

STANDING COMMITTEE REPORT NO. 13-132

RE: C.B. NO. 13-99

SUBJECT: FY 2005 BUDGET

JUNE 02, 2004

The Honorable Peter M. Christian
Speaker, Thirteenth Congress
Federated States of Micronesia
Third Regular Session, 2004

Dear Mr. Speaker:

Your Committee on Ways and Means, to which was referred C.B. No. 13-99, entitled:

"A BILL FOR AN ACT TO APPROPRIATE THE SUM OF \$29,014,930 FROM THE GENERAL FUND OF THE FEDERATED STATES OF MICRONESIA FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2005, FOR THE PURPOSE OF FUNDING THE OPERATIONS OF ALL BRANCHES OF THE NATIONAL GOVERNMENT OF THE FEDERATED STATES OF MICRONESIA, ITS AGENCIES, VARIOUS PROGRAMS, GRANTS, SUBSIDIES, AND CONTRIBUTIONS; TO ESTABLISH A CAPITAL AND HUMAN RESOURCE DEVELOPMENT BUDGET, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

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

The subject bill is based upon the National Government Fiscal Year 2005 Proposed Budget as transmitted by the President on April 1, 2004. Your Committees on External Affairs ("EA"); Health, Education and Social Affairs ("HESA"); Judiciary and Governmental Operations ("J&GO"); Resources and Development ("R&D"); Transportation and Communication, ("T&C"), and Ways and Means ("W&M") have each recommended funding levels for budget requests within their respective jurisdictions, and Congress has adopted each of these reports.

The President's Proposed FY 2005 Budget

The President's proposed FY 2005 budget was transmitted, on April 1, 2004, in the form of a "Budget Book". References in this report to the President's proposed budget will be based upon the Budget Book, except where otherwise specifically indicated. Subsequent to the transmittal of the Budget Book, the President, by Presidential Communication No.

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13-154, requested that \$107,000 be removed from the proposed budget for the Visitors Bureau and added to the budget for the Public Auditor's Office to cover the National Government's share of the costs of the annual Single Audit.

Due to the requirements of the amended Compact of Free Association with the United States ("Compact II"), the President's proposed FY 2005 budget comprises two parts: (1) a budget to be funded from local revenues and (b) a proposed budget to be funded from Compact II sector grants, subject to approval by the Joint Economic Management Committee ("JEMCO"). FY 2005 domestic revenues available for appropriation are projected to be \$22,465,000. Available Compact II funds are projected to be \$6,574,000. The President's proposed local revenue budget totals \$22,440,930, leaving a potential surplus of approximately \$24,000 from projected revenues. The proposed Compact II budget represents 100% of available Compact funds.

The President's budget includes no provision for funding any portion of the deficit recorded in prior years. To date, the President has not transmitted to Congress any recommendation for retiring that deficit.

Congressional Committee Reports

Your Committee on Ways and Means has reviewed the Standing Committee Report submitted by each congressional committee (each, a "Report" and collectively, the "Reports"). Each Report recommended changes to the budgets of the departments, agencies, and/or programs within the jurisdiction of the reporting committee. Certain amendments to the J&GO Committee Report were made by floor amendment and your committee has taken notice of those amendments. Your committee generally concurs with the individual recommendations made in the Reports, but notes that the aggregate net effect of all of the recommendations would be to add \$610,606 to the portion of the budget to be funded from local revenues and \$69,950 to the amount proposed to be funded from Compact II sector grants. The result, if all recommendations were adopted, would be (a) a significant deficit in the local revenue budget, if the Executive Branch's revenue projections are accurate and (b) a Compact II budget request in excess of available funds. Your committee strongly recommends that both portions of the budget be approved at levels within expectable resources. Therefore, your committee makes the following recommendations to accomplish that purpose:

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J&GO Committee Recommendations

The Judiciary branch requested that its budget include \$ 81,076 to fund an additional Associate Supreme Court Justice position and staff to support the new Justice. The President, citing the insufficiency of available local revenues, proposed that this item be deleted from the budget. Your Committee on Judiciary and Government Operations disagreed with the President and recommended that monies be appropriated for this purpose. Your Committee on Ways & Means recognizes the heavy workload currently being carried by the Justices of the Supreme Court and believes that the number of judges will need to be increased, but is of the opinion that there are not sufficient funds available to accomplish that in FY 2005. Your committee, therefore, recommends that this increase in the budget not be approved.

Your committee notes the J&GO Committee's recommendation that \$400,000 be provisionally deleted from the appropriation for fuel oil for the National Police patrol boats. Your committee understands that a supplemental appropriation, restoring some or all of this money, may later be proposed if the conditions described in the J&GO Committee Report have been met. Because the current recommendation is to omit this amount from the budget, the issue is not currently before the W&M Committee, but we would like to advise that, based upon information provided in the J&GO Committee Report, this committee would be likely to oppose full restoration of the \$400,000.

External Affairs Committee Recommendations

Your Committee on External Affairs recommends that, in addition to the amount requested by the President for the Department of Foreign Affairs, an additional \$200,000 be included for professional services and consultants relating to Compact implementation and negotiation. Your W&M Committee notes that it is not clear what use will be made of this money, particularly considering that the President has not asked for it. Therefore, your committee recommends that this amount not be added to the budget.

R&D Committee Recommendations

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The President originally recommended that \$300,000 be appropriated for the operations of the Visitors Bureau. However, as mentioned above, the President subsequently proposed that this figure be reduced to \$193,000 in order to make funds available to cover the cost of the annual Single Audit. Your Committee on Resources and Development has recommended that the Visitors Bureau be funded for the full amount of \$300,000. Your Committee on Ways & Means, recognizing the need to balance the budget and the existence of many competing demands for the limited available funding, recommends reducing the budget for the Visitors Bureau to \$100,000.

The President's proposed budget would provide \$294,537 to fund an exhibit at the 2005 World Exposition in Japan. The R&D Committee recommended approval of that amount. Your Committee on Ways & Means is of the opinion that, in a year where available resources are insufficient even to fully fund more basic needs, this is an expenditure that the nation cannot afford. Therefore, your committee recommends its deletion from the budget.

HESA Committee Recommendations

The Health, Education and Social Affairs Committee recommends increasing the President's proposed budget for aid to non-public schools from \$300,000 to \$500,000. The W&M Committee opposes that recommendation. It believes that the President's proposed budget is reasonable in light of expected revenue levels.

The HESA Committee also proposes the addition to the budget of \$100,000 for Graduate Scholarships. Your Committee on Ways & Means submits that the addition of this item is not feasible based upon current revenue forecasts.

The President's proposed budget included \$380,000 for housing and tuition assistance for students at the College of Micronesia. This proposal is supported by the HESA Committee. The W&M Committee recommends reducing this amount by 50% to \$190,000 in order to help balance the budget and make funds available for other priority programs.

T&C Committee Matters

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Your committee recommends one modification to the budget proposed for the departments and programs within the jurisdiction of the T&C Committee. The President proposes that the Compact budget submitted to JEMCO include a request for a \$500,000 infrastructure sector grant to fund a new Infrastructure Development Management Unit within the Department of Transportation, Communications and Infrastructure. Your committee understands that no detailed budget or plan for spending that money has been submitted. It is also noted that the President's FY 2005 budget does not contemplate an extensive number of infrastructure projects for FY 2005. Therefore, your committee recommends that the budget for this unit be reduced to \$250,000. Such a reduction would make \$250,000 in Compact II funds available for other purposes. Of that amount, \$69,950 would be earmarked to cover various increases recommended by the HESA Committee for projects to be funded through Compact sector grants. Your committee recommends that the remaining \$180,050 available under Compact II be included in an education sector grant request to cover costs of the Fisheries and Maritime Institute in Yap. This would free up local revenues for use in funding the existing budget deficit or other priority programs.

Summary of W&M Committee Recommendations

Your Committee on Ways & Means recommends inclusion in the FY 2005 budget of all amendments recommended in the Reports of your standing committees with the exception of those identified above. With these changes, the total FY 2005 budget would be \$28,230,949. Of that amount, \$6,574,000 would be funded from Compact II sector grants, representing all funds available under the Compact. Appropriations from local revenues would total \$21,656,949, leaving \$808,051 available for supplemental appropriation or to help cover the budget deficit from prior years.

Reprogramming

Your Committee notes that the reprogramming of funds from one department to another necessarily diminishes the ability of the transferring department to accomplish its goals and objectives. Any other conclusion calls into question the validity of the entire budgetary process. Therefore, your committee recommends amending the

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proposed reprogramming language to prohibit reprogramming between departments within the Executive Branch.

Recommended Amendments

Based upon the foregoing discussion, your Committee recommends the following amendments to the bill:

1. Title, line 2, delete "\$29,014,930" and insert "\$28,230,949" in lieu thereof.
2. Page 2, line 3, delete "13,390,473" and insert "13,382,522" in lieu thereof.
3. Page 2, line 16, delete "2,305,055" and insert "2,795,932" in lieu thereof.
4. Page 2, line 17, following "book", insert ", provided that \$500,000 of this amount shall be used to fund a portion of the deficit recorded by the National Government at the close of fiscal year 2003, and further provided that said sum shall not be applied to the deficit until the Department has reported to Congress as to the accounts in deficit, the amount of the deficit in each account and the account(s) to which the \$500,000 will be applied".
5. Page 2, line 19, delete "1,137,160" and insert "1,071,353" in lieu thereof.
6. Page 2, line 23, delete "1,201,923" and insert "1,131,922" in lieu thereof.
7. Page 3, line 1, delete "1,399,585" and insert "1,476,808" in lieu thereof.
8. Page 3, line 3, delete "465,200" and insert "475,200" in lieu thereof.
9. Page 3, line 5, delete "703,284" and insert "763,234" in lieu thereof.

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10. Page 3, line 8, delete "2,737,883" and insert "2,282,338" in lieu thereof.
11. Page 3, line 11, delete "540,211" and insert "555,513" in lieu thereof.
12. Page 3, line 14, delete "2,780,613" and insert "2,758,077" in lieu thereof.
13. Page 3, line 22, delete "1,028,344" and insert "1,191,055" in lieu thereof.
14. Page 4, line 4, delete "558,028" and insert "665,028" in lieu thereof.
15. Page 4, line 11, following "Compact" insert ", except that \$107,000 shall be funded from domestic revenues and applied to the cost of the annual Single Audit."
16. Page 4, line 14, delete "1,506,628" and insert "1,443,340" in lieu thereof.
17. Page 4, line 21, delete "404,481" and insert "397,357" in lieu thereof.
18. Page 5, line 2, delete "115,511" and insert "109,346" in lieu thereof.
19. Page 5, line 5, delete "138,387" and insert "138,388" in lieu thereof.
20. Page 5, line 11, delete "150,000" and insert "100,000" in lieu thereof.
21. Page 6, line 5, delete "1,648,511" and insert "1,689,691" in lieu thereof.
22. Page 6, line 24, delete "8,000" and insert "15,000" in lieu thereof.

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23. Page 7, line 19, delete "20,000" and insert "38,000" in lieu thereof.
24. Page 8, line 9, delete "28,820" and insert "55,000" in lieu thereof.
25. Page 8, line 12, delete "10,000" and insert "0" in lieu thereof.
26. Page 9, line 2, delete "7,539,384", and insert "6,538,287" in lieu thereof.
27. Page 9, line 15, delete "380,000" and insert "190,000" in lieu thereof.
28. Page 9, line 20, following "Institute" insert ", including operations, planning, training, and construction and maintenance of facilities and equipment. Of this amount \$180,050 shall be deemed to come from funds available under the education sector of the Amended Compact".
29. Page 9, line 25, delete "300,000" and insert "100,000" in lieu thereof.
30. Page 10, line 4, delete "133,120" and insert "66,560" in lieu thereof.
31. Page 10, line 5, delete "294,537" and insert "0" in lieu thereof.
32. Page 10, line 12, delete "500,000" and insert "250,000" in lieu thereof.
33. Page 11, lines 4 through 6, delete the sentence beginning with the words "The President" and insert the following in lieu thereof:

"Funds appropriated under section 2 of this act and apportioned to a department or office under subsections 2(1) through 2(8) of this act shall not be reprogrammed to or from such department or office."

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With the foregoing amendments, your Committee on Ways and Means is in accord with the intent and purpose of C.B. No. 13-99 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. 13-99, C.D.1.

Respectfully submitted,

/s/ Sabino S. Asor
Sabino S. Asor, chairman

/s/ Roosevelt D. Kansou
Roosevelt D. Kansou, vice
chairman

/s/ Isaac V. Figir
Isaac V. Figir, member
W/reservations

Dohsis Halbert, member

/s/ Henry C. Asugar
Henry C. Asugar, member

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

/s/ Claude H. Phillip
Claude H. Phillip, member