

STANDING COMMITTEE REPORT NO. 16-110

RE: C.B. NO. 16-102/CONSOLIDATED W&M

SUBJECT: FY 2011 BUDGET

SEPTEMBER 28, 2010

The Honorable Isaac V. Figir
Speaker, Sixteenth Congress
Federated States of Micronesia
Fifth Regular Session, 2010

Dear Mr. Speaker:

Your Committee on Ways and Means, to which was referred C.B. No. 16-102, entitled:

"A BILL FOR AN ACT TO APPROPRIATE \$53,044,445 FROM THE GENERAL FUND OF THE FEDERATED STATES OF MICRONESIA FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2011, TO PROVIDE FUNDING FOR THE OPERATIONS OF ALL BRANCHES OF THE NATIONAL GOVERNMENT OF THE FEDERATED STATES OF MICRONESIA, ITS AGENCIES, VARIOUS PROGRAMS, GRANTS, SUBSIDIES AND CONTRIBUTIONS; 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 2011 Budget

The subject bill is based upon the *National Government FY 2011 Recommended Budget* ("Budget Book") as transmitted by President Mori as Presidential Communication No. 16-188. Your Committee also considered the supplemental items submitted to Congress in Presidential Communication No. 16-270. Unfortunately, the updated proposed legislation submitted with Presidential Communication No. 16-270 was technically defective; therefore, your Committee has proceeded with the original bill, C.B. No. 16-102, and made appropriate changes.

Your Standing Committees have each, in committee reports, recommended funding levels for budget requests within their respective areas of jurisdiction. Congress has adopted each of the Committee's reports. The report numbers are as follows: External Affairs - S.C.R. No. 16-98; Education - S.C.R. No. 16-88; Health and Social Affairs - S.C.R.

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No. 16-104; Judiciary and Governmental Operations - S.C.R No. 16-102; Resources and Development - S.C.R No. 16-103; Transportation and Communication - S.C.R No. 16-99, as amended; and Ways and Means - S.C.R No. 16-105.

FY 2011 Revenue Projections

Your Committee notes that FY11 Estimated Revenues were included in the Budget Book when submitted to Congress by the Executive on April 1, 2010; the projections on April 1, 2010 indicated \$39,000,000 in domestic revenue for FY11, and \$9,304,760 in Compact Sector and SEG10. The Estimated Revenues also included U.S. Federal Programs and other foreign assistance which Congress does not appropriate; as such, your Committee has deleted these sources from the Estimated Revenues and appropriating legislation.

Your Committee notes that updated and revised revenue projections for FY11 were submitted on September 21, 2010, by the Secretary of the Department of Finance and Administration, as required by 55 F.S.M.C. §226, as amended by Public Law No. 11-80. Your Committee is appreciative of the Secretary's compliance with the law, and considers these projections as reflective of the funds legally available for appropriation by Congress in FY11.

A total of **\$45,540,560** in revenue is estimated for FY11. Of this amount, **\$36,300,000** will be available from domestic revenue, and **\$9,240,560** will be available from Amended Compact Sector and SEG10. The President's recommended budget of \$48,304,760 exceeds this amount by \$2,764,200.¹

All your Committees had to work diligently to bring the budget into balance while trying to meet the needs of the National Government, Agencies, and Programs, as well as provide the Grants, Subsidies and Contributions on which many organizations have come to rely. It has been necessary for your Committees to make significant cuts and adjustments to the proposed budget to ensure that the revenue ceiling is not exceeded. In this report, your Committee on Ways and Means recommends approval of a budget for FY 2011 totalling **\$39,041,803**; of this amount, **\$32,336,662** is recommended from domestic revenue and **\$6,705,141** is recommended from Amended Compact Sector and SEG10.

¹ As mentioned above, the President's original Budget Book recommended amount of \$53,044,445 included \$4,739,685 from U.S. Federal Funds and foreign assistance that Congress does not appropriate; the Committee has deleted those amounts from the President's request and the appropriating legislation. The President's supplemental bill, that was technically deficient, in the total amount of \$54,864,208, exceeded projected revenues by \$3,584,446 once the U.S. Federal Funds and foreign assistance was similarly deleted.

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Standing Committee Reports Adjustments

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 corrections and clarifications:

(1) Committee on External Affairs, S.C.R. No. 16-98

Your Committee on Ways and Means concurs with the needs to establish a contingency fund for the Department of Foreign Affairs to access solely to meet the needs of the Department when currency fluctuations result in a shortfall of appropriated and budgeted funds. Your Committee has added language in Section 2 and Section 11 of C.B. No. 16-102 to reflect the restriction on the use of funds. Your Committee has deleted \$60,000 from personnel for the Staff Attorney to work at the United Nations; your Committee instead recommends adding \$50,000 into contract to be used for this purpose, and the Committee notes that such a hire, if it occurs, could also be tasked with assisting the Washington D.C. Office. Your Committee notes that representation funds increased at all Embassies and Offices; it is your Committee's intent that no less than \$1,000 in representation funds from each Embassy and Office should be used to provide direct assistance for reasonable needs and community activities of FSM citizens at each location. Finally, your Committee notes that lease increases occurred in both Honolulu and Guam, and encourages the Department to consider purchasing land in both locations.

(2) Committee on Transportation and Communications, S.C.R. No. 16-99, as amended

Your Committee on Ways and Means recommends deleting the \$800,000 for FSM Capital Road/Bridge Drainage Improvement. The proposed project involves land owned by Pohnpei State and your Committee does not wish to involve the National Government in such a situation. Your Committee would be open to the States submitting grant proposals to the National Government for State-owned improvement projects in their respective States. Your

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Committee notes that no Infrastructure Sector funds are appropriated at this time, as there as been no request by the Department for appropriation.

- (3) Committee on Judiciary and Governmental Operations, S.C.R. No. 16-102.

Your Committee on Ways and Means has recommended adding language to C.B. No. 16-102 clearly stating that \$111,544 is available for overtime for the Division of Immigration in FY11, and \$254,667 is available for overtime for the National Police in FY11. Your Committee unfortunately feels the need to take this extraordinary step in an effort to avoid a repeat of problems that occurred in FY10. After Consultation with the Committee on Judiciary and Governmental Affairs, your Committee on Ways and Means adds under Grants and Subsidies the amount of \$280,000 for the General Election to be held in March 2011. Your Committee also recommends increasing the Voter ID grant to a flat \$83,000.

- (4) Committee on Resources and Development, S.C.R. No. 16-103

After consulting with your Committees on Resources and Development, your Committee notes that the \$40,000 recommended for FSM National World Food Day is in fact recommended for Micronesian Culture and Traditions Day, and the intent is for funds to be used to assist States in celebrating the new National Holiday. Your Committee also deletes the \$123,256 for Sustainable Agriculture Production in the FSM; your Committee understands there may be other resources available to assist in this project.

- (5) Committee on Health and Social Affairs, S.C.R. No. 16-104

Your Committee has technical amendments to S.C.R. No. 16-104; these changes do not change the substance of the report. On page 4, second paragraph, the figure \$155,664 should be replaced with \$146,125. In the table on page 4, the column reading "Committee Recommends Domestic" should read, in descending order: "\$108,497; \$27,256; \$7,812; \$2,500; \$0; \$146,125". The Health Sector Grant as approved by JEMCO is \$3 less than expected; your Committee on Ways and Means therefore decreases the Health Sector funding for the Department by \$3 in personnel and increases domestic revenue by \$3 in personnel to make up the difference.

- (6) Committee on Education, S.C.R. No. 16-88

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The SEG10 Notification of Grant Award has already been received and reflects two small changes from the Integrated Plan. The National Department of Education was awarded \$494,594 instead of the \$494,549 requested in the S.C.R. No 16-188 and the Integrated Plan; your Committee on Ways and Means, in consultation with your Committee on Education, recommends placing the additional \$45 in personnel of the Department. COM-FSM was awarded \$684,126 in SEG10 instead of the requested \$684,564. Your Committee deletes \$438 from the amount appropriated to COM-FSM for SEG10, for a new appropriation of \$684,126.

Other Adjustments

In addition to these modifications to the reports of your other Committees, your Committee on Ways and Means has two adjustments to its own report, S.C.R. No. 16-105.

For the personnel budget under Congress Staff, the Committee recommends an additional \$10,000 for the proofreader position to reflect the amount necessary to hire and retain an experienced proofreader.

Additionally, your Committee recommends, within the Congress budget, adding a provision to the budget bill to allow for up to \$10,000 of communications bills received late (after the FY10 year end cut off, but for FY10 communications), to be paid from the FY11 appropriation for OCE for Congress Staff Offices. This provision does not add any additional funding to the Congress budget for FY11

Finally, your Committee recommends adding additional restrictive language into Section 11 regarding reprogramming. As in FY10, your Committee wishes to make it very clear that no reprogramming into or from any line item in Section 8 or Section 9 is permitted.

Conclusion

With the forgoing amendments, your Committee on Ways and Means is in accord with the intent and purpose of C.B. No. 16-102, as 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. 16-102, C.D.1.

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Respectfully submitted,

/s/ Dohsis Halbert
Dohsis Halbert, chairman

/s/ Claude H. Phillip
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

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