

STANDING COMMITTEE REPORT NO. 18-41

RE: C.B. NO. 18-80/CONSOLIDATED W&M

SUBJECT: FY 2014 BUDGET

SEPTEMBER 25, 2013

The Honorable Dohsis Halbert
Speaker, Eighteenth Congress
Federated States of Micronesia
Second Regular Session, 2013

Dear Mr. Speaker:

Your Committee on Ways and Means, to which was referred C.B. No. 18-80, entitled:

"A BILL FOR AN ACT TO APPROPRIATE \$44,621,010 FROM THE GENERAL FUND OF THE FEDERATED STATES OF MICRONESIA FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2014, TO PROVIDE FUNDING FOR THE OPERATIONS OF ALL BRANCHES OF THE NATIONAL GOVERNMENT OF THE FEDERATED STATES OF MICRONESIA, ITS AGENCIES, VARIOUS PROGRAMS, GRANTS, SUBSIDIES AND CONTRIBUTIONS, AND CAPITAL AND HUMAN RESOURCES DEVELOPMENT; AND FOR OTHER PURPOSES.",

begs leave to report as follows:

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

Reports on the Proposed FY 2014 Budget

The subject bill is based upon the *National Government FY 2014 Recommended Budget* ("Budget Book"), transmitted by the Executive as Presidential Communication No. 17-379, as reported on by each Congress Standing Committee.

Your Standing Committees have recommended funding levels for budget requests within their areas of jurisdiction. Congress has adopted each of the Committee's reports. The report numbers are as follows: External Affairs - S.C.R No. 18-34; Education - S.C.R.

STANDING COMMITTEE REPORT NO. 18-41

RE: C.B. NO. 18-80/CONSOLIDATED W&M

SUBJECT: FY 2014 BUDGET

SEPTEMBER 25, 2013

No. 18-09; Health and Social Affairs - S.C.R No. 18-07; Judiciary and Governmental Operations - S.C.R No. 18-35; Resources and Development - S.C.R No. 18-36; Transportation and Communication - S.C.R No. 18-18; and Ways and Means - S.C.R Nos. 18-08 and 18-37.

FY 2104 Revenue Projections

Your Committee notes that FY 2014 Estimated Revenues were included with the Budget Book, and projected \$54,321,010 of domestic revenue and \$9,309,440 of amended Compact Sector and Supplemental Education Grant for FY 2014. The Estimated Revenues also included U.S. Federal Programs and other foreign assistance, which Congress does not appropriate; as such, your Committee has deleted these sources from the Estimated Revenues and appropriating legislation.

Your Committee recommends using the Revenue Projection of \$54,321,010 in domestic revenue as provided by the FY 2014 Budget Book, as this is the most reliable information available for domestic revenue projections. Your Committee has been informed that the only Sector Grant or SEG funds that will be available for FY 2014 before the beginning of the fiscal year is \$2,400,000 for Education Sector for COM-FSM.

A total of **\$56,721,010** in revenue is estimated for FY 2013. Of this amount, **\$54,321,010** will be available from domestic revenue, **\$2,400,000** will be available from amended Compact Sector, and **\$-0-** will be available from the Supplemental Education Grant.

All your Committees worked diligently to bring the budget into balance while trying to meet the needs of the National Government, Agencies, and Programs, as well as provide the Grants, Subsidies and Contributions on which many organizations rely. In this report, your Committee on Ways and Means recommends approval of a budget for FY 2014 totalling **\$44,621,010**; of this amount, **\$42,221,010** is recommended from domestic revenue and **\$2,400,000** is recommended from amended Compact Sector and **\$-0-** is recommended from the Supplemental Education Grant.

Standing Committee Reports Adjustments

STANDING COMMITTEE REPORT NO. 18-41

RE: C.B. NO. 18-80/CONSOLIDATED W&M

SUBJECT: FY 2014 BUDGET

SEPTEMBER 25, 2013

Your Committee has reviewed the Standing Committee Reports of each of your Committees. Each report made recommendations in relation to the budgets of the departments, agencies, offices and programs within each Committee's jurisdiction. Your Committee's deliberations and recommendations are summarized by this report and are reflected in the attached bill.

After reviewing each report, your Committee wishes to make the following adjustments:

- (1) Committee on Transportation and Communications, S.C.R. No. 18-18.

In the addendum to S.C.R. No. 18-18, your Committee on Transportation and Communication recommended no funding be appropriated for PMU in light of the fact that an Infrastructure Sector Grant will not be forthcoming before the beginning of FY14. Your Committee on Ways & Means recommends funding the operations of PMU for one-quarter of FY14 from domestic revenue. Your Committee understands that some PMU employees may be under the Public Service System, as such, certain steps must be taken to phase out the positions and to cease funding. Your Committee will not recommend any additional funding for PMU from domestic revenue for FY14; therefore, your Committee expects the Executive will plan accordingly and take the necessary steps to close the office, including phasing out all employees, if Sector funding will not be available after the first quarter of FY14.

Your Committee recommends the following funding for the operations of the Department of TC&I for FY14:

	Department of TC&I - TOTAL	PMU portion of TOTAL
Personnel	744,353	230,545
Travel	217,913	38,162
Contract	1,534,874	24,375
OCE	73,645	19,645
Fixed Assets	125,000	0

STANDING COMMITTEE REPORT NO. 18-41

RE: C.B. NO. 18-80/CONSOLIDATED W&M

SUBJECT: FY 2014 BUDGET

SEPTEMBER 25, 2013

TOTAL	2,695,785	312,727
-------	-----------	---------

Under Grants & Subsidies for the Department of TC&I, your Committee noted that the subsidy to Micronesia Shipping Commission increased from \$15,000 to \$50,000; your Committee understands this is a one-time increase to take care of prior and past-due obligations.

Under Capital and Human Resources for the Department of TC&I, your Committee on Ways & Means recommends the following additions to S.C.R. No. 18-18:

Capital and Human Resources: Dept of TC&I	FY14 Committee Recommend
Outer Island Airport Improvements	1,000,000
Congress Chamber Repair	150,000

- (2) Committee on Judiciary and Governmental Affairs, S.C.R. No. 18-35.

Your Committee on J&GO recommended funding 13 new Surveillance Officer positions, under the personnel line item. Your Committee on Ways & Means recommends funding the positions under contract for FY14; your Committee is hesitant to increase the personnel ceiling as from experience knows it can be challenging to delete positions once they are created. Your Committee therefore recommends deleting \$108,806 from personnel from the Department of Justice, and increasing contract services by that amount. This enables the Department to hire the positions on contract, and test whether the new staffing is indeed necessary and effective.

For the Office of the Public Defender, your Committee recommends deleting \$55,000 from contract and adds \$55,000 under Grants and Subsidies to satisfy judgement of Lee v. FSM lawsuit. Your Committee urges the National Government to recoup the \$55,000 by collecting from the responsible party.

- (3) Committee on Health and Social Affairs, S.C.R. No. 18-07

Your Committee is aware that no Health Sector funding will be available before the beginning of FY14. Your Committee recommends

STANDING COMMITTEE REPORT NO. 18-41

RE: C.B. NO. 18-80/CONSOLIDATED W&M

SUBJECT: FY 2014 BUDGET

SEPTEMBER 25, 2013

replacing the proposed Sector funding for the operations of the Department of Health and Social Affairs with domestic revenue for the first half of the fiscal year. Your Committee will not replace Sector Funding with domestic revenue for the second half of FY14, and urges the Executive to resolve lingering issues related to Sector Grants and to plan accordingly if Sector funds will not be forthcoming at all in FY14. Your Committee also urges the Executive Branch to relocate positions to the States when practical and possible.

At this time, your Committee recommends the following funding for the operations of the Department of Health for FY14:

	Original domestic revenue (SCR No. 18-07)	Domestic revenue to replace ½ of Sector	W&M Recommend (all domestic revenue)
Personnel	144,302	128,701	273,003
Travel	64,500	68,725	133,225
Contract	18,950	27,000	45,950
OCE	37,500	34,084	71,584
Fixed Assets	0	0	0
TOTAL	265,252	258,510	523,762

There are also a number of items under Capital & Human Resources typically funded under the Health Sector Grant. Your Committee recommends the following funding from domestic revenue at this time:

	S.C.R. No. 18-07 (Sector funding)	W&M Recommend (domestic revenue)
Pathologist	100,000	0
Food and Water Testing Lab	80,000	40,000
Specialized Medical Team	200,000	100,000
Data Verification and Analysis	133,055	0
States Initiatives on NCDs	132,314	0

STANDING COMMITTEE REPORT NO. 18-41

RE: C.B. NO. 18-80/CONSOLIDATED W&M

SUBJECT: FY 2014 BUDGET

SEPTEMBER 25, 2013

Again, your Committee does not anticipate recommending additional funding from domestic Revenues for FY14 for these items.

(4) Committee on Education, S.C.R. No. 17-129

Your Committee is aware that no Education Sector or SEG funding will be available for operations of the Department of Education prior to the beginning of the fiscal year. Your Committee recommends replacing the proposed Sector and SEG funding for the Department for the first half of FY14 with domestic revenue. Your Committee will not recommend replacing any additional Sector or SEG funding for FY14 for the Department, and again urges the Executive to resolve lingering issues related to the Sector and SEG Grants, and plan accordingly if Grant funds will not be forthcoming at all in FY14.

At this time, your Committee recommends the following funding for the operations of the Department of Education for FY14:

	Original domestic revenue (SCR No. 17-129)	Domestic revenue to replace ½ of Sector	Domestic revenue to replace ½ of SEG	W&M Recommend (all domestic)
Personnel	62,203	52,584	106,747	221,534
Travel	26,000	12,107	48,512	86,619
Contract	0	259,227	37,500	296,727
OCE	24,000	17,378	6,401	47,779
Fixed Assets	3,000	4,750	0	7,750
TOTAL	115,203	346,045	199,160	660,409

Additionally, your Committee understands that a position in the Office of the Secretary that was reported as vacant and deleted in SCR No. 17-129 has indeed been filled. Your Committee recommends no additional funding at this time, and recommends that the Department

STANDING COMMITTEE REPORT NO. 18-41

RE: C.B. NO. 18-80/CONSOLIDATED W&M

SUBJECT: FY 2014 BUDGET

SEPTEMBER 25, 2013

use funds available from remaining vacancies to pay the salary for this position for the first 1/2 of the fiscal year. Total positions in the Office of the Secretary will remain at 4, as in FY13.

Under Grants & Subsidies, your Committee recommends funding Aid to Non-Public Schools in the amount of \$500,000 from domestic revenues.

Under Capital & Human Resources, your Committee recommends replacing half of the proposed Sector and half of the proposed SEG funding for the Accreditation Intervention Program with domestic revenue. At this time, your Committee recommends funding the project in the amount of \$85,400, all from domestic revenue.

Other Adjustments

In addition to the above modifications to the recommendations of your other Committees, your Committee on Ways and Means recommends the following adjustments to its own recommendations.

Your Committee recommends appropriating \$100,000 under Grants & Subsidies to update the FSM Code.

Your Committee also recommends increasing the FY14 appropriation for the Former Presidents' Allowances to \$53,700. Based on information provided to the Committee, there are four former Presidents eligible to receive the yearly allowance of \$8,400 (\$700 per month x 12 months), totalling \$33,600 (4 x 8,400). Additionally, \$15,100 is owed in arrears to two former Presidents that have recently become eligible for the allowance but have not been receiving it. \$53,700 should cover all FY14 expenses (33,600 for FY14 current expenses +15,100 in arrears = \$53,700).

Additionally, your Committee has received a fund status report on the FY13 appropriation of \$50,000 for the Former Presidents' Allowance, and is shocked that the entire amount has been disbursed, especially since two of the eligible recipients have not been receiving their allowances. Your Committee plans to follow up on this matter to investigate where the funds have gone.

Conclusion

STANDING COMMITTEE REPORT NO. 18-41

RE: C.B. NO. 18-80/CONSOLIDATED W&M

SUBJECT: FY 2014 BUDGET

SEPTEMBER 25, 2013

With the forgoing amendments, your Committee on Ways and Means is in accord with the intent and purpose of C.B. No. 18-80, as amended, 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. No. 18-80.

Respectfully submitted,

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

/s/ Peter M. Christian
Peter M. Christian, member

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

Tony H. Otto, member

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

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

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