

STANDING COMMITTEE REPORT NO. 14-62

RE: C.B. NO. 14-1/W&M

SUBJECT: LAPSING OF PROJECT FUNDS

SEPTEMBER 28, 2005

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

Dear Mr. Speaker:

Your Committee on Ways and Means to which was referred C.B. No. 14-1 entitled:

"A BILL FOR AN ACT TO ESTABLISH A DATE UPON WHICH CERTAIN FUNDS, PREVIOUSLY APPROPRIATED FOR PROGRAMS AND PROJECTS IN THE STATES, SHALL LAPSE, 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. 14-1 is intended to lapse all funds appropriated prior to May 11, 2001 for projects and programs in the states. The lapsed funds would revert to a special fund within the General Fund, to be held until re-appropriated by Congress for social and economic development projects in the states. Funds appropriated during the 12th, 13th and 14th Congress would not be affected by the bill.

It is clear that the FSM Department of Finance and Administration has serious difficulties in respect of the accounting for project funds appropriated by previous Congresses. The Department has been unable to provide Congress with project account balance data that is either current or reliable. Incorrect account data has led to confusion, over-expenditures of accounts, capital fund deficits, vetoed project bill amendments and difficulty in accessing funds. Furthermore, the efforts to reconcile these accounts have been very costly, even though not terribly successful.

Factors contributing to this problem undoubtedly include (a) the proliferation of project accounts over the years, (b) the incompleteness of the data base maintained by the Department of Finance, (c) the implementation of new Department computer systems in 1999 and (d) human error. Your committee does not view any of these issues as excusing the present situation, but, being realistic, does not believe that the Department is likely to significantly improve the quality of its data at any time in the foreseeable future, at least

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not at reasonable cost. We, therefore, support the lapsing of project funds appropriated prior to the 12th Congress. It is our expectation that this will permit the Department to close the substantial majority of existing project accounts and then to get a fresh start on its accounting when the lapsed funds are re-appropriated. At the very least, this approach will significantly reduce the number of accounts that must be maintained by Finance and, thereby, the magnitude and complexity of its accounting responsibilities.

Although your committee supports the purpose of C.B. No. 14-1, we recommend that it be amended in a number of respects. First, the lapse date set by C.B. No. 14-1---July 1, 2005---has already passed and therefore must be changed. Your committee recommends that the funds be lapsed effective June 30, 2006 and that the Secretary of Finance be required to report to Congress on the closing balances of the accounts within sixty days thereafter. This will result in Congress having the information that it needs to re-appropriate the lapsed funds in time for the Fourth Regular Session of the Fourteenth Congress. Your committee also recommends that C.B. No. 14-1 be amended to require that, when the lapsed funds revert to the special fund, a separate account be maintained for each election district (and for each state's at-large needs), to hold that portion of the lapsed funds that had been, prior to the lapsing, earmarked for that district. This will enable Congress to re-appropriate monies to each district in proportion to how much it has been affected by the lapsing. We regard this as appropriate in that the primary purpose of C.B. No. 14-1 is to address the Department's accounting problems, not to shift previously-appropriated funds from one district to another.

Specifically, your committee recommends the following amendments to C.B. No. 14-1:

1. Page 1, line 6, delete "July 1, 2005" and substitute "June 30, 2006" in lieu thereof.

2. Page 2, line 7, following "Congress." Insert "Within said FY 2006 Project Fund, the Department of Finance and Administration shall maintain a separate account for each Election district and for the at-large needs of each State to hold those lapsed funds that, prior to lapsing, had been appropriated for projects in such Election district

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or for such at-large needs. Appropriations from the FY 2006 Project Fund shall be made to each Election District and to the at-large needs of each State only as permitted by the balance of funds in the account maintained for that District or that State's at-large needs."

3. Page 2, line 12, following "District" insert "or State at-large needs".

4. Page 2, line 13, delete "2005" and insert "2006" in lieu thereof.

5. Page 2, line 15, following "District" insert "and each State's at-large needs".

6. Page 2, line 16, delete "July 1, 2005" and insert "June 30, 2006".

7. Page 2, line 17, following "Fund" insert "and each account therein".

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

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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