

STANDING COMMITTEE REPORT NO. 15-122

RE: C.B. NO. 15-123/W&M

SUBJECT: SUPPLEMENTAL BUDGET 2008

May 29, 2008

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

Dear Mr. Speaker:

Your Committee on Ways and Means ("W&M"), to which was referred C.B. NO. 15-123, entitled:

"A BILL FOR AN ACT TO AMEND PUBLIC LAW NO. 15-11, AS AMENDED BY PUBLIC LAW 15-18, 15-26 AND 15-33, BY AMENDING SECTIONS 1, 2, 4, 6, 8, AND 9 THEREOF, IN ORDER TO APPROPRIATE AN ADDITIONAL \$1,247,130 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. Public Law No. 15-11 has been amended by three public laws, Public Laws Nos. 15-18, 15-26 and 15-33.

The supplemental requests are found in Presidential Communications PC 15-191, 15-198 and 15-199. Presidential Communication No. 15-198 itself was received in two separate transmittals. The executive has submitted to Congress no less than four conflicting revenue estimates for FY08 during the fourth regular session, and three different supplemental requests. The most recent supplemental request was received today. This makes it exceptionally difficult for Congress to scrutinize the supplemental requests and ensure fiscally responsible recommendations. Given that the most recent revenue estimate and supplemental request and the breakdown of the requested amounts were received on **DAY 17** of a regular session your Committee has not had time to conduct public hearings into the requested amounts.

Your Committee repeatedly requests that the Executive submit its supplemental requests in a timely manner, with all associated breakdowns attached. Once again, this did not occur. The original supplemental request was not received until DAY 5 of the session, and the breakdowns were not received until DAY 16. This session, being a regular one, does not come as surprise to the Executive. There is no

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excuse for the tardiness of the information. Your Committee is extremely reluctant to address the requests given the limited nature of its review.

Further, the initial request for \$1,247,130 was in excess of the revenue projection current at the time of transmission. **There were not sufficient estimated funds in domestic revenue to appropriate all domestic revenue supplemental requests.** This is inexcusable. Then supplemental requests were reduced (PC No. 15-198) to fit in with a revised revenue estimate, and then they were raised again (PC No. 15-199) when yet another revenue estimate was transmitted.

The most recent revenue estimate, which is at odds with the other transmitted estimates, states there is a fund balance for domestic revenue of \$1,893,484. Your Committee is skeptical of this estimate, especially given that an estimate that \$1,147,130 was available was transmitted a day earlier.

The total amount appropriated for FY08 thus far from domestic revenue is \$33,814,245 (with a total of \$46,906,060 including Compact funding). The most recent revenue estimate includes \$6,086,926 from carryover from all previous years, \$1,000,000 received from the Chuuk recovery loan and a revised revenue projection of \$28,620,803. The total amount of money available for appropriation in FY08 is now estimated to be \$35,707,729. The remaining domestic revenue for appropriation is **\$1,893,484.**

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

From Domestic Revenue:

1.	Office of the President	\$	35,000
2.	National Olympic Committee		52,267
3.	Department of Education		18,000
4.	Office of National Archives, Culture and Historic Preservation (Multi-purpose Building)		400,000
5.	Compact Review Committee		100,000
6.	Department of Foreign Affairs		63,534
7.	Cotonou Agreement Membership Fees		29,000
8.	Department of TC&I		420,329
9.	Postal Services		29,000
10.	FSM Congressional Election		245,853

Total Supplemental Requests **1,392,853**

Compact Funding

11.	Department of Health and Social Affairs		100,000
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FY05 & FY06 Carryover

TOTAL **100,000**

An additional request was made by the Chief Justice, for urgent upgrading of his official residence (transferral of funds) 0

Your committee on Ways and Means met to discuss the supplemental, given that no time was available for public hearings due to the late submittal of the requests and revenue projection.

Supplemental requests

Your Committee has outlined many times its reasons for not considering supplemental requests made without a detailed breakdown of costs. [See SCR No. 15-54, SCR No. 15-91 and SCR No. 15-106 for detailed explanations]. Your Committee again reminded the Executive Branch 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, after no less than four requests, the breakdowns for some, but not all requests were submitted on day 16 of the session. Once again, some the breakdowns provided do not match the amount requested by the President. This clear lack of respect for the processes of Congress is distressing to say the least.

The supplemental requests your Committee considered are:

From Domestic Revenue:

1. Office of the President \$ 35,000

This is for travel (\$26,615) and for Personnel (Chief of Staff \$4,385).

Travel

The line items are for the UN General Assembly (\$10,254) and a State visit to Israel (\$16,361). Your Committee approved the UN GA trip in the FY08 budget - this money has already been appropriated. The trip to Israel will in fact cost \$27,795 as the cost for the President's assistant is not included in the request, but "will be included upon approval by the President" . The airfares quoted are \$14,038 for the President (Business class PNI - Tel Aviv) and \$9,112 economy for assistant. A 5 minute search of the internet returns travel in September (the planned month of travel) as \$6,300 - \$8,300 for business class travel and between \$2,434 - \$3,834 economy class travel, depending on the dates of travel. Further, there is per diem for 2 days in

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Honolulu, 2 days in New York and 4 days in Israel. There are direct flights from Honolulu to Tel Aviv, requiring only 1 night in Honolulu. Costs within a country for a State visit are typically paid for by the host country. The travel request for this trip should be in the range of \$12,000, not \$28,000. Even though a supplemental request for a September visit was made, the **FY09 budget also includes a \$32,000 State trip to Israel.**

The fund balance for the President's Office stands at \$21,500.

The President informed the Speaker of the Congress that his intent is now to link the UN GA trip with the State visit to Israel. Your Committee recommends that \$10,000 extra will be sufficient to cover the cost of the trip to Israel.

Personnel

The amount of \$8,385 is requested to supplement the salary of Chief of Staff. Your Committee never approved this position, has never appropriated funds for the position and will not do so now. A public hearing is to be scheduled to investigate how a position in the President's Office could be created without approval of Congress, using a personnel line item appropriation from another Department.

Your Committee recommends a total of \$10,000 in supplemental appropriation for the Office of the President.

2. National Olympic Committee 52,267

This request is for assistance to send the FSM delegation to the 2008 Olympic Games in Beijing. Your Committee is at a loss as to how the fact the Olympics games are being held in just over 2 months escaped the attention of the Executive until now. This should have been included in the FY08 budget.

The delegation is to include six athletes, six coaches, one Chef de mission, one medical officer, one press attaché, one admin officer, two Youth Camp participants, the FSMNOC Secretary General and the FSMNOC President. Further, some funding is requested for **seven** FSM National Government VIPs. The IOC and Beijing Organizing Committee is paying for airfares and accommodation for the sport group, and this requested amount is to cover departure fees, insurance, uniforms, supplies, a stipend and equipment.

The breakdown provided, whilst detailed, begged further inquiry.

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Mr. Jim Tobin, Secretary General of the NOC, was consulted.

He explained that most of the costs incurred are for the "sport group". This consists of the all the delegation except for the VIPs and the guests of the NOC officials, totaling 20 persons. The VIP group will receive only an Opening Ceremony Uniform and a warm up uniform.

The costs of the uniforms were explained to be very high due to actual cost of purchasing the uniforms, mostly off-island. The Opening Ceremony uniform includes dress pant/skirt, shirts, jackets and shoes. The warm ups are being purchased ready made and then embroidered for the FSM team.

The stipend is for 30 days, at \$50 a day.

The NOC for the FSM requires approximately \$350,000 to send a team to the Olympics. They have raised approximately \$300,000, and require only \$51,426 from the National Government.

The National Government VIPs are to have their costs paid by the Chinese Government, and in this request the only source of funding for VIPs is the team uniforms.

Your Committee is in full support of the FSM's participation in the Olympic Games, and conveys its sincere wishes to the athletes for every success and an enjoyable and rewarding games.

However, your Committee cannot justify the cost of sending 14 officials for 6 athletes. It recommends funding the amount of \$40,000, and suggests some savings be met through purchasing uniforms for only sport group members, and reducing the number of officials.

3. Department of Education \$ 18,000

This amount is for textbook inventory activities, required by JEMCO to be reconciled and reported by 31 July 2008. Your Committee notes with great concern the initial request from the Department is for \$58,556. The letter from the Secretary of the Department states that the new Department cannot function at the level of funding for FY08. The President assured your Committee that establishing a new Department of Education would not incur significant costs. This is clearly not the case.

With respect to the \$18,000 request, your Committee does not recommend any supplemental appropriation. Any adjustments to the FY09 budget will be properly scrutinized by your Committee on

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HESA.

- 4. **Office of National Archives, Culture and Historic Preservation (Multi-purpose Building) \$ 400,000**

Your Committee has repeatedly declined to fund this request in the FY08 budget. It continues to do so.

- 5. **Compact Review Committee \$ 100,000**

Your Committee initially approved the amount of \$50,000 for this Committee, as it believed this was sufficient for its purposes. It remains of the same opinion. Further, although it is a moot point, no breakdown of the requested amount was provided.

- 6. **Department of Foreign Affairs \$ 63,534**

Your Committee approved a supplemental request for \$40,000 for the Department of Foreign Affairs only last month. The breakdown for the \$63,534 provided is cursory, and states:

Travel

\$5,623 Office of the Secretary and \$20,831 for Embassy in Washington DC for 2 travelers for presentation of credentials in Israel.

Contractual Services

\$21,080 for the FSM missions to UN, Washington DC, and Hawaii; plus staff housing

OCE

\$5,000 for Embassy in Washington DC.

Fixed Assets

\$11,000 for Embassy in Washington DC.

No information is provided as to precisely what these requests are for, or why they are urgent. Your Committee does not recommend this funding be approved.

- 7. **Cotonou Agreement Membership Fees \$ 29,000**

Your Committee appropriated \$40,000 for back payment of membership contributions owed in FY07, and \$10,000 for FY08. The fact that this specific appropriation was reprogrammed is shameful, and the international reputation of the FSM has been tarnished. Your Committee recommends the Executive reprogram funds immediately to fulfill this obligation.

- 8. **Department of TC&I \$ 420,329**

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This is for fuel to support the routine voyages of the Caroline Voyager and for utilities for the Capitol and Official Residence to end September 2008. The request is for \$170,329 for fuel for the Voyager, a further \$250,000 for Utilities at the Capitol and the Official residences. The shortfall is blamed in rising fuel prices.

Fuel

In the third regular session, despite no information being provided as to how the Voyager could have overspent on the entire FY08 budget only 5 months into the year, your Committee recommended the appropriation of \$50,000. \$50,000 was duly appropriated in Public Law PL No. 15-26.

Then, in the fourth special session, another request for \$100,000 was made. This was in April. Once again, your Committee approved the request despite its reservations and the amount of \$100,000 was duly appropriated in PL 15-33. In SCR No. 15-106 your Committee then stated that no further supplemental requests would be approved in future without the provision of full financial records.

Your Committees on Ways and Means and Transport and Communications have repeatedly requested full financial records of expenditure for this fund. Some reports have been received, and your Committee on Transport and Communications is confident full records will be received shortly.

Your Committee recommends the amount of \$120,000 be appropriated for POL for the Voyager. Your Committee also recommends that the outer islands of Pohnpei be included the regular route of the Voyager in future.

Utilities

No explanation has been provided as to how the Utilities fund balance is at zero with four months remaining in FY08. This is extremely frustrating for your Committee, as it is dealing with requests made so late in the session there is no time for hearings or investigations. Your Committee requires copies of payments made, past usage and validated fund balances. None of these are available at such short notice. However, your Committee recognizes the importance of ensuring PUC receives monies owed for utilities, and recommends funding for the next 3 months, in the amount of \$150,000.

Your Committee recommends "Cash power" meters to be installed in each government department. This will prevent late payment of

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bills by the National Government, and promote lower usage of power because it will be the responsibility of each Department to cover their utility bills.

9. Postal Services \$ 29,000

This request is for the Chuuk post office in Weno:

Personnel

\$5,900 for the hire of 2 security guards (under contractual services line item)

Fixed Assets

\$13,000 for a generator

Contractual Services

\$20,000 - \$11,00 for construction of a fence to deter vandals and \$9,000 to improve the office space to include the Tax & Revenue office in the post office.

Your Committee approves of the above amounts, with the exception of \$11,000 for the fencing. Public buildings should be welcoming, not fenced off from the public. If damage during closed hours is a problem, the new security guards will be able to prevent it.

10. FSM Congressional Election \$ 245,853

This is for the National Election in FY09. There is a bill pending before Congress to appropriate funds for this purpose.

11. Chief Justice Official residence

The Court is requesting this funding for urgent upgrade of the landscaping around the residence to permit the Chief Justice to move in. The court has an excess of \$12,000 in personnel, and requests Congress place this money into Contractual Services. Your Committee is wary of removing funds from the Personnel line item, but in this case considers the transfer justified.

Compact Funding

**12. Department of Health and Social Affairs \$ 100,000
FY05 & FY06 Carryover**

Your Committee on HESA has twice declined to fund this amount, due to concern over how the program will be funded in the long term. No additional information has been received on this issue, despite two sessions passing after the request was made. Your committee on HESA does not recommend the appropriation of this amount. Once again, your Committee on HESA recommends the carry

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over be spent in support of targeted and measurable programs to implement the spirit of Congressional Resolution 15-71 to improve the delivery of health services to all FSM citizens.

Recommendations

From Domestic Revenue:

1.	Office of the President	\$	10,000
2.	National Olympic Committee		40,000
3.	Department of Education		0
4.	Office of National Archives, Culture and Historic Preservation (Multi-purpose Building)		0
5.	Compact Review Committee		0
6.	Department of Foreign Affairs		0
7.	Cotonou Agreement Membership Fees		0
8.	Department of TC&I		270,000
9.	Postal Services		18,000
10.	FSM Congressional Election		0
11.	Chief Justice Official residence		0
	Total Supplemental Requests		0

Total Recommended Supplemental Requests (Domestic Revenue) . 338,000

Compact Funding

12.	Department of Health and Social Affairs		0
	FY05 & FY06 Carryover		0
	Total Recommended Compact funding requests		0

One technical amendment to the budget act is to de-appropriate \$90,000 from the Department of Justice. This was included in PL No 15-33 in error.

Your committee on Ways and Means is in accord with the intent and purpose of C.B. No. 15-123, 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. 15-123, C.D.1.

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Respectfully submitted,

/s/ Dohsis Halbert

Dohsis Halbert, chairman

Setiro Paul, member

/s/ Moses A. Nelson

Moses A. Nelson, member

/s/ Claude H. Phillip

Claude H. Phillip, member

Fredrico O. Primo, member

/s/ Peter Sitan

Peter Sitan, member

Joseph J. Urusemal, member