

STANDING COMMITTEE REPORT NO. 14-31

RE: C.B. NO. 14-51/W&M

SUBJECT: SUPPLEMENTAL APPROPRIATION

MAY _____, 2005

The Honorable Peter M. Christian
Speaker, Fourteenth Congress
Federated States of Micronesia
First Regular Session, 2005

Dear Mr. Speaker:

Your Committee on Ways and Means to which was referred C.B. No. 14-51 entitled:

"A BILL FOR AN ACT TO FURTHER AMEND PUBLIC LAW NO. 13-46, AS AMENDED, BY AMENDING SECTIONS 2 AND 9 THEREOF FOR THE PURPOSE OF APPROPRIATING AN ADDITIONAL SUM OF \$855,000 FROM THE GENERAL FUND OF THE FEDERATED STATES OF MICRONESIA FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2005, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

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

C.B. No. 14-51 is the President's request for a supplemental appropriation from the General Fund for the fiscal year 2005. On May 20, 2005, your Committee held a public hearing on the supplemental budget request. In attendance were the President's Congressional liaison, the Secretary of Finance, the acting Secretary of Justice, the Assistant Secretary of Marine Transportation and several representatives from the College of Micronesia, including the President and Chairman of the Board of Regents.

Your Committee has considered the testimony of the hearing witnesses, thoroughly reviewed the President's request and arrived at a number of recommendations with respect to C.B. No. 14-51. The committee was disappointed that the Secretary of Finance was not aware of the various items of the President's supplemental request and was not able to comment on them. We understand that the Secretary of Finance was not advised that the supplemental budget request was to be discussed at the hearing, but his response of not being prepared to discuss the matter does not give confidence to the committee in the necessity of the supplemental appropriations.

Your committee also notes that the fact the President's request was only submitted days before the end of the session does not provide the committee with sufficient time to fully evaluate the request.

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Your Committee's recommendations in respect of each of the President's requests are set out in detail below.

1. \$225,000 for the Embassies in Washington and Suva
The President has requested \$225,000 for the FSM embassies in Washington, D.C. and Suva. This request was not timely considering that the committee had already concurred with your committee on External Affairs to approve this appropriation in a separate bill when the President transmitted his communication to the Congress.
2. \$60,000 for fuel for Patrol Boats
Your committee realizes that the increases in fuel prices have caused the various departments to reconsider their budgets, however, considering the limited resources of the National Government, fuel costs must be managed more effectively. The National Police must make a greater effort to (a) conserve fuel (b) better strategize and prioritize the use of the patrol boats to maximize the benefits of patrolling the nation's waters and (c) offset fuel costs with income for the nation. The acting Secretary of Justice was not able to provide the committee with information regarding revenues generated from its surveillance activities. Your committee suggests that in the future, Congress consider such requests only when the benefits are shown to clearly outweigh the cost. Regardless, your committee believes in the work of our National Police and our patrol boats and recommends that such be approved.
3. \$20,000 for travel for the Department of Justice
The President has requested \$20,000 for travel to Chuuk by the Department of Justice for on going litigation. Your committee expresses its concern that the Department of Justice has failed to effectively manage its travel resources for out of state litigation. It has the general impression that the Department has failed to properly weigh the costs and benefits of the cases it chooses to prosecute, which has resulted in this supplemental request. Your committee recognizes the need for the Department to continue its litigation strategy and was pleased to hear that whether this appropriation was approved or not, the Department would continue to prosecute its cases. The committee though does not want to reward mismanagement with supplemental appropriations. The acting Secretary of Justice said at the hearing that if Congress did not approve the President's request that the President would be forced to reprogram monies. The Secretary of

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Finance did not object to this answer and therefore your committee is of the opinion that there are funds available in the current budget for this cost. Your committee does not recommend the approval of this supplemental appropriation.

5. Department of TC&I

The M/S Voyager clearly provides a valuable service to outer islands. However, your committee has repeatedly asked the Department of Transportation, Communication and Infrastructure for a detailed accounting of the M/S Voyager's revolving fund, a report on the revenues generated by the M/S Voyager against the costs of such trips. Your committee also expresses its concern that the trips planned with the requested \$50,000 are not for the purpose of generating revenue for this nation. As stated above, the Departments must realize that there are limited funds for the operation of the government and that the Congress must make choices as to what operations are worthy of being funded. Your committee recommends this supplemental request on the condition that the Department of TC&I provide the Congress a satisfactory accounting and report on the above matters and a plan to earn sufficient revenues or provide sufficient benefits to the people of the FSM on the M/S Voyager's remaining excursions to justify the cost.

8. \$500,000 for improvements to COM Chuuk Campus

Your committee does not support this supplemental appropriation. Your committee agrees with the President that the College of Micronesia, in particular the Chuuk Campus, is in great need of assistance, however, the College is not prepared at this time to proceed with a resolution to its problems. The President of the College of Micronesia, in fact, did not request such an appropriation from the President and was taken aback when informed at the hearing that such a request was submitted to Congress. The President of the College also informed the committee that no decision has yet been made on whether to continue with a Campus in Chuuk, that no short term or long term plan was in place for the improvement of the Chuuk Campus; and that it is not now known what the cost of such improvements would be. What the committee learned is that the President of the College will be presenting several options to the Board of Regents next week and will not proceed with any action until Board approval has been received. While the options were not clearly presented to the committee, the committee gathers that there are four possible outcomes. First, the Chuuk Campus will be closed, in which case the appropriation

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is unnecessary. Secondly, the College could conclude negotiations on a long term lease with Mr. Mori in Chuuk and improve the current facilities. Since, this outcome is contingent on a third party and the College does not know the cost of making such improvements, an appropriation at this time would be premature. The third outcome, would be that construction be undertaken to build facilities on the land which the College owns in Chuuk. The cost of such construction would be greater than \$5,000,000 and would take 2 to 3 years. \$500,000 wouldn't even be sufficient to build the access road, whose ownership is still in dispute in the courts. Finally, the College could find another parcel of land and build new facilities there. As with the second outcome, it is wildly premature to appropriate monies for this purpose at this time.

Your committee notes that the FY06 budget calls for \$1,500,000 for campus improvements for the College, which the Congress has approved by its non-action regarding the Compact portion of the FY06 budget. Your committee also asks that it be kept informed of the ongoing developments at the College and that any plan of action be shared with the Congress, so that it can appropriate a meaningful dollar amount at the right time.

In addition to the items proposed by the President, your Committee recommends the following supplemental appropriations:

1. An increase of funding for the Legislative Branch in the amount of \$20,000. This amount would be used for Member travel for the anticipated special session in June or July of this year. This special session would be the third special session of FY05 but due to changes in the regular congressional calendar there will be four regular sessions in FY05 as well, which was beyond the foresight of the Congress at the time of its FY05 budget submission.
2. \$250,000 to go into a trust fund for the Federated States of Micronesia. This trust fund was created by P.L. No. 10-150. The fund is to be governed according to Chapter 12 of Title 55 of the Code of Federated States of Micronesia.

The total of all supplemental appropriations recommended by your Committee is \$380,000. This would bring the total appropriations from the FY 2005 General Fund to \$32,140,701, including appropriations from local revenues, amended Compact funds and Compact I carryover funds.

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Projected total revenues from these sources are \$34,876,063.

Your Committee therefore recommends the following amendments to C.B. No. 14-51:

1. Title, in the third line, delete "and 9," insert ", 3, 9 and 13".
2. Title, in the fourth line, delete "855,000" and insert "380,000" in lieu thereof.
3. Page 1, line 5, delete "13,882,322" and insert "13,862,322" in lieu thereof.
4. Page 3, line 5, following "budget book", insert "; provided that \$50,000 for fuel for the M/S Voyager shall only be allotted upon the written acknowledgement of the Speaker of Congress confirming his receipt of a satisfactory accounting of the M/S Voyager Revolving Fund, a report on the revenues generated by the M/S Voyager in FY05 and a plan for earning revenues or serving the people of the Federated States of Micronesia during the remaining excursions of the M/S Voyager in FY05".
5. Page 3, line 17, delete "2,624,538" and insert "2,604,538" in lieu thereof.
6. Page 4, line 24, before the existing section 2, insert a new section as follows:
"Section 2. Section 3 of Public Law No. 13-46, as amended by Public Laws No. 13-62, 13-81 and 13-87, is hereby further amended to read as follows:
 'Section 3. Operating Expenses of the Legislative Branch.
The sum of [~~\$3,343,077~~] \$3,363,077, or so much thereof as may be necessary, is hereby appropriated from the General Fund of the Federated States of Micronesia for the fiscal year ending September 30, 2005, for the operations of the Legislative Branch of the National Government during the fiscal year 2005, in order to achieve the activities set forth in the performance budget pages 380 through 381 of the budget book. Of the funds appropriated, \$40,000 shall be deemed to come from the carryover funds available under section 215(b)(2) of Compact I for communications.'
7. Page 4, line 24, delete "Section 2" and insert "Section 3" in lieu thereof.

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8. Page 5, line 3, delete "7,860,287" and insert "7,385,287" in lieu thereof.
9. Page 5, line 17, delete "4,356,067" and insert "3,856,067" in lieu thereof.
10. Page 7, line 8, delete "Renovation of the FSM Embassies in Washington, D.C. and Suva, Fiji 225,000" and insert "FSM trust fund 250,000" in lieu thereof.
11. Page 7, line 10, delete "Section 3" and insert "Section 4" in lieu thereof.

With these amendments, your Committee on Ways and Means is in accord with the intent and purpose of C.B. No. 14-51 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. 14-51, C.D.1.

Respectfully submitted,

Isaac V. Figir, chairman

Roosevelt D. Kansou, vice chairman

Claude H. Phillip, member

Manny Mori, member

Peter M. Christian, member

Dohsis Halbert, member

Simiram Sipenuk, member