

STANDING COMMITTEE REPORT NO. 19-110

RE: C.B. No. 19-127/W&M

SUBJECT: TO APPROPRIATE A FY16 SUPPLEMENTAL BUDGET IN
THE AMOUNT OF \$1,737,232.

FEBRUARY 10, 2016

The Honorable Wesley W. Simina
Speaker, Nineteenth Congress
Federated States of Micronesia
Third Regular Session, 2016

Dear Mr. Speaker:

Your Committee on Ways & Means, to which was assigned
Congressional Bill No. 19-127, entitled:

"A BILL FOR AN ACT TO APPROPRIATE A SUPPLEMENTAL
BUDGET IN THE AMOUNT OF \$1,737,232 FROM THE
GENERAL FUND OF THE FEDERATED STATES OF
MICRONESIA FOR THE FISCAL YEAR ENDING SEPTEMBER
30, 2016, BY AMENDING SECTIONS 1, 2, 3, 4, 8, 9
AND 12 OF PUBLIC LAW NO. 19-32, AS AMENDED BY
PUBLIC LAW NO. 19-45, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

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

Your Committee has reviewed C.B. No. 19-127, which
appropriates \$1,737,232 from the General Fund of the
Federated States of Micronesia for the fiscal year ending
September 30, 2016. Your Committee held oversight and
hearings on three separate occasions regarding this
supplemental.

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Your Committee had an initial hearing with the Secretary of Finance and Administration to clarify the revenue projections to ensure there are sufficient funds in the General Fund to cover the supplemental requests. The Secretary of Finance and Administration stated that after taking the unaudited carryover into consideration there is a net balance of \$12,317,365 in the General Fund for appropriation.

Your Committee next held oversight on Presidential Communication No. 19-255 which includes the supplemental budget proposed by the Executive. All relevant departments in the Executive branch making a request for supplemental funds were in attendance and given an opportunity to explain or comment on their request. Finally, your Committee held oversight with the Administration Officer and Acting Budget Officer for the Congress of the Federated States of Micronesia.

Your Committee has provided below a detailed summary of the supplemental requests by department and budget section and your Committee's recommendations for each.

Executive Branch Operations

The Office of the President requested an increase in operations of \$223,248. This included an increase of \$70,000 in travel, \$33,248 in contractual services, and \$120,000 in OCE.

The representative for the Executive testified that while an increase of \$70,000 was requested, the office would be able to make due with whatever amount the Committee ultimately decided. The same testimony applied to the contractual services requested increase. The representative admitted that there was an error in the OCE request. The office phoned your Committee after the hearing to state that \$100,000 in OCE was a mistake but

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requested the \$20,000 in OCE be moved to contractual services to supplement the President's representation fund.

Your Committee recommends a \$30,000 increase to the President's personnel line item; 65,000 increase to the Office of the President's travel; and a \$35,000 increase to contractual services, \$20,000 of which is to supplement the President and Vice President's representation fund. Your Committee would like to note that the supplemental of \$30,000 in personnel is to fund the President's Special Advisor on Micronesian Affairs.

Your Committee notes that the Executive is invited to make another request later in the fiscal year after your Committee receives the audited carryover amounts from the Department of Finance and Administration.

The Department of Foreign Affairs requested an additional \$30,000 to supplement their travel. The representative for the Department of Foreign Affairs stated this travel is related to the Washington Embassy's Co-op that traditionally takes place in the fall.

Your Committee supports this request but as it is not an urgent need, recommends not supplementing the department's travel at this time. Your Committee will revisit this request, if made again, later in the fiscal year.

Your Committee points out that \$5000 is reduced from the Department of Foreign Affairs contractual services line item. Your Committee notes that the United Nations Mission housing was budgeted at an excess, therefore \$5000 will be reduced and added to the UN Mission Legal Counsel line item in Grants, Subsidies, and Contributions.

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The Department of Finance and Administration requested a \$90,000 supplemental to their operations budget. They requested an additional \$15,000 in travel and \$75,000 for contractual services. The Secretary of Finance and Administration testified that the operations were in urgent need of a supplement as they have experienced unforeseen costs related to a number of key positions being vacated unexpectedly.

Your Committee appreciates the difficulty the department has gone through with the transition and finds the justification for the request deserving. Your Committee recommends funding their supplemental request in full, \$90,000.

The Department of Transportation, Communications, and Infrastructure requests a \$300,000 supplemental to their operations contractual services. The representative for the Department of TC&I stated that the requested funds are intended to supplement the operations of the PMU. He stated that the PMU is currently helping transition their operations to the states and this is expected to continue until at least the end of FY16.

Your Committee understands the necessity to fund the PMU for the remainder of FY16 to help with the transition. Therefore, your Committee recommends honoring their supplemental request in full, \$300,000.

The Department of Education requested an additional \$35,000 in their operations contractual services. The representative for the Department of Education testified this increase is needed to fund a research project regarding the Nation's drop-out rates.

Your Committee notes that it is willing to revisit this request later in the fiscal year after the Department of Education submits a proposal for the

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project and gets approval from your Committee on Education. Your Committee does not recommend funding this supplemental request at this time.

Legislative Branch Operations

The Congress of the Federated States of Micronesia requests a supplemental to their operations in the amount of \$488,898. This amount includes a supplemental for the operations of Speaker and Members of \$41,220 for travel and \$350,000 for contractual services. The request for contractual services incorporates C.B. No. 19-119. The remaining request is from operations for Staff Offices which includes \$20,111 in travel, \$37,567 in contractual services, and \$40,000 in fixed assets.

The Administrative Officer for Congress testified that Speaker and Members travel was depleted by the requested amount during the climate change trip in Paris. The supplemental would replenish this account for budgeted travel. Your Committee recommends supplementing the operations by \$70,000 for Speaker and Members travel. This provides each member with an additional \$5,000 for travel.

Your Committee recommends supplementing the funding in Speaker and Members operations contractual services line item in the amount of \$370,000. Your Committee notes that \$350,000 will be for members representation fund (an additional \$25,000 each member) and \$20,000 for the operations of the Special Committee on Climate Change. Your Committee points out that the Special Committee on Climate Change was formed after the FY16 budget was passed into law, therefore the operations funding for this committee was not contemplated nor addressed.

The operations budget for Congress of the Federated States of Micronesia Staff Offices requests a supplement to

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operations in the amount of \$97,678. The Congress Administrative Officer testified that \$20,111 in travel was needed to send the Congress IT Department to the delegation offices to upgrade their network systems and equipment. He stated \$37,567 was needed in contractual services to pay several employees at Congress who are working on short-term contracts. Finally, the Administrative Officer testified that the request for \$40,000 to supplement fixed assets was to purchase new chairs for Congress Chamber and the Congress hearing room.

Your Committee recommends supplemental funding for Staff Offices travel in the amount of \$20,000. Your Committee recommends supplemental funding for Staff Offices contractual services in the amount of \$20,000. Finally, your Committee recommends supplemental funding for Staff Offices fixed assets in the amount of \$15,000. Your Committee points out that the \$15,000 supplemental funding for fixed assets is to purchase new executive chairs for the Congress hearing room. Your Committee believes the chairs may be purchased for less than the recommendation and instructs the remaining balance to be used to purchase uniform folding chairs for additional seating in the hearing room.

Judicial Branch Operations

The Judicial Branch sent communication to your Committee requesting to move \$43,000 from their operations personnel line item to contractual services. Your Committee recommends honoring the request for adjustment to the Judicial Branch operations.

Grants, Subsidies, and Contributions

Your Committee recommends funding the Department of Justice's supplemental request for \$80,777 to satisfy the judgment in the Chuuk Health Care Plan court case.

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Your Committee recommends funding the Department of Education's request for COM-FSM to pay overdue tuition to San Diego State University in the amount of \$316,000. Your Committee is extremely disappointed and concerned with the actions of COM-FSM that brought this issue to Congress. Your Committee is aware of past testimony of COM during the Committee on Education hearings in which COM stated that they would modify the MOU with SDSU to remove the College as a guarantor.

Your Committee is frustrated that the College would sign a MOU as a guarantor in which they have no ability to pay. Your Committee is deeply concerned with the financial planning being done at COM-FSM as future financial security and stability is an especial concern with COM-FSM's accreditation.

At a time when many of our students are unable to continue their studies at COM-FSM and abroad because they cannot afford tuition and their PELL grants are exhausted, Congress is being asked to appropriate funds for an overseas online institution. Your Committee cannot stress how disappointed it is with the actions of COM-FSM, as it is unfair to expel students for non-payment, while itself being unable to pay for their obligations.

Your Committee is aware of the students who have overdue fees and their families. These students include children of the COM faculty who are earning a very high salary. Other students are from well-known families who can afford to invest in the education of their children. Your Committee is perplexed as to why Congress is being asked to pay the tuition of students whose families, by their inaction, do not feel deserve to be assisted.

Furthermore, your Committee is concerned with the quality of education that these students receive in the program. Your Committee is aware of the program's lack of oversight

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and the practice of a community of students benefiting from the work of a few.

Your Committee reluctantly recommends appropriating the funds for COM-FSM only due to the effect that a default will have upon accreditation and the timing of the accreditation visit. This will be the last and only time that Your Committee will recommend such a request be appropriated.

Your Committee recommends supplemental funding for the following new line items requested by Congress of the Federated States of Micronesia:

IPU annual dues in the amount of \$10,000.

IPU Assembly in Zambia in the amount of \$50,000.

Crans Montana Forum in Morocco in the amount of \$50,000.

Wilshire Investment Conference and meeting with constituents in the US in the amount of \$50,000.

Your Committee also recommends supplemental funding in the amount of \$20,000 for the Fisheries Meetings line item.

Your Committee notes that several line items this section have been adjusted to reflect their balance. These excess funds remaining in these line items provide \$80,000 which Congress has used to fund other requests in this supplemental.

Additionally your Committee recommends the adjustment in the UN Mission Legal Counsel Travel line item under Other Grants, Subsidies, and Contributions as discussed previously.

Capital and Human Resources

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The Department of Resources and Development requests a new line item in the amount of \$131,050 to relocate the Program Manager in the Tourism Office to Tokyo for one year. The representative for the department testified that tourism from Japan has declined over the past few years and this item would hopefully result in a reverse in the trend. Your Committee does not recommend funding this line item.

The Department of Resources and Development also requests a line item in the amount of \$18,278 to fund Phase II of the Foreign Investment Review. The department representative testified that this is an on-going program that is attempting to harmonize the foreign investment laws in the Nation. The program should issue a report this year with its recommendations and findings. Your Committee recommends funding this line item in the full amount requested.

The Department Transportation, Communications, and Infrastructure requests a new line item for the Chuuk Air Service Agreement to subsidize the Air Nauru flight between Pohnpei and Chuuk in the amount \$250,000. The department representative testify that the current subsidy will be exhausted in April and the requested funds is sufficient to last the next 7 to 8 months. Your Committee recommends funding this line item in the full amount requested.

The Department of Transportation also requested two line items related to the Micronesian Voyager. They requested \$211,100 to replace the refrigeration and air conditioning units on the ship. The department additionally requested \$78,700 to replace a non-functioning radar system. The department representative testified that the Voyager is required to have two functioning radar systems on board and one is currently malfunctioning. Your Committee recommends funding these line items in the full amount requested.

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The Department of TC&I also request \$3,720,150 for AIP Matching Funds. Your Committee notes the importance of appropriating these necessary funds to ensure the work in Chuuk continues to move forward. In light of the current uncertainty relating to the unaudited carryover in the revenue projections, your Committee recommends funding half now and funding the remaining portion later in the fiscal year once the audit is complete. Your Committee recommends funding this line item in the amount of \$1,860,075.

The Department of Justice submitted two requests for new line items, \$20,000 for hosting the PILON meetings and \$55,000 for humanitarian assistance/anti-trafficking in persons and human smuggling. The Attorney General testified that the \$55,000 requested is to be divided \$25,000 for humanitarian assistance to the foreign nationals detained in Yap and \$30,000 to assist in on-going litigation and investigations of human trafficking/human smuggling. Your Committee recommends funding both requests in full but has separated the \$55,000 into separate items to ensure they are utilized for the purpose requested.

Under Other Capital and Human Resources, your Committee recommends funding the following requests in the following amounts:

Foreign Affairs-FSM's contribution to host SPC in the amount of \$228,000.

NACH-Pacific Island Festival of Arts a total of \$200,000 divided equally amongst the four states (\$50,000 each).

Postal Service prior-obligation in the amount of \$8,302.

Upgrade FSM-Congress Internet to Fiber Optic in the amount of \$25,000.

Pacific Association of Supreme Audit Institutions Meeting in the amount of \$20,000.

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Your Committee notes that the Executive's request for funding for hosting of the Pacific Island Forum was not recommended at this time. Your Committee will revisit this request later in the fiscal year, closer to the date of the event and after the audited carryover is complete.

Your Committee would also like to highlight that the line item for Pohnpei State Priority Infrastructure Projects has been zeroed out. These funds will be reappropriated in a separate bill which details the projects for which they are to be used.

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CONCLUSION

Your Committee has carefully reviewed Congressional Bill No. 19-127. Your Committee on Ways and Means is in accord with the intent and purpose of C.B. No. 19-127, 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. 19-127.

Respectfully submitted,

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

/s/ Tiwiter Aritos
Tiwiter Aritos, member

/s/ Victor V. Gouland
Victor V. Gouland, member

/s/ Bonsiano F. Nethon
Bonsiano F. Nethon, member

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

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

/s/ Paliknoa K. Welly
Paliknoa K. Welly, member