

STANDING COMMITTEE REPORT NO. 15-106

RE: C.B. NO. 15-111/W&M

SUBJECT: SUPPLEMENTAL BUDGET 2008

APRIL 02, 2008

The Honorable Isaac Figir
Speaker, Fifteenth Congress
Federated States of Micronesia
Fourth Special Session, 2008

Dear Mr. Speaker:

Your Committee on Ways and Means ("W&M"), to which was referred C.B. No. 15-111, entitled:

"A BILL FOR AN ACT TO AMEND PUBLIC LAW NO. 15-11, AS AMENDED BY PUBLIC LAW 15-18 AND 15-26, BY AMENDING SECTIONS 1, 2, 4, 5, 8, AND 9 THEREOF, IN ORDER TO APPROPRIATE AN ADDITION \$1,931,033 FROM THE GENERAL FUND FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2008, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

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

This is a supplemental appropriation bill requesting amendments to the comprehensive annual budget act, Public Law No. 15-11, to fund certain expenditures. PL 15-11 has been amended by two public laws, Public Law No. 15-18 and Public Law No 15-26.

The Director of SBOC transmitted a revised revenue projection on 17 March 2008 (Miscellaneous Communication No 15-57). However, the projection and total spent omits PL 15-30, an appropriation of \$3,780,000. Therefore the correct total appropriated amount for FY08 so far is \$33,115,245. With the total estimated Domestic revenue set at \$34,771,867, this leaves a fund balance of **\$1,656,622** available for domestic revenue appropriation.

The supplemental requests in Presidential Communication PC 15-164 amount to **\$1,931,033** from the President. Of this, \$1,731,033 is from the general fund. The other \$200,000 is from Compact funding and therefore does not come from the General Fund.

There are not sufficient estimated funds in domestic revenue to appropriate all domestic revenue supplemental requests.

Your committee now turns its attention to the actual requests from the Executive. The President is asking for the following:

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From Domestic Revenue:

1.	Office of EEM (FEMA Matching and OCE)	234,349
2.	Office of EEM (Reimbursement of Emergency Fund)	48,000
3.	Office of the Public Defender	40,000
4.	Department of Foreign Affairs (repatriation)	83,033
5.	Office of SBOC (State visit and CEC	42,000
6.	Department of TC&I (Caroline Voyager Fuel)	100,000
7.	Department of R&D (R&D Conference)	20,000
8.	Micronesia Conservation Trust	50,000
9.	Department of Justice, Division of Litigation and Law .	33,000
10.	Department of Justice, Division of National Police	7,000
11.	Judiciary (Fixed Assets)	5,000
12.	Multi-purpose building	400,000
13.	Department of Justice, National Police (Patrol fuel) ..	300,000
14.	Office Of SBOC (5 th year Compact review)	50,000
15.	Department of TC&I (Official residence upgrade)	20,000
16.	Department of Finance/Admin (Trust Fund)	298,651

Total Supplemental Requests 1,731,033

Compact Funding

17.	Department of Health and Social Affairs	100,000
	FY05 & FY06 Carryover	
18.	Private Sector Development Grant	50,000
	Private sector development planning	
19.	Office of EEM (FY08 Environment Sector)	50,000

TOTAL 200,000

Your committee on Ways and Means, as well as your committees on Judiciary and Governmental operations, Transport and Communications, Resources and Development and External Affairs held several public hearing on the supplemental requests. All hearings were held in the Congress Committee hearing room at Palikir, Pohnpei.

The first public hearing was held with witnesses from the Office of SBOC and the President's Office on Wednesday 26 March 2008 at 1.30pm The second public hearing was a joint hearing with your committee on Judiciary and Governmental operations Thursday 27 March at 3pm, with witnesses from the Office of the Public Defender, the Department of Justice, the President's Office and the Judiciary. The third public hearing was a joint hearing between Ways and Means, External Affairs and Resources and Development on Friday 28 March 2008 at 1,30pm. Witnesses present were from the Office of Emergency and Environmental management, the Department of Foreign Affairs, the President's Office

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and the Office of SBOC.

Supplemental requests

Your Committee has outlined many times its reasons for not considering supplemental requests made with a detailed breakdown of costs. [See SCR 15-54 and SCR 15-91 for detailed explanations]. Your Committee made a courtesy call to the Office of the President when the 4th Special Session was called, to remind the Office that supplemental requests should be submitted with a detailed breakdown.

However, once again, the supplemental requests were made without the provision of a breakdown for many of the line items. Eventually, the Office of SBOC provided breakdowns for all but 2 items only when requested in a public hearing. Your Committee would have saved much time and been spared the need to hold one of the public hearings if this information had been presented at the time of the supplemental request. Further, some the breakdowns provided do not match the amount requested by the President, and no explanation of this was provided. This generate a great deal of confusion for your Committees and the witnesses alike.

Your Committee also notes that despite the fact this Special Session as called primarily for the purpose of considering supplemental requests, these requests were not made until after the close of business the last working day before the session. If the President calls a session for the purpose of supplemental appropriations, the requests should be made as soon as possible, not when then session commences.

Your Committee is also seriously concerned that, with some exceptions, the witnesses could not provide reasons as to why they required supplemental funding only 5 months into the financial year. Requests were vague, and in many cases, no explanation or evidence was provided as to what they had spent their allocated FY08 budget on. To request money whilst providing no evidence of what has already been expended is not good governance, lacks the transparency the citizens of the FSM deserve and suggests that the Executive is spending money on items it wishes to keep hidden.

Other issues

Your Committee will not repeat its discussions of the improper "restoration" requests. No "restorations" will be considered, with the exception of the request for the Department of Justice for surveillance purposed (see discussion under the line item).

In C.B. No. 15-111, there is an amendment to alter the appropriations for the Office of the Public Auditor, to remove \$25,000 from the

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Personnel line item and place it in the travel line item. This was not raised by the President in PC 15-164, and therefore will not be addressed by your Committee.

Testimony from the Office of EEM states that the most urgent of their requests is one that was submitted to the President, but not included in Presidential Communication No. 15-164. The \$130,000 requested for the SPREP meeting is the amount in question. It is extremely unprofessional to have witnesses testifying at hearing who have not been informed as to whether their requests have been approved by the President. It leads to confusion and is a waste of valuable Congressional time during session. This occurred for the witnesses from R&D and the Office of the Public Defender as well. Whilst the witnesses from SBOC claimed they did not have the full details for each requested item, and that the individual Departments or Offices held that information, those witnesses had less an idea about the requested amounts than SBOC. Your Committee strongly advises the President's Office to co-ordinate between the Executive prior to submitting requests and testifying at hearings.

Reprogramming

Section 11 of the amended budget act (Public Law No. 15-11) requires that *"The President shall report to Congress within one month of the last day of each financial quarter all amounts reprogrammed inter or intra a department, office or agency."* This summary was only provided in March after a specific request from the Congress. The summary provided does not reflect all the reprogramming undertaken to the end of March. Please provide an up to date summary, and ensure that this requirement is met in future.

Further, your Committee on Ways and Means has heard testimony that the reprogramming authority has been taken from the Department of Finance and Administration, and given to the Office of SBOC. Section 11 of the amended budget Act states *"Reprogramming of funds within a department, office or agency shall be effected by the head of such department, office or agency by specifying in writing to the Secretary of Finance and Administration, FSM National Government, the accounts for which funding is either increased or decreased."*

Please ensure that reprogramming of funds within a department, office or agency fulfills this requirement, or submit a request for the bill to be amended

Hauk Airport Extension

The Chairman of your Committee on Transport and Infrastructure requested the addition of a line item in section 8 of the bill. There

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is \$500,000 for the Hauk airport extension, and the request is to appropriate \$350,000 for the extension, and \$150,000 for Hauk Airport extension - land acquisition. Your Committee supports this request and recommends it.

The supplemental requests your Committee considered are:

From Domestic Revenue:

- 1. **Office of EEM (FEMA Matching and OCE) 234,349**
This request is not urgent, therefore your committees do not recommend it.

[Note: The bill places \$234,325 into Section 8 "Grants, Subsidies and Contributions" for FEMA matching funds, when PC 15-164 explicitly states that \$229,349 is for FEMA matching, and \$5,000 is for OCE for the Office]

- 2. **Office of EEM (Reimbursement of Emergency Fund) 48,000**
This request is not urgent, therefore your committees do not recommend it.

- 3. **Office of the Public Defender 40,000**
Testimony was heard from the Office of the Public defender that not only is an additional \$40,000 required for travel to fulfill all its caseloads, but that it has reprogrammed within the office an additional \$23,000 for travel already this financial year. Your Committees recognize the importance of the work of the Office of the Public Defender, and from the detailed information provided, believe it is both justified and urgent to allocate this money. Your Committees recommend the appropriation of **\$63,000** for the Office of the Public Defender.

- 4. **Department of Foreign Affairs (repatriation) 83,033**
This request is for \$33,033 to "implement PL 15-29", which make Deputy Chief of Missions (DCMs) exempt positions. This law is not retroactive, so the \$20,483 for airfares return airfares from duty station to Palikir for nomination hearings is not necessary. Further, payout of annual leave hours for DCMs is not urgent.

Your Committee on Foreign Affairs recommends the appropriation of **\$40,000** for a vehicle for the Fiji Embassy, not \$50,000 as requested. Your committee notes that this is a very expensive for a vehicle, but testimony form the witness stated that the cost of vehicles in Fiji is very high, primarily due to the high taxes imposed.

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[Note: The bill 15-111 seeks to place all requested funding into the travel line item for the Department. Your Committee has placed the funding for the vehicle under "fixed assets"]

5. Office of SBOC (State visit and CEC) 42,000

At the hearing, the witness from the President's Office stated that this money was necessary as the President's travel budget had been slashed by Congress, and did not include any money for State visits. In fact, Congress approved the Presidential travel request in full, and there are 2 budgeted trips to the States included, totaling \$23,432. No evidence was provided as to how the President's Office has expended all its FY08 travel budget thus far. Your Committee on Ways and Means does not recommend the amount of \$27,060 for the Presidential State Visits.

Your committee does not believe the need for \$15,075 for the Chief Executive Council is an urgent request, and does not recommend it.

6. Department of TC&I (Caroline Voyager Fuel) 100,000

This is for fuel to support the routine voyages of the Caroline Voyager. Last session, despite no information being provided as to how the Voyager can be overspent on the entire FY08 budget only 5 months into the year, your Committee recommended the appropriation of \$50,000 from the requested \$100,000. \$50,000 was duly appropriated in Public Law PL 15-26. No wan additional \$100,000 is requested.

Your Committees on Ways and Means and Transport and Communications have repeatedly requested full financial records of expenditure for this fund, but they have not been provided. Your Committee did receive more detailed budget projections and some expenditure reports, but they are not presenting the full picture. The claim was made that POL money was spent on steaming to and from the dry-docking in Japan, but no explanation or proof was provided as to how the \$750,000 for dry-docking (that included POL) was spent.

The Department of Transport, Communications and Infrastructure has previously raised concerns over the management of the funds for the Caroline Voyager.

However, your Committee is mindful of the increases in the price of POL, and of the great importance of the Caroline Voyager trips to the outer islands.

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This time, once again, your Committee recommends the approval of the request despite its reservations. No supplemental requests will be approved in future without the provision of these records.

- 7. Department of R&D (R&D Conference) 20,000**
 There is no information as to what this \$20,000 will be used for. At the hearing, the witnesses from SBOC and R&D were confused as to this line item. Further, the bill (CD 15-111), whilst listing the amount of \$20,000 under Section 2(4) in the total for the Department of R&D, does not allocate the funding.

A breakdown was provided for the amount of \$50,000 in the form of a Private Sector Development Grant (Compact funding) for this purpose. Further information shows the cost of hosting a one-off R&D conference to be \$24,196.

Your Committee on R&D recommends that the compact grant detailed in item number 18 be recommended, and an additional \$10,000 be approved as a line item in Section 8 of the budget to cover any extra costs the OIA will not approve for an R&D conference.

The \$50,000 compact grant is to be broken down to:

Travel	35,000
Contractual services	10,000
OCE	5,000

- 8. Micronesia Conservation Trust 50,000**

Your Committee is pleased that this request has come from the Office of the President. At the public hearing into this request in the third regular session, it heard that this appropriation was necessary to show the government of the FSM supports the MCT. This method of requesting a supplemental appropriation shows that the President supports the MCT. Your Committee recommends the approval of this amount.

- 9. Department of Justice, Division of Litigation and Law . 33,000**

This request is for travel for new and ongoing trials in Chuuk and Kosrae, and the witness expenses in Pohnpei. Your Committee recommends the appropriation of this amount.

- 10. Department of Justice, Division of National Police 7,000**

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This amount is to fund the annual rent of the National Police Chuuk Office for one year, at \$600 per month. Your committee recommends this amount.

- 11. **Judiciary (Fixed Assets)** **5,000**
 \$23,000 was appropriated just last session for the Judiciary, based on a ranking of urgent needs.

This request is not urgent, therefore your committees do not recommend it.

- 12. **Multi-purpose building** **400,000**
 Restoration requests will not be considered.

- 13. **Department of Justice, National Police (Patrol fuel) ..** **300,000**
 This is the exception to your Committees view that restoration requests will not be considered.

Your committees believe that the patrol boats play an important role in the protection of our precious fishing stocks, and given the urgent nature of this request and detailed information provided, your committees recommend the funding of \$150,000 for POL for the surveillance.

- 14. **Office Of SBOC (5th year Compact review)** **50,000**
 Restoration requests will not be considered.

[Note: In CB 15-111, the additional \$50,000 requested for the Compact review committee is placed in the Office of SBOC contractual line item, not under the specific line item in section 8 that appropriates the original \$50,000 for the committee.

- 15. **Department of TC&I (Official residence upgrade)** **20,000**
 Restoration requests will not be considered.

- 16. **Department of Finance/Admin (Trust Fund)** **298,651**
 Your Committee is committed to investing in the future of the FSM by appropriating money for the Trust Fund. However, the small surplus that will remain after the basic supplemental requests are met will not permit for any investment this Session.

Compact Funding

- 17. **Department of Health and Social Affairs** **0**
 FY05 & FY06 Carryover

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Your Committee on HESA declined to fund this amount last session, due to concern over how the program will be funded in the long term. No additional information has been received on this issue. Your committee on HESA does not recommend the appropriation of this amount. Rather, your Committee on HESA suggests the carry over be spent implementing the spirit of Congressional Resolution 15-71 to improve the delivery of health services to all FSM citizens.

18. Private Sector Development Grant (SBOC) 50,000
Private sector development planning

The \$50,000 requested from Compact funding for the Office of SBOC appears under it's travel line item. At the hearing, witnesses testified that this funding is for R&D, as well as SBOC, to liaise with the States. Your Committee recommends that the money be appropriated under the control of the Department of R&D (see line item 7).

19. Office of EEM (FY08 Environment Sector) 50,000

The witness testified that every year there are "difficulties" when the environment sector grants are reviewed. The OIA wants a 5 year annual implementation plan to assist in generating an annual submitted budget in line with JEMCO expectations. This grant will assist with this planning process. Your Committee supports the need to develop a draft plan based on SDB/IDP for the Environment sector. Your Committees recommend this amount.

SUMMARY OF ALL RECOMMENDATIONS

Domestic Revenue Recommendations

From Domestic Revenue:

1. Office of EEM (FEMA Matching and OCE)	0
2. Office of EEM (Reimbursement of Emergency Fund)	0
3. Office of the Public Defender	63,000
4. Department of Foreign Affairs	40,000
5. Office of SBOC (State visit and CEC)	0
6. Department of TC&I (Caroline Voyager Fuel)	100,000
7. Department of R&D (R&D Conference)	10,000
8. Micronesia Conservation Trust	50,000
9. Department of Justice, Division of Litigation and Law .	33,000
10. Department of Justice, Division of National Police	7,000
11. Judiciary (Fixed Assets)	0
12. Multi-purpose building	0

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13	Department of Justice, National Police (Patrol fuel) ..	150,000
14.	Office Of SBOC (5 th year Compact review)	0
15.	Department of TC&I (Official residence upgrade)	0
16.	Department of Finance/Admin (Trust Fund)	0

Total Recommended Supplemental Requests (Domestic Revenue) . 453,000

Compact Funding

17.	Department of Health and Social Affairs	0
	FY05 & FY06 Carryover	
18.	Private Sector Development Grant (R&D)	50,000
	Private sector development planning	
19.	Office of EEM (FY08 Environment Sector)	50,000

Total Recommended Compact funding requests 100,000

Your committee on Ways and Means is in accord with the intent and purpose of C.B. No. 15-111, C.D.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. 15-111, C.D.1.

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Respectfully submitted,

/s/ Dohsis Halbert
Dohsis Halbert, chairman

Roosevelt D. Kansou, vice chairman

Moses A. Nelson, member

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

/s/ Fredrico O. Primo
Fredrico O. Primo, member

/s/ Peter Sitan
Peter Sitan, member

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