

STANDING COMMITTEE REPORT NO. 17-127

RE: P.C. No. 17-216/W&M

SUBJECT: FY2013 COMPACT BUDGET REQUEST

MAY 24, 2012

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

Dear Mr. Speaker:

Your Committee on Ways and Means, to which was jointly referred Presidential Communication No. 17-216 regarding the National Government's Recommended FY2013 Budget, begs leave to report as follows:

Presidential Communication No. 17-216 was transmitted to Congress with the *National Government Fiscal Year 2013 Recommended Budget* ("Budget Book"). Pursuant to 55 F.S.M.C. §103(5), as amended, Congress may recommend changes to the Recommended National Government Compact Budget Request on or before May 30 of each year. Pursuant to Rule 7, Section 1(b), of the Official Rules of Procedure of the Seventeenth Congress of the Federated States of Micronesia, your Committee has limited its review of the FY2013 Budget Book to those portions of the recommended budget relating to matters under its jurisdiction and for which funding is being sought under the Recommended National Government Compact Budget Request.

Recommended National Government Compact Budget Request

There are two portions of the FY2013 Recommended Budget under the jurisdiction of your Committee on Ways and Means whereby the proposed source funding is from funds available under the Amended Compact of Free Association, specifically under the Enhanced Reporting and Accountability Sector. Your Committee held a hearing on May 18, 2012 with the Department of Finance and Administration and the Office of Statistics, Budget and Economic Management, Overseas Development Assistance and Compact Management (SBOC) to hear testimony regarding Amended Compact funded budget items.

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1. Department of Finance and Administration

The Department of Finance and Administration (the Department) has requested \$157,450 from the Enhanced Reporting and Accountability Sector Grant to supplement their operations budget. The proposed use of funds is \$103,650 for two Financial Advisors, and \$53,800 for a Tax Accounting Advisor.

The Department of Finance and Administration has asked for funding for two Financial Advisors to assist in improving financial accounting and reporting of government funds at the Department, and to provide technical assistance on audit issues. The positions were funded from the Capacity Building Sector Grant in FY2012 under the Department's operations budget and in FY2010, and FY2011 under Grants and Subsidies. The requested amount includes salaries, housing allowances, and other costs associated with the advisors and functions. As part of its deliberations on the FY2012 budget, your Committee, through Standing Committee Report No. 17-12, expressed concern with the length of time the Financial Advisors have remained on contract with the Department. Your Committee emphasized the need to phase out these contracted positions and seek local employees to perform these tasks. Therefore, your Committee was disappointed to find the Department's FY2013 request to be nearly identical to that of FY2012. During hearings on the FY2013 request your Committee again pressed the Department to take steps to phase out these contracted positions. Your Committee hopes its recommendations will be taken more seriously in FY2013.

The Department has requested funding for one Tax Accounting Advisor to assist the Division of Customs and Tax Administration. The position has existed for 3 years at the Department, and has been funded by the Capacity Building Sector Grant and by an ADB loan. The Tax Accounting Advisor is tasked with strengthening tax collection and management at the Division of Customs and Tax Administration, and providing training to customs and tax staff in audit and reconciliation of collection data. Additionally, the Tax Accounting Advisor is tasked with tracking and reviewing assessment and collection of the corporate tax. The Department testified this is a very technical and complex task and demands the attention of a specialized staff. The requested amount covers the salary, housing allowance and other costs associated with

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the advisor. Your Committee expresses the same concerns as with the Financial Advisors. This will be the fourth year the position has existed, and a phase-out plan and local training should be emphasized.

2. Office of Statistics, Budget and Economic Management, Overseas Development Assistance, and Compact Management (SBOC)

The Office of SBOC is requesting an amount of \$65,000 sourced from the Enhanced Reporting and Accountability Sector Grant. The proposed use is to enable the Division of Budget to properly track and reconcile amounts allotted to the States. The Director and staff of SBOC testified that existing staff would perform the tasks; the requested funding is to cover expenses associated with traveling to the States to perform the work. SBOC testified this function has been neglected for years due to inadequate budget and the resulting insufficiency in state budget data has hampered Compact budgeting efforts. SBOC testified that better tracking and reconciliation of Amended Compact Sector Grant funds allotted to the States would enhance budgeting and compact management efforts and help to track and utilize Amended Compact carryover funds. SBOC testified the amount is primarily for travel to the States as all other needed resources are available through SBOC's operations budget.

Committee Recommendation

Your Committee on Ways and Means recommends no changes to the Recommended National Compact Budget Request for those areas under the purview of the Committee on Ways and Means.

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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 Otto
Tony Otto, member

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

Joseph J. Urusemal, member

Paliknoa K. Welly, member