

SPECIAL COMMITTEE REPORT NO. 17-8

RE: COMMITTEE TO WAIT ON THE PRESIDENT

SEPTEMBER 12, 2012

The Honorable Isaac V. Figir
Speaker, Seventeenth Congress
Federated States of Micronesia
Fifth Special Session, 2012

Dear Mr. Speaker:

Your Committee to Wait on the President, consisting of Members Joseph J. Urusemal, Wesley W. Simina, and Yosiwo George, and David W. Panuelo, Chairman, was duly appointed on September 10, 2012.

The Committee met with Vice-President Alik L. Alik on September 11, 2011. Also in attendance were members of the cabinet, senior government officials, and staff.

Chairman Panuelo informed the Vice President that Congress was fully organized and ready to transact business.

The Vice President welcomed the members of the Committee and informed them that the President was currently in China for an investment event. He would be returning on September 17, and wished to extend an invitation to members of Congress to meet over lunch on September 19 or 20.

The Vice President stated that the Executive's priority for the session was the FY2013 budget, and that members of the cabinet and their staff were ready to give assistance as required.

He reported that since the most recent submission by the Department of Finance on projected revenue, an additional \$488,000 had been identified, making a total of around \$1,000,000.

He acknowledged that the delay of the JEMCO meeting now scheduled for later this month had created uncertainty about funding for

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certain departments and State Governments. He stated that there had been discussions with the FSM members of JEMCO to try to identify ways in which the process could be speeded up to ensure that everything was in place before the beginning of the next fiscal year, but no decision had been made on an approach.

The Secretary of the Department of Foreign Affairs expressed disappointment with postponement of the meeting, stated that he had not received any official response to the government's request to change the date of the meeting, and noted that the FSM was partially blamed for the delay because of delays in submitting paperwork.

The Director of SBOC noted that some delays had been caused by requests for further clarifications by OIA. For example, responses to the budget consultation from program managers indicating that health initiatives in Pohnpei were insufficiently funded had led to a need for additional funding to be approved by the Pohnpei Legislature, and this in turn had led to a request from OIA for clarification with respect to the breakdown of the additional funding. She noted that OIA had maintained a consistent position with respect to its recommendations for funding of the national government, and she did not anticipate that these would be disapproved. She also noted that there was a possibility that funding for the Office of the National Public Auditor office in Chuuk may come from the Chuuk share of sector funding.

There was a discussion on how the national budget process might proceed, assuming JEMCO approved a budget on September 19. The Director of SBOC anticipated that a resolution could be transmitted to Congress on September 21 or 22. She noted that in any event OIA had received legal advice that grant awards could not be issued until October 1, so in any event there was likely to be a need to use domestic revenue to cover at least the first payroll period.

Members of the Committee enquired as to the position with respect to reimbursement should payments be fronted from domestic revenue. The Director of SBOC stated that the Department of Finance would be able to use domestic revenue and subsequently be replenished with sector funds. She undertook to investigate whether such reimbursement had been a problem in the past, specifically with respect to the College of Micronesia. She noted

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that the States might also have a cash flow problem in terms of the sector portion of their payroll.

It was noted that the State Legislatures could make appropriations before they receive grant awards, and that such cash flow issues at the beginning of the fiscal year were not new. Of more concern was funding, and the Director of SBOC stated that it was less clear what the outcome of the JEMCO meeting would be with respect to state funding.

With respect to PMU, the Director of SBOC noted that the \$1,100,000 budget submission for PMU had been approved without any changes. With respect to other infrastructure grants, she stated that OIA had requested an updated Infrastructure Development Plan along with a new listing of projects. She noted that although new national and state listings had been submitted, OIA was now requiring a "professionally done" IDP and PMU is pursuing with the OIA grants manager what exactly they require. As of now, she stated she did not know whether there would be an allocation.

Returning to other priorities for the session, the Vice President pointed to the outstanding nominations for the Secretaries of the Departments of Finance and Justice and the Consul General to Hawaii, as well as for members of boards and commissions, and outstanding of approval of grants and ratification of treaties.

The Vice President also outlined a number of bills that would be transmitted to Congress within the next few days. These included: a bill to eliminate the sunset clause from the Unified Revenue Act to give Pohnpei more time to consider its position with respect to tax reform; a National Trust Fund bill; a bill to establish a commission to explore national finances post-2023; and requests for supplemental funding, which would include the budget for the transportation committee considering, matching funding for the Micronesian Challenge, and settlement of the Pacific Foods case.

On other issues, the Director of SBOC also noted she was working to submit the Government's response to the US five-year Compact review report, and that it would reiterate the positions taken in the FSM's independent review.

In response to questions from the Committee, the Vice President noted that the SNLC was planned for November, in Pohnpei, and was

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already included in the 2013 budget submission. He stated that the Executive was working with the Department of Finance to address the findings of the recent audit of payroll procedures. The Secretary of the Department of Transportation noted that he had sent a request to United to change their schedule with respect to flights stopping in Kosrae, but that he had not received a response. He also stated that there was currently no schedule for Voyager pending the approval of the budget.

Chairman Panuelo noted that the recent Micronesian Legislative Conference had supported the establishment of a Joint Committee on the Future of the Nation and that a bill had been introduced by the Speaker on this issue. He also noted that a bill had been introduced establishing a Constitutional Convention as mandated by the Constitution pursuant to its approval by referendum last year.

Chairman Panuelo thanked the Vice President for his 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,

/s/ David W. Panuelo
David W. Panuelo, chairman

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

/s/ Wesley W. Simina
Wesley W. Simina, member

/s/ Yosiwo P. George
Yosiwo George, member