

STANDING COMMITTEE REPORT NO. 18-128

RE: C.B. NO. 18-143/W&M

SUBJECT: DIVISION FORMULA FOR COMPACT FUNDS

MARCH 27, 2014

The Honorable Dohsis Halbert
Speaker, Eighteenth Congress
Federated States of Micronesia
Third Special Session, 2014

Dear Mr. Speaker:

Your Committee on Ways and Means, to which was referred C.B. No. 18-143, entitled:

"A BILL FOR AN ACT TO FURTHER AMEND SECTIONS 303 AND 306 OF TITLE 55 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS AMENDED BY PUBLIC LAWS NOS. 13-93, 18-12 AND 18-25, TO MODIFY THE DIVISION FORMULA FOR COMPACT FUNDS, AND FOR OTHER PURPOSES.",

Begs leave to report as follows.

The intent and purpose of this bill is expressed in its title.

This bill is in response to the recent JEMCO rejection of the National Government's Long Term Fiscal Framework. To explain its rejection, JEMCO stated that even though Congress recently halved the National Government's share of Compact funds from 10% to 5%, in JEMCO's view (or at least in the view of the U.S. members who constitute the majority of JEMCO) that is not enough to meet the States' needs. JEMCO has decided therefore not to allocate the extra 5% to the States but to "park" it for future use.

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It is Congress's view that the National Government should do what it reasonably can to assist the States financially. It is therefore a good idea for the National Government to give up the entirety of its share of the Compact funds to the States with the hope that it will help the States weather financial uncertainties until 2023.

With respect to COM-FSM, the bill contemplates that JEMCO would fund COM-FSM directly at its discretion and then the distribution formula would apply to the balance of the Compact funds to the States.

If in the view of JEMCO that would still not be enough then some serious questions need to be answered as to the adequacy of financial assistance from the U.S under the Amended Compact.

As to the decision to "park" the extra funds to the States, your committee hopes that the Executive challenge that decision of JEMCO by whatever means is legally available under the Amended Compact.

You Committee on Way and Means is in accord with the intent and purpose of C.B. No. 18-143 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.

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Respectfully submitted,

/s/ Isaac V. Figir
Isaac V. Figir, chairman

/s/ Peter M. Christian
Peter M. Christian, vice chairman

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

/s/ Yosiwo P. George
Yosiwo P. George, member

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

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

/s/ Joseph J. Urusemal
Joseph J. Urusemal, member
Do Not Concur!!!