

SPECIAL COMMITTEE REPORT NO. 17-03

RE: COMMITTEE TO WAIT ON THE PRESIDENT

SEPTEMBER 13, 2011

The Honorable Isaac V. Figir
Speaker, Seventeenth Congress
Federated States of Micronesia
Second Regular Session, 2011

Dear Mr. Speaker:

Your Committee to Wait on the President, consisting of members Joseph J. Urusemal, Bonsiano Fasi Nethon, David W. Panuelo, and Yosiwo P. George, Chairman, was duly appointed on September 12, 2011.

The Committee met with President Manny Mori and Vice-President Alik L. Alik on September 12, 2011. Also in attendance were members of the cabinet and staff.

Chairman George informed the President that Congress was ready to transact business. The President welcomed the members of the Committee on behalf of the Vice President and his staff, and thanked them for attending.

The President expressed a wish that Congress would act quickly on the budget and on his nominations. He stressed the urgency of the budget due to the hard deadline of September 30 and his need to review the budget before signing. The other priority for this session is nominations. These items are the President's top priorities for this session.

Another priority item is the tax reform. The President requested that the remaining bills be passed on first reading in order to cue the states to do their part. The President also asked that Congress reconsider the proposal to place passport scanning machines in Hawaii and Guam and attempt to find local funding for the project as the grant from the United States has lapsed.

The President informed the Committee of a supplemental budget bill that should reach Congress soon if it had not already. The supplemental budget is for shortfalls resulting from unexpected costs of two overseas offices, the recent elections, and at the

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Department of Justice and Coconut Development Authority. The President and Vice-President further explained that lifting the restriction on reprogramming personnel funds would help to alleviate the budget shortfalls.

The President stated that he is looking forward to the upcoming lunch meeting with members and has several issues to discuss. The National Prayer Day in Yap, the 25th Anniversary celebrations, and the fisheries loan are a few items on the agenda. The President informed the Committee that the details and paperwork for the fisheries loan were nearly all worked out and ready to be discussed at the lunch meeting.

Chairman George greeted the President and Vice President, members of the cabinet and staff on behalf of Congress, and thanked them for taking the time to meet with the Committee. Chairman George informed the President there were a number of issues Congress wished the Committee to discuss, the first being the President's intention to extend the session and the reasoning behind that intention. The President stated he did wish to extend the session and furthermore he would like Congress to give consideration to making all regular sessions 30 days. The President voiced his concern that no session seems to be long enough, and used the current session being dominated by the budget as an example of the sessions being too short.

Chairman George then inquired into the status of the compact review and whether the FSM had received a report from the United States. The President responded that a draft copy of the report had been received and that it would be shared with Congress if it is determined that it can be shared at this time. The President further stated that the Long-term Fiscal Report, also known as the decrement plan, was also ready to be shared with Congress.

Chairman George then moved on to the fiscal year 2012 budget. Chairman George asked if there was anything to anticipate regarding the health and education sector budgets following the recent JEMCO meeting. The President responded that he must defer to the JEMCO briefing scheduled for the next day on that issue.

Chairman George then asked about the soon to expire service agreement with Continental Airlines. The President deferred to the former Secretary of Transportation, Communication, and Infrastructure Francis Itimai who stated the President had created a task force to determine the proper direction and the task force had already decided to issue a Request for Proposal.

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When asked about Continental specifically, Mr. Itimai responded there had been no discussions with Continental as of yet.

Chairman George next asked for an update on the tax reform effort. The President referred to Vice-President Alik L. Alik who informed the Committee that the task force group had recently met and each of the states is eager to move forward. The Vice-President stated it is a matter of each state getting the bills in the proper and final form for passage. The Vice-President stated that in his opinion Congress's passing the remaining tax reform bills this session would further encourage the states.

Senator Panuelo then stated his concern over the cost effect of the tax reform. Senator Panuelo believes this effect should be treated more seriously and studied more closely. Senator Panuelo informed the group that he had done several meetings on his own to learn more about the tax reform and that the communities that will bear the increased tax burden should be fully informed and educated about the effect of the proposal. The Vice-President ensured Senator Panuelo and the Committee that the cost effect of the proposal was being taken seriously. The Vice-President further stated that the cost effect was only one outcome of the overall proposal. The Vice President cited the break to the Wages and Salaries Tax and the encouragement of investment that would be realized upon implementation of the tax reform as mitigating the anticipated cost effect.

Finally, the Committee brought up the idea of an overseas FSM census. The Committee asked the President if any cost estimates had been prepared and informed him that many members of Congress were supportive of such a project. The President replied that a grant request had been made to OIA for that purpose in the amount of \$300,000. The President stated that further details have yet to be worked out but the administration supports the idea fully.

Chairman George thanked the President and Vice President for their time and stated he would inform Congress of their discussion.

The meeting was brought to a close with mutual expressions of appreciation and good wishes.

Respectfully submitted,

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/s/ Yosiwo P. George
Yosiwo P. George, chairman

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

/s/ Bonsiano Fasi Nethon
Bonsiano Fasi Nethon, member

/s/ David W. Panuelo
David W. Panuelo, member