

STANDING COMMITTEE REPORT NO. 14-102

RE: C.B. NO. 14-166/W&M

SUBJECT: FY 2006 SUPPLEMENTAL BUDGET

MAY 18, 2006

The Honorable Peter M. Christian  
Speaker, Fourteenth Congress  
Federated States of Micronesia  
Fourth Regular Session, 2006

Dear Mr. Speaker:

Your Committee on Ways and Means to which was referred C.B. No. 14-166 entitled:

"A BILL FOR AN ACT TO AMEND PUBLIC LAW NO.14-21, THE FY 2006 BUDGET, AS AMENDED, IN ORDER TO PROVIDE SUPPLEMENTAL FUNDING FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2006, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

During the public hearing for the supplemental request, one Committee Member made a statement regarding the request that the committee wholeheartedly endorses. From the point of view of the Member, a supplemental budget request should be for unforeseen expenses, and as a rule-of-thumb amount to 1 to 2% of the operating budget of the national government. The supplemental request under consideration amounts to \$2.6 million or almost 20% of the operations budget. It definitely causes the committee to wonder about the accuracy of the regular FY 06 budget.

Subsequently, after a meeting with some Members, the President forwarded a revised request of about \$1.4 million, but that is still too high, given the availability of funds and the decision of Congress to prioritize certain public projects.

Your committee has therefore taken the following approach to decide on the supplemental requests:

1. Your committee notes that certain requests - such as Presidential travel, as well as funding for Caroline Island Air and the 07 election-- were already appropriated during the previous special session in Kosrae. These appropriations were vetoed by the President, and are currently the subject on an on-going litigation in the FSM Supreme Court, civil action 2006-009. Your committee recommends that no action be taken on those request pending the litigation, which should be resolved shortly.
2. Your committee observes that funding for health and education in the regular budget comes from Compact funds, while funding for supplemental requests comes from local revenues, because these requests were not authorized by JEMCO. It is therefore inadvisable to fund health and education requests unless there is an emergency. In this particular case the only urgent matter that the Committee can see is the request by HESA for a consolidation project in Chuuk, the report for which is due to JEMCO this coming August.
3. There should not be an attempt to distort the budget process. During testimony, it was revealed that a number of requests properly belong to the FY 07 budget but were included "because there's money". A number of requests were also repeated in the regular FY 07 budget, raising the specter of double funding for the same activities. Your committee disapproves of such practices.

With these considerations in mind, your committee met and conferred after the public hearing and decided to recommend the following based on the availability of funds:

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<b>FY06 Supplemental Appropriations</b>	
	Committee recommendation
<b>Finance &amp; Administration</b>	
Operations needs	\$51,702
Housing fund replenishment (taken by Justice for POL)	\$50,000
<b>Justice</b>	
POL for patrol boats	\$50,000
JLEA	\$30,000
<b>Economic Affairs</b>	
CG meeting in Honolulu	\$25,000
Travel for signing in Tokyo	\$10,000
<b>HESA</b>	
Consolidation in Chuuk	\$30,000
<b>Public Auditor</b>	
Travel needs	\$30,000
APIPA	\$10,000
<b>OCM</b>	
Travel	\$28,000
<b>Public defender</b>	
operations needs	\$53,540
<b>Postal Service</b>	
Escrow account	\$200,000
<b>Congress</b>	
Speaker's representation	\$20,000
<b>Total</b>	<b>\$588,242</b>

With respect to the election funding, the committee notes that it has already funded the election back in March in Kosrae. That appropriation is now tied up in the litigation but should be available shortly. The appropriation was for the general purpose of election and not broken down into specific activities. Any additional needs can be considered at a later session. Your committee suggests that in case of a real need for congressional action after the resolution of the court case, the President can call a special session.

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Your committee also recommends increasing the reprogramming authority of the President from 15% to 30% of the budget.

Respectfully submitted,

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

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

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

Dohsis Halbert, member

Manny Mori, member

Claude H. Phillip, member

/s/ Simiram Sipenuk  
Simiram Sipenuk, member