

SPECIAL COMMITTEE REPORT NO. 18-04

RE: COMMITTEE TO WAIT ON THE PRESIDENT

NOVEMBER 26, 2013

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

Dear Mr. Speaker:

Your Committee to Wait on the President, consisting of members Peter M. Christian, Joseph J. Urusemal, Yosiwo P. George, and Wesley W. Simina, Chairman, was duly appointed on November 25, 2013.

The Committee met with President Manny Mori and Vice President Alik L. Alik on November 25, 2013. Members of the cabinet and key staff also attended the meeting. Chairman Simina greeted the President and Vice President, members of the cabinet and staff on behalf of Congress and thanked them for the opportunity to meet. Chairman Simina reported that Congress was in session and was ready to transact business.

The President thanked the Committee for attending prepared and requested that Congress give three items in particular priority this special session. The first item is legislation regarding the liberalization of our telecommunications. The President stated that this legislation is time sensitive and is supported by a generous grant. The second matter he wanted to bring to the attention of Congress was that there are employees at the State level who are not being paid as they are supported by Sector grants. The President asked Congress' assistance in finding a solution to this short-term problem. For the third issue the President requested action on his supplemental budget submission. In particular, the President stated that the PMU budget was critical, as he did not want the country to risk default on any of the on-going projects.

Chairman Simina thanked the President, Vice President and other members of the Executive for the prioritization of work for this upcoming special session. The Chairman first stated that the supplemental budget request had been received and would be introduced shortly. The Chairman stated that members and staff of Congress had

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done their own review of the projected revenues available for this year and believed them to be overstated by approximately \$4-5 million. The Chairman then respectfully asked the President to have this calculation revisited by his appropriate departments.

Chairman Simina inquired regarding the submission of the LTFF or burden-sharing plan by the National Government. The Chairman stated that Congress needed clarification as to whether the burden-sharing plan had been transmitted to the U.S. and whether the National share of Compact funds was contingent on this submission. Chairman Simina also stated that it was the feeling of some members that PMU had contributed in large part to the difficulty that the unit finds itself in now, and that these same members are strongly urging for decentralization of the unit's responsibilities.

Further, the Chairman stated that Congress understands the deadlines regarding the telecommunications legislation and is committed to addressing this issue, however, as it is an important area for our country careful examination needs to be made. As to the pressures on the Compact Sector funded employees, Congress is well aware of this problem. The Chairman also raised an issue regarding complaints made by citizens under certain U.S. federally funded programs that they were not being paid because Congress had not acted on grants they were funded by. The Chairman requested this as Congress has taken action on the grants before it in a timely manner. Later, during the meeting it was clarified with the Secretary of Health and Social Affairs and a representative from the Department of Justice that the grant in question still needed to be submitted to Congress for approval. In order to make the grant application and grant approval process more effective it was suggested that the Department of Justice draft proposed amendments to the law in this regard.

The President was further advised that the Committee on External Affairs was already working on the World Bank grant of \$500,000. And, that the Congress agrees an ODA policy is necessary for our country and the Committee on R & D will be working on that this special session. Finally, Chairman Simina requested that the President update Congress on the status of the work of the 2023 Committee and tax reform.

Senator George added that as to the World Bank grant of \$500,000 initial confirmation was needed as to whether this was a grant or an application for a grant. Also, Senator George echoed that Congress needed to know whether the submission of the burden-sharing document

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would trigger the release of funding under the Compact for PMU and other Compact funded departments.

Senator Urusemal stated that some decision regarding all of the transportation and communications matters needed to be reached. For example, it may be appropriate to request funding for a small ship. A ship that could easily service our islands inside the lagoon areas. Senator Urusemal stated that this need was highlighted by the recent typhoon that affected Yap. He also stated that Yap was very appreciative of supplies and food which were delivered during the typhoon and wanted to make sure that the appropriate individuals were thanked for their efforts.

The President stated that he had been approached while last in Japan regarding information for the specific projects that were going to be designated for the large donations made by that country, however, he wanted to confirm with leadership in the FSM as to which projects should go forward. He stated that the Nation needed more planning and should not continue to accept grants and proceed with projects on an ad hoc basis. Further, he urged that a planning document needs to be in place.

As to the revenue projections the President stated that he believed they were actually conservative. Both the President and the Director of SBOC stated that the revenue ceiling remained as adopted by Congress, but the increase in available funds came only from finalization of a very large carry over from the previous year. The President further stated that this amount was credible given that for the past several years significant amounts of money have carried over.

The President again voiced his concern that if PMU is not funded the country could face a situation where the unit was disbanded and projects would default. Chairman Simina stated that members of Congress did not envision a total closure of the PMU unit at the National level, but more decentralization with State offices and a very small central clearing office at the National level. The Director of SBOC also advised that even if the burden-sharing document was submitted that there was no guarantee that the National share of Compact funding would be immediately released. The President requested that funding be made available for PMU. Further, the President stated that he was not opposed to decentralization but requested that the transition be discussed for this coming year so no disruption to current projects is made. Chairman Simina stated that currently there is already a situation with the road in Chuuk.

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Senator Urusemal stated that the COM Yap campus project has been many years delayed and the original idea was that PMU was a temporary unit.

Members of the Committee then directly asked the President if the LTFF/burden-sharing document had been submitted to the U.S. The Director of SBOC stated that it would be formally submitted to the U.S. next week as two states needed to finalize their portions of the packet. It was at this time that members of the Committee were informed that the States' portion of the Compact Sector funding had been released with only draft LTFF submissions by them. Members of the Committee, in particular Senator Urusemal, commented that it was unfortunate that the U.S. did not adhere to the same rules and standards itself that it expected from the FSM and other countries.

Senator Urusemal inquired as to whether the Compact funding would be sufficient to pay for PMU, infrastructure, education and health. The Director of SBOC confirmed that the 30% of infrastructure monies could be used to fund the office of PMU so that could be fully funded, however, there would be a short-fall as to the amounts available for health and/or education.

The President reiterated his desire that Congress work on the telecommunications immediately. Chairman Simina responded that the Committee on T & C would take that up this special session but that members see things like the World Bank grant of \$500,000 with half being designated for drafting of legislation a bit disingenuous as clearly the legislation has already been drafted. The Chairman stated that Congress wants to do its part, in its turn and do it well. The President reminded members that Telecom may not welcome change but that the consumers should be given better service. The Chairman stated that Congress doesn't fear change and only wanted to do a good job. The President confirmed that the legislation has to be passed before there is access to the grants for this project.

The President was asked if the States had been consulted and were supportive of the telecommunications legislation. The President stated that Yap had voiced its approval but Kosrae was doing a review of the measure. It is not known the position of the other two States. Senator Urusemal also stated at a prior meeting with Telecom they indicated that if they were going to be able to compete the cross-subsidy needed to be removed. Also, questions were raised as to what if a provider found the small States not profitable, could they be cut out of the deal? The President suggested that further details could

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be discussed between members and the executive over lunch on either Wednesday or Friday. The members agreed this was a good idea.

Some final matters were discussed, Senator George brought to President's attention that SPC intends to rent privately owned office space that the National government would be responsible to pay for. The Secretary of Foreign Affairs confirmed that this was the case as the host country the FSM is responsible for providing office space for SPC. The President invited members of Congress to attend a meeting of the 2023 Committee in Saipan December 7-8, 2013.

Chairman Simina thanked the President, Vice-President, members of the cabinet and key staff for their time and stated that he would report to Congress on the discussion and recommendations. The meeting closed with joint expressions of appreciation and wishes for a productive Congressional Session.

Respectfully submitted,

/s/ Wesley W. Simina  
Wesley W. Simina, Chairman

/s/ Yosiwo P. George  
Yosiwo P. George, Member

/s/ Peter M. Christian  
Peter M. Christian, Member

/s/ Joseph J. Urusemal  
Joseph J. Urusemal, Member