

STANDING COMMITTEE REPORT NO. 15-36

RE: C.B. NO. 15-37/W&M

SUBJECT: CHANGE THE USE OF A PORTION OF THE FIRST TRANCHE OF THE PRIVATE SECTOR DEVELOPMENT LOAN FROM THE ASIAN DEVELOPMENT BANK AND TO ELEMIMATE THE LAPSE DATE FOR UNEXPENDED FUNDS.

SEPTEMBER 21, 2007

The Honorable Isaac V. Figir
Speaker, Fifteenth Congress
Federated States of Micronesia
Second Regular Session, 2007

Dear Mr. Speaker:

Your Committee on Ways and Means, to which was referred C.B. No. 15-37, entitled:

"A BILL FOR AN ACT TO FURTHER AMEND SECTION PUBLIC LAW NO. 13-57, AS AMENDED, BY AMENDING SECTION 1 THEREOF TO AUTHORIZE THE USE OF \$500,000 FROM THE FIRST TRANCHE OF THE FSM NATIONAL GOVERNMENT'S PORTION OF THE PRIVATE SECOR DEVELOPMENT PROGRAM LOAN FROM THE ASIAN DEVELOPMENT BANK TO FUND VARIOUS CONSULTANTS REQUIRED FOR PRIVATE SECTOR DEVELOPMENT, TAX REFORM EFFORTS AND FOR OTHER PURPOSES, TO AMEND SECTION 2 THEREOF TO ELIMINATE THE LAPSE DATE FOR UNEXPENDED FUNDS, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

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

Public Law No. 13-57 appropriated \$250,000 of the first tranche of the FSM National Government's share of the Private Sector Development Program Loan from the Asian Development Bank. The full amount was originally to employ a "certified tax accountant and a lawyer specializing in taxation low for the purpose of improving tax collection and administration." The Act, which became law on December 8, 2004, provided the contract positions were to be for a one year period. It also provided for a September 30, 2007 lapse date.

Public Law No 13-76 simply reallocated \$70,000 of the funds to support the work of the FSM tax reform task force. Public Law No. 13-88 increased the total appropriation from the ADB Private Sector Development Loan to \$400,000 with an additional \$50,000 going to support the work of the tax reform task force and new appropriation of up to \$100,000 to fund "consultancy services to pursue the Investment Development Fund grand and for reporting requirements under the Amended Compact." Public Law No. 14-44 increased the total amount appropriated from the first tranche of the loan to \$500,000 by increasing the amount to the tax reform task force to \$140,000, adding

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\$15,000 for the Fuel Task Force and \$65,000 for "advisors in the areas of economic statistics, investment and trade policy plus implementation of the Secured Transactions Law.

The proposed bill would not involve "new money" but rather reallocates \$50,000 from subsection (a) earmarked for the Division of Customs and tax Administration to subsection (b) to support the work of the FSM tax reform task force. Subsection (a) is further amended to specify the remaining \$130,000 is to hire a certified "public" accountant as opposed to a "tax" accountant and eliminates the authorization to hire a lawyer specializing in tax law. It redefines the purpose of hiring the accountant to include "improving accounting of revenue collection" and "training of local staff" within the division of Customs and Tax Administration. Most importantly from the standpoint of urgency is the proposed amendment to eliminate the September 30, 2007 lapse date.

Your Committee on Ways and Means is in accord with the intent and purpose of C.B. No. 15-37 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. 15-37.

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Respectfully submitted,

/s/ Dohsis Halbert
Dohsis Halbert, chairman

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

/s/ Moses A. Nelson
Moses A. Nelson, member

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

/s/ Peter Sitan
Peter Sitan, member

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

Claude H. Phillip, member