdiction. These are the budgets for:

1. Operations Budget
  - a. Office of the President \$40,000
2. Grants, Subsidies and Contributions
  - a. Department of Finance
    - i. MLFC Loan Payment \$100,000
3. Other Grants, Subsidies and Contributions
  - a. Compact Review Committee \$150,000
  - b. Trust Fund Committee \$25,000

This report, and all previous and subsequent reports by this Committee, should be treated as policy for this Nation, as defined by the Congress. It is your Committee's intent that any commentary found in this report should be treated as policy for the guidance of the relevant departments, agencies and offices.

Your Committee conducted a public hearing on February 3, 2010 with representatives of the relevant departments, agencies and offices and, in some instances, followed up with additional communications. The following reflects the recommendations of your Committee on Ways & Means regarding the proposed FY 2010 supplemental budget requests based on the consultations outlined above. Your Committee's findings and recommendations follow.

**1. Operations Budget/Office of the President**

The President has requested an increase of \$40,000 in the travel budget appropriated in FY 2010 for the purpose of conducting an official visit to the outer islands of Yap, Pohnpei, and Chuuk. After testimony offered by Mr. Pelsesar Petrus, Special Assistant to the

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President, and Committee discussion, your Committee recommends funding the request. Your Committee notes that residents of the outer islands may not have the opportunity to visit Palikir to engage in the process of the workings of the National Government, and an official visit by the President can be necessary to keep the Government connected, open and available to all citizens of the FSM. Additionally, it is important that the President have first hand knowledge of the difficulties and hardships facing outer island residents. Your Committee fully supports the intent and purpose of the President's official visit.

Based on testimony of Mr. Petrus, the \$40,000 is to cover fuel expenses; your Committee therefore recommends funding the \$40,000 out of OCE rather than under Travel, and the President's office has concurred with this change.

	FY 2010 Supplemental Request	Committee Recommendation
Operating Expenses of the Executive Branch: Office of the President	\$40,000 (Travel)	\$40,000 (OCE)

2. Grants, Subsidies and Contributions/Department of Finance and Administration

Ms. Rose Nakanaga, Assistant Secretary of the Division of Investment and International Finance, testified in support of the request of \$100,000 for the MLFC ADB loan payment. Per Ms. Nakanaga, the loan payments are due semi-annually, on January 15 and July 15 of each year. This \$100,000 is for the next loan payment due by July 15, 2010. Failure to make the loan payment will negatively impact the credit rating of the FSM National Government, and make it more difficult, if not impossible, for the Government to continue to get loans in the international community. In response to questions from the Committee, Ms. Nakanaga indicated that ADB did send an expert to Chuuk, as had been requested and promised prior to asking for this next loan payment.

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Based on the testimony and Committee discussion, your Committee recommends funding this request. A timely payment is necessary to protect the Government credit rating. Additionally, ADB has continued to provide support as requested. Your Committee urges the President, when accepting technical assistance from ADB, to do so based on the priorities of the FSM. Your Committee has asked for a financial reporting as to the nature of the continued assistance ADB is providing to the FSM, and will continue to provide oversight on the progress of the assistance.

	FY 2010 Supplemental Request	Committee Recommendation
Grants, Subsidies, and Contributions: Department of Finance MLFC Loan Payment	\$100,000	\$100,000

3. Other Grants, Subsidies and Contributions

*a. Compact Review Committee*

Congress previously appropriated \$30,000 for the Compact Review Committee (CRC) in P.L. No. 16-07; an additional request of \$150,000 has now been made. Mr. Fabien Nimea, Director of SBOC, testified in support of this request and provided a breakdown of the use of funds. The request includes \$35,199.99 Contractual for an Economic Advisor and Senior Advisor; \$112,465.88 for Travel, including three trips to Washington D.C.; and \$3,525 for publication of the FSM 5-Year Compact Review Report.

Mr. Nimea testified that an Economic Advisor and Senior Advisor are essential to finish the FSM 5-Year Compact Review, as well as to assist in commenting on the U.S. 5-Year Compact Review. A rough draft of the FSM Review has been completed, but is in need of review and finalization; the Advisors are essential in this regard, and will work on an as-needed short-term basis. Mr. Nimea was unable to provide a date as to when the FSM Review will be finalized, and seemed to indicate that the CRC is still waiting to see a version of the U.S. Review, which may influence the FSM Review. The U.S. Review was originally due to be submitted to the U.S. Government by December 31, 2009; obviously this did not occur and an extension has been given, it

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is now anticipated that the CRC may receive a draft of the U.S. Review in late February or in March 2010.

In regards to travel, Mr. Nimea indicated that the three trips to D.C. are for meetings both prior to and following the publications of the U.S. 5-Year Compact Review. SBOC is hopeful that meetings in D.C. will allow the FSM to comment on the U.S. Review, and to educate members and staffers of the U.S. Congress on the FSM Review of the Compact.

Your Committee recommends additional funding for the Compact Review Committee, but believes that only two trips to D.C. are necessary; therefore, your Committee reduces the requested amount by the cost of one trip to D.C. (\$14,251 in airfare, \$1,300 in car rental, \$9,520 in per diem, and \$1,240 in Departure Fees/Ambassadorial Rates = \$26,311). Your Committee recommends increasing funding for the Compact Review Committee in the amount of \$123,689, bringing the total appropriation to \$153,689.

	FY 2010 Approp.	FY 2010 Supplemental Request	Committee Recommendation	Total FY Approp.
Other Grants, Subsidies, and Contributions: Compact Review Committee	\$30,000	\$150,000	\$123,689	\$153,689

*b. Trust Fund Committee*

Mr. Nimea also testified to the request for \$25,000 for the FSM Trust Fund Committee. The Trust Fund Committee, in its last meeting in Honolulu, adopted a resolution to reassess the advisory, money management, and administrative arm of the Fund in order to improve overall performance. Mr. Nimea testified that additional face-to-face meetings are necessary to effect and assist in such changes.

The request amount includes two trips to Honolulu and teleconference meetings. Your Committee recommends funding a reduced amount of \$15,000.

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	2010 Supplemental Request	Committee Recommendation
Other Grants, Subsidies, and Contributions: Trust Fund Committee	\$25,000	\$15,000

**Supplemental Requests of Congress**

Your Committee on Ways & Means has also considered the supplemental budget items requested by Congress and approved the following amounts:

The following amounts are necessary for the continued operations of the Office of the Speaker and Members of Congress: \$70,000 for member travel, \$20,000 for travel in support of the Compact Review, and \$70,000 for representation funds.

**Congress - Speaker and Members**

	<b>FY 2010 Approp.</b>	<b>FY 2010 Supplemental Committee Recommendation</b>	<b>FY 2010 Total Approp.</b>
Personnel	415,290	0	415,290
Travel	489,881	\$90,000	579,881
Contract services	507,600	\$70,000	577,600
OCE	0	0	0
Fixed assets	0	0	0

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The following amounts are necessary for the continued operations of Congress staff offices: \$30,000 for travel for the Office of Legislative Council; \$61,500 for contractual (\$10,000 designated for repatriation and temporary staffing needs for the Office of Legislative Council, \$16,500 to repair power problems at Speaker's residence, and \$35,000 for other contractual needs), and \$20,000 to purchase parts to fix the power situation at the main office.

**Congress - Staff Offices**

	<b>FY 2010 Approp.</b>	<b>FY10 Supplemental Committee Recommendation</b>	<b>FY 2010 Total Approp.</b>
Personnel	809,804	0	809,804
Travel	128,252	\$30,000	158,252
Contract services	123,500	\$61,500	185,000
OCE	127,000	\$20,000	147,000
Fixed assets	27,000		27,000

**Additional Requests**

Your Committee, upon request from many members of Congress, also recommends funding \$20,000 to assist relief efforts in the country of Haiti.

	<b>FY 2010 Supplemental Committee Recommendation</b>
Grants, Subsidies and Contributions: Department of Foreign Affairs Haiti Relief Efforts	\$20,000

Your Committee also recommends funding \$20,000 in Contractual for the Operating Expenses of the Executive Branch for the Department of Finance and Administration. It has come to the attention of the Committee that there are outstanding bills from area businesses and vendors that remain unpaid. It is the intent of your Committee that this funding will be used to retain short-term contractual workers to



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provide assistance to the current employees of the Department in eliminating the backlog of certification and accounts payable.

It is also the intent of your Committee that these funds are not reprogrammed.

	FY 2010 Supplemental Request	Committee Recommendation
Operating Expenses of the Executive Branch: Department of Finance and Administration	No request	\$20,000 (Contractual Services)

**Conclusion**

Your Committee on Ways and Means has reviewed the proposed FY 2010 Supplemental Budget requests, and carefully scrutinized all the information provided by the Office of the President, the Department of Finance and Administration, the Office of SBOC, and all other relevant departments, including information relating to grants, subsidies and contributions.

Based upon the information provided and its deliberations, your Committee on Ways & Means is in accord with the intent and purpose of C.B. No. 16-70 as hereby amended 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. 16-70, C.D.1.

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Respectfully submitted,

/s/ Dohsis Halbert  
Dohsis Halbert, chairman

Claude H. Phillip, vice- chairman

/s/ Setiro Paul  
Setiro Paul, member

/s/ Roger S. Mori  
Roger S. Mori, member

/s/ Dion G. Neth  
Dion G. Neth, member

/s/ Peter Sitan  
Peter Sitan, member

Joseph J. Urusemal, member