

STANDING COMMITTEE REPORT NO. 17-70

RE: C.B. NO. 17-87/W&M

SUBJECT: FY 2012 SUPPLEMENTAL BUDGET REQUESTS

JANUARY 19, 2012

The Honorable Isaac Figir  
Speaker, Seventeenth Congress  
Federated States of Micronesia  
Third Regular Session, 2012

Dear Mr. Speaker:

Your Committee on Ways & Means, to which was referred C.B. No. 17-87,  
entitle:

"TO AMEND SECTION 8 OF PUBLIC LAW NO. 17-19, AS AMENDED BY  
PUBLIC LAW NO. 17-28, TO CHANGE THE USE OF FUNDS PREVIOUSLY  
APPROPRIATED FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2012,  
AND FOR OTHER PURPOSES."

begs leave to report as follows:

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

**Ways and Means Committee hearing**

Your Committee on Ways and Means held a public hearing on January 18, 2012 regarding the supplemental budget requests transmitted as Presidential Communication Nos. 17-160 and 17-176. Witnesses included representatives from the Department of Finance and Administration (Finance) and the Office of Statistics, Budget, Overseas Development Assistance, and Compact Management (SBOC).

During the hearing your Committee heard comprehensive testimony regarding the need and justifications of each item requested. The witnesses went through a breakdown of the amount requested to fund the

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State and National Leadership Conference (SNLC). Your Committee is satisfied with the explanation of the use of the requested funding. Your Committee however wishes to express its concern over the length of time some of the participants will be traveling to and from Pohnpei. Overall, your Committee recommends funding the SNLC in the amount requested of \$46,000.

Testimony regarding the \$13,809 requested to cover additional interest on the settlement of the GMP lawsuit focused on why the original appropriation was not sufficient. It was explained that the amount appropriated was based on a payoff date of October 1, 2011, while the actual payment was not made until November 10 and 25, 2011. The requested funding is to cover interest accrued during this time. Your Committee wishes to fund the request but advises a follow up on the exact amount owed to ensure there is no further request.

Your Committee also wishes to register its disappointment that Congress was not informed of an accurate payoff amount for the settlement at the time of the original appropriation. Congress appropriated the amount requested. This amount has turned out to be insufficient; your Committee hopes that in the future Congress will receive more accurate budget requests.

Your Committee also heard testimony regarding the \$28,000 requested to hire Standard and Poor's (S&P) to assess the nation's creditworthiness and assign a credit rating. Testimony revealed that Micronesia Registration Advisors would be providing the balance of Standard and Poor's fee for the assessment. Witnesses informed your Committee that the Nation has had no credit rating for some time and that having one would help the Nation attract foreign investment. Testimony was also optimistic that the Nation would receive a good rating after the assessment.

Your Committee raised numerous concerns with the request and with the assessment and rating sought. Among them were the possibility of a negative rating, the unorthodox practice of having a private entity provide funding for the assessment, and ownership over and control of the assessment and rating. For these and other reasons, your Committee advises patience regarding this request and does not recommend funding the S&P assessment.

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Your Committee recommends funding the approved items using the balance of the amount appropriated for the FSM Independence Day celebration. Congress has received Presidential Communication No. 17-162 which reveals a remaining balance of \$86,848. Your Committee recommends changing the use of \$59,809 these funds to fund the recommended items.

**Conclusion**

Your Committee on Ways and Means has reviewed the proposed Supplemental Budget requests for FY 2012, and has carefully scrutinized all the information.

Based upon the information provided at the hearing and on its own deliberations, your Committee on Ways & Means is in accord with the intent and purpose of C.B. No. 17-XX and recommends its passage on First Reading, and that it be placed on the Calendar for Second and Final Reading.

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Respectfully submitted,

/s/ Dohsis Halbert  
Dohsis Halbert, chairman

Peter M. Christian, member

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

/s/ Tony H. Otto  
Tony H. Otto, member

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

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

/s/ Paliknoa K. Welly  
Paliknoa K. Welly, member