

STANDING COMMITTEE REPORT NO. 16-133

RE: C.B. NO. 16-176/W&M

SUBJECT: FY 2011 SUPPLEMENTAL BUDGET REQUESTS

JANUARY 27, 2011

The Honorable Isaac Figir
Speaker, Sixteenth Congress
Federated States of Micronesia
Sixth Regular Session, 2011

Dear Mr. Speaker:

Your Committee on Ways and Means, to which was referred C.B. No. 16-176, entitled:

"A BILL FOR AN ACT TO APPROPRIATE FROM THE GENERAL FUND OF THE FEDERATED STATES OF MICRONESIA SUPPLEMENTAL FUNDING FROM FUNDS AVAILABLE UNDER THE AMDENDED COMPACT FROM THE CAPACITY BUILDING SECTOR IN THE TOTAL AMOUNT OF \$554,085 FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2011, BY AMENDING SECTIONS 1 AND 9 OF PUBLIC LAW NO. 16-43, AS AMENDED BY PUBLIC LAWS NOS. 16-48, 16-53, and 16-60, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

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

I. Committee Hearing

Your Committee held a public hearing on C.B. No. 16-176 on January 21, 2011 in Palikir. Present at the hearing were: Marcellus Akapito, Special Assistant to the President; Rose Nakanaga, Acting Secretary of the Department of Finance and Administration; Suzanne Lowe Gallen and Sohs John from the Office of SBOC; and Deb Atwood, FMIS Project Manager.

The Committee heard testimony regarding the new Compact Tracking Tool currently being developed by SBOC, and on the three grants submitted by the Executive for appropriation this session via Presidential Communication No. 16-337. Your Committee has also received supplemental information from the Office of SBOC and the Department of Finance and Administration after the hearing, as summarized below.

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A. Compact Tracking Tool

As transmitted in Presidential Communication No. 16-343, the Office of SBOC has been developing a Compact Tracking Tool (CTT) for the purpose of tracking the percentage of Compact Grants received by each government under the Amended Compact since FY2004 and ensuring compliance with the distribution formula. The CTT is a work in progress, and at this time SBOC is unable to determine the actual distribution of Amended Compact Grants every year since 2004; the Office of SBOC will continue to develop the CTT and keep your Committee informed on the progress of the project.

Your Committee was informed by SBOC in follow-up communications that the National Government has received funding in an amount less than the 10% share, per the Epic Resolution #2005-3-01, for FY2011. This has been confirmed in Presidential Communication No. 16-348. The National Government's 10% share of Amended Compact Grants (excluding SEG) for FY2011 is \$8,061,840; if Congress appropriates the three grants as requested by the Executive, the total of Amended Compact Grants appropriated for the National Government (excluding SEG) in FY2011 will be \$6,440,506, well within the National Government share of 10%.

B. FMIS Grant: \$389,400

The FMIS is an ongoing project to ensure the long-term viability of the Fundware Software, as well as the external software and system used in operations with the Department of Finance. The majority of the grant award of \$389,400 represents unused funds from prior FMIS Project Grants that have been closed out and re-granted; \$185,817 represents new grant funding. This is the final year of the FMIS project, and there should be no additional funding needed next year for this project. The Department of Finance provided your Committee with a detailed breakdown on the proposed use of funds.

C. Long-Term Fiscal and Economic Management Framework: \$164,745

JEMCO Resolution 2010-2 mandates that the FSM National and State Governments develop a report that addresses the fiscal challenges facing the FSM, including declining Compact funds, increasing costs, and future revenues. This grant is for the purpose of generating the report, which will include a Long Term Fiscal Plan and an Updated

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Infrastructure Development Plan. The Report is due at the FY2011 Midyear JEMCO meeting, scheduled to be held in March 2011; JEMCO has resolved that cash for Compact Public Sector Capacity Building Grant Awards for National Government activities (excepting the FMIS Project) will be withheld pending receipt of the Report. The Office of SBOC has provided your Committee with a detailed breakdown on the proposed use of funds.

C. ADSL Expansion: \$360,000

The ADSL Infrastructure Grant is for the purpose of expanding internet coverage to 100% of the education and health facilities that have power and copper phone lines on all main island centers and offering a reduced rate of service. Representatives from SBOC testified that it is possible that this grant could be appropriated directly by the States.

II. Committee Discussion

In reliance on the Office of SBOC and the Executive, your Committee is confident that the National Government has received less than its 10% share of Amended Compact funds for FY2011.

Your Committee recommends approving appropriation of the FMIS and Long Term Fiscal and Economic Management Framework Grants. Regarding the FMIS Grant, your Committee understands that the bulk of the Grant is from prior year FMIS Grants for the National Government share of Public Sector Capacity Building; those prior grants have been closed and a new FMIS Grant awarded to complete the project, with an additional \$185,817 in new money. Your Committee understands that this has been a substantial undertaking by the Department of Finance, and that this will be the final year of this significant project. Your Committee is comfortable with the breakdown of the proposed use of funds as provided by the Department of Finance.

Regarding the Long Term Fiscal and Economic Management Framework Grant, your Committee understands that all other Public Sector Capacity Grant funds will be withheld until completion of the JEMCO mandated report, and your Committee is comfortable with the breakdown of the proposed use of funds as provided by the Office of SBOC. Finally, your Committee believes the ADSL Grant is more appropriately appropriated by the States as it is a State project, for the benefit

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of the States, and should be under State purview; your Committee recommends that SBOC continue their efforts to have the ADSL Grant appropriated by the States.

It has also come to the attention of your Committee that the Division of Customs and Tax Administration (CTA) has exhausted their allocated overtime funding for FY2011. As with the Division of Immigration, Congress appropriated half of the FY2011 EBRC recommended overtime amount for CTA, with the intention that revolving funds be established in order for the Divisions to defray their own costs of overtime accrued by direct collection of payments the second half of the year. However, the EBRC had substantially reduced the CTA overtime request, and CTA has already exhausted the previously appropriated amount. The public laws establishing the revolving funds and enabling the Divisions to collect payments became law on December 17, 2010; CTA has not had adequate time to establish their revolving fund and commence collections sufficient to cover overtime expenses. Your Committee therefore recommends funding \$35,000 to allow CTA time to establish their revolving fund; this will be the final funding recommended by your Committee for CTA overtime expenses in FY2011, and your Committee urges the Division to work diligently towards establishing their revolving fund and commencing collections.

III. Conclusion

Based upon the information provided and its deliberations, your Committee on Ways and Means is in accord with the intent and purpose of C.B. No. 16-176 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. 16-176, C.D.1.

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Respectfully submitted,

/s/ Dohsis Halbert
Dohsis Halbert, chairman

Claude H. Phillip, vice- chairman

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