

STANDING COMMITTEE REPORT NO. 18-240

RE: C.B. NO. 18-21/W&M

SUBJECT: DEPOSITING AN ADDITIONAL TWENTY PERCENT (20%)  
OF THE NATIONAL GOVERNMENT'S SHARE OF REVENUE  
COLLECTED INTO STATE SUB-ACCOUNTS.

OCTOBER 03, 2014

The Honorable Dohsis Halbert  
Speaker, Eighteenth Congress  
Federated States of Micronesia  
Fifth Regular Session, 2014

Dear Mr. Speaker:

Your Committee on Ways & Means, to which was referred  
Congressional Bill Number 18-21 entitled:

"A BILL FOR AN ACT TO FURTHER AMEND TITLE 54 OF THE  
CODE OF THE FEDERATED STATES OF MICRONESIA, AS  
AMENDED BY PUBLIC LAW NOS. 10-68, 13-21, 13-60, AND  
15-24, BY AMENDING SECTION 805 THEREOF, TO PROVIDE  
FOR THE DEPOSIT OF SOME TAXES COLLECTED INTO STATE  
SUB-ACCOUNTS OF THE FSM TRUST FUND, AND FOR OTHER  
PURPOSES."

begs leave to report as follows:

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

Your committee notes that the effect of this bill will increase  
the individual states sub-accounts and better prepare them for  
2023. Investing an additional percentage of the National  
Governments share of the tax revenue collected into the states  
sub-accounts will significantly benefit future generations of the  
Federated States of Micronesia.

Your committee points out that the additional twenty percent  
(20%) of tax revenue will be deposited by the National Government  
on behalf of the individual states into their sub-account A. The

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percentage will be calculated based on the total domestic revenue collected. This calculation method will result in the States receiving the benefit of seventy percent (70%) of total tax revenue collected, their fifty percent (50%) share under the Constitution of the Federated States of Micronesia, plus the additional twenty percent (20%) deposited by the National Government into their sub-account A, which cannot be withdrawn by the states. The National Government will retain thirty percent (30%) of the tax revenue collected.

A public hearing was held on C.B. No. 18-21 on August 6, 2014. Representatives from the Department of Customs and Tax and the Secretary of Finance and Administration were in attendance. The impetus of the bill is to deposit an additional twenty percent (20%) of the National Government's share of tax revenue, after revenue sharing is distributed, into the individual state's sub-accounts.

Chairman Figir opened the hearing and inquired as to the President's thinking about the bill.

The Secretary of Finance and Administration stated that the President has requested the numbers on C.B. No. 18-21 to better understand how it will impact the National Government. He stated that once he consults with the President, he will provide us with additional information based on their discussion.

Your committee then asked if this bill would impact the scholarship fund in subsection 1(c) of Section 805 of title 54 F.S.C.

The representative from Customs and Tax clarified that this bill would reduce the pool of money from which the scholarship funds are drawn therefore, the scholarship fund will be reduced.

Your committee added that the depletion of scholarship funds could be replenished by other means.

The representative from Customs and Tax provided comments to clarify the language of the bill, which will make implementation easier.

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Your committee notes that if this legislation were already in place then based on FY13 each states sub-account would receive the following deposit:

States	FY 13 State Share (50%)	Additional 20% to State sub-account	State Share with the additional 20%	Remaining 30% to National
Pohnpei	\$6,105,435	\$2,442,174	\$8,547,609.00	\$3,663,261
Chuuk	\$3,067,059	\$1,226,823.60	\$4,293,882.60	\$1,840,235.4
Kosrae	\$1,108,159	\$443,263.60	\$1,551,422.60	\$664,895.4
Yap	\$2,183,174	\$873,269.90	\$3,056,443.90	\$1,309,904.1
<b>Total</b>	<b>\$12,463,827.00</b>	<b>\$4,985,531.10</b>	<b>\$17,449,358.10</b>	<b>\$7,478,295.90</b>

Your committee would like to recommend the following technical amendments to C.B. 18-21 as follows:

1. Title, after "therefore, to" delete "~~PROVIDE FOR DEPOSIT OF SOME TAXES COLLECTED INTO STATE SUB-ACCOUNTS~~" insert "INCREASE THE STATE SHARE OF TAXES COLLECTED FROM 50% TO 70%, WITH THE ADDITIONAL 20% DEPOSITED BY THE NATIONAL GOVERNMENT INTO THE STATE SUB-ACCOUNT A"
2. Page 1, line 15, after "percent" insert "of the National Government's share"
3. Page 1, line 17, after "title" insert ", after the treasurer of the Federated States of Micronesia has administered distribution under subsection (a),"
4. Page 2, line 2, before "for" insert ", on behalf of the National Government,"

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5. Page 2, line 3, after "attributable." insert "The additional 20 percent deposited by the National Government into the individual States sub-account A may not be withdrawn by the States."

CONCLUSION

Your committee is in accord with the intent and purpose of C.B. 18-21 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 as C.B. 18-21, C.D. 1.

Respectfully submitted,

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

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Peter M. Christian, member

/s/ Tony H. Otto  
Tony H. Otto, member  
Do not concur

/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  
w/ reservation