

STANDING COMMITTEE REPORT NO. 16-19

RE: C.B. NO. 16-23/CONSOLIDATED W&M

SUBJECT: FY 2010 BUDGET

SEPTEMBER 21, 2009

The Honorable Isaac V. Figir
Speaker, Sixteenth Congress
Federated States of Micronesia
Second Regular Session, 2009

Dear Mr. Speaker:

Your Committee on Ways and Means, to which was referred C.B. No. 16-23, entitled:

"A BILL FOR AN ACT TO APPROPRIATE \$39,739,722 FROM THE GENERAL FUND OF THE FEDERATED STATES OF MICRONESIA FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2010, TO PROVIDE FUNDING FOR THE OPERATIONS OF ALL BRANCHES OF THE NATIONAL GOVERNMENT OF THE FEDERATED STATES OF MICRONESIA, ITS AGENCIES, VARIOUS PROGRAMS, GRANTS, SUBSIDES AND CONTRIBUTIONS; AND FOR OTHER PURPOSES.",

begs leave to report as follows:

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

Reports on the Proposed FY 2010 Budget

The subject bill is based upon the *National Government Fiscal Year 2010 Proposed Budget* ("Budget Book") as transmitted by President Mori as Presidential Communication 15-374.

Your Standing Committees have each, in committee reports, recommended funding levels for budget requests within their respective areas of jurisdiction. Congress has adopted each of the Committee's reports. The report numbers are as follows: External Affairs - S.C.R No. 16-05; Education - S.C.R. No. 16-09; Health and Social Affairs - S.C.R No. 16-07; Judiciary and Governmental Operations - S.C.R No. 16-13; Resources and Development - S.C.R No. 16-08 (rev 1); Transportation and Communication - S.C.R No. 16-06 (rev 1); and Ways and Means - S.C.R No. 16-18.

FY 2010 Revenue Projections

Your Committee notes that the FY 2010 revenue projection for domestic unrestricted and carryover funds was not provided by the Department of Finance and Administration, as required by the law, despite multiple requests by your Committee. Instead, the Office of SBOC provided a revenue projection that was incorporated into the Budget Book. The Budget Book was transmitted to the Congress in April 2009.

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No updated revenue projection for FY 2010 has been provided to the Congress.

Your Committee is concerned that the Executive Branch has not seen fit to provide the Congress with an updated revenue projection for FY 2010, despite the fact that six months (or more) have passed since the preparation of the revenue projection included in the Budget Book. It would seem reasonable that an additional half-year of revenue collection and investment performance would provide information critical to providing an accurate revenue projection for the following fiscal year, but apparently the Executive Branch does not believe this to be the case.

As noted in previous years' consolidated budget reports of your Committee, it is not the responsibility of your Committee or the Congress to prepare revenue projections. We are dependent upon information provided from the Executive Branch. According to the Budget Book, the domestic unrestricted and carry over funds projection for FY 2010 is \$30,459,405.

JEMCO Resolution 2009-10, transmitted via Presidential Communication No. 16-52, allocated the following National Government Compact Sector Grants for FY 2010:

- \$3,800,000 for the Education Sector
- 854,334 for the Health Sector
- 493,140 for the Capacity Building Sector
- 0- for the Private Sector

Although the resolution allocated \$24,303,552 for the Infrastructure Sector of the National and all four states, the resolution did not provide a breakdown by government. For the purposes of this bill, the infrastructure sector grant will be treated as a grant of \$0 (until such time as a breakdown is received).

Additionally, as the FY 2009 SEG has not been awarded at this time, for the purposes of this bill, it will be treated as a grant of \$0 (until such time as it is awarded).

The total of the domestic revenue projection and the approved Compact Sector Grants is **\$35,597,879**. The President's proposed budget of \$39,739,722 exceeds this amount by \$4,141,854. Clearly, all your Committees had to work diligently to bring the budget into balance while trying to meet the needs of the National Government, Agencies, and Programs, as well as provide the Grants, Subsidies and Contributions on which many organizations have come to rely.

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It has been necessary for Your Committees to make significant cuts and adjustments to the proposed budget to ensure that the revenue ceiling is not exceeded. In this report, your Committee recommends approval of a budget for FY 2010 totalling **\$35,278,975**. As explained in more detail below: this amount does not include any appropriation from the supplemental education grant (SEG), from the amended Compact Infrastructure Sector, or the amended Compact Private Sector and contains an amount from the amended Compact Education Sector that is significantly less than the amount requested (appropriating only what has been approved by JEMCO).

Standing Committee Reports Adjustments

Your Committee has reviewed each of the Standing Committee Reports of your Committees. Each report made recommendations in relation to the budgets of the departments, agencies, offices and programs within each Committee's respective jurisdictions. Your Committee concurs with all the recommendations made in the committee reports except for those recommendations explicitly revised by this report.

After reviewing each of the committee reports, your Committee wishes to make the following minor corrections and clarifications:

1. The Chairman of the External Affairs Committee brought to your Committee's attention an error in S.C.R No. 16-05. On page 5, in the table describing fixed assets approved for the various embassies and consulate offices, the \$30,000 vehicle approved for New York was actually approved for the Tokyo embassy. The recommendation should be amended accordingly, with Congress' indicated agreement by adoption of this report.
2. With respect to S.C.R. No. 16-09, the Chairman of your Committee on Education, via Member Communication No. 16-06, communicated to the Members that it revised its recommendations with respect to the funding of the Department of Education in light of the JEMCO resolution denying funding for much of the amended Compact Education Sector Grant.
The Committee on Education recommends funding only \$28,340 for the Department from domestic revenues. This amount will be used for the Department Secretary's salary. Your Chairman of the Committee on Education has provided your Committee on Ways and Means with an amended version of the chart, which was included as page 15 of its S.C.R. This chart is attached following this report and marked as Attachment A. The chart reflects the recommendation of the Committee on Education that none of the items that were submitted in the Budget Book with

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a funding source from the amended Compact Education Sector Grant be funded, as the grant was not approved.

The sole exception to this recommendation is that your Committee on Education recommends funding the 1st quarter of FY 2010 for the T-3 program staff salaries in the amount of \$43,753. This recommendation has been accepted by the Congress in its adoption of Congressional Resolution No. 16-34, regarding "Approving the National Department of Education's FSM Integrated Program Plan for Fiscal Year 2010 Compact Sector Grant and Fiscal Year 2009 Supplemental Education Grant for Submission to JEMCO".

Your Committee on Education's recommendations as contained in the two-page attachment to this report have been accepted by your Committee on Ways and Means and incorporated into the amended budget bill.

With respect to the employee count for the Department, S.C.R. 16-09 is not entirely clear. For clarification, your Committee notes that last year the Department had 24 positions. The committee report states that the Department had 33 positions last year, and this is not the case. The Committee on Education has recommended adding 9 new positions in FY 2010, for a total of 33 approved positions. The figures for last year and for this year do not include the 9 employees funded by federal programs, as their salaries are not paid by the FSM.

At the request of the President, at a meeting of September 17, 2009, your Committee on Education has recommended funding for one quarter of the year for the salaries of the staff of the T-3 program. This item is included in "Other Grants, Subsidies & Contributions." When the T-3 program is moved to the states at mid-year, as the President has proposed, the employment ceiling for the Department and the Executive Branch as a whole will be reduced by a number corresponding to the number of employees transferred. The budget act will be appropriately amended at that time.

3. In S.C.R. No. 16-06 (rev 1), your Committee on Transportation and Communication, at page 10, recommends no funding for the Infrastructure Maintenance Fund (IMF). With all due respect to the Chairman and the Committee members, your Committee on Ways and Means recommends funding \$85,000 for this item. This amount represents 5% of the expected grant (\$1,700,000) to the National Government from the amended Compact Infrastructure Sector. The amended Compact Fiscal Procedure Agreement, at Article VII, section 7 requires that 5% of each grant from the Infrastructure Sector be set aside for maintenance, and that

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the FSM Government provide an equal 5% to the infrastructure maintenance fund. Although the exact amount of the grant cannot be ascertained at this time, your Committee believes it is prudent to appropriate 5% of the expected grant with adjustment in the future, if necessary. The amended budget bill includes \$85,000 for this purpose.

Your Committee notes that JEMCO Resolution 2009-3 requires the National government to submit a report of the deposits made to the infrastructure maintenance bank account for the National and four states' governments. JEMCO seeks to have no unfunded liabilities to the account by September 30, 2011.

4. In S.C.R. No. 16-18, your Committee on Ways and Means recommended funding for the Congress Delegation Offices that contained a small error with respect to the Kosrae Delegation Office. Instead of recommending \$52,000 for Contractual Services and \$18,000 for OCE, your Committee should have recommended \$50,000 for Contractual Services and \$20,000 for OCE. The amended budget bill reflects this correction.

Other Adjustments

In addition to these modifications to the reports of your other Committees, your Committee on Ways and Means has identified two grant requests and two capital and human resource development items, included in the Budget Book, that were inadvertently omitted by the respective Committees with jurisdiction. Your Committee on Ways and Means has assumed jurisdiction over these items for the purposes of preparing the budget bill only and makes the following recommendations:

	Requested	Recommended
Other Grants, Subsidies & Contributions		
Rural Development	75,000	-0-
Micronesian Conservation Trust	50,000	-0-
Capital & Human Resources Development		
FSM Development Bank (capital)	863,909	-0-
Multi-purpose Bldg/Medical Warehouse	600,000	-0-

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Additionally, your Committee recommends, within the Congress budget, adding a provision to the budget bill to allow for up to \$10,000 of communications bills received late (after the FY09 year end cut off, but for FY09 communications), to be paid from the FY 2010 appropriation for OCE for Congress Staff Offices. This provision does not add any additional funding to the Congress budget for FY 2010.

Amendment to Reprogramming Restrictions

Your Committee recommends that the following language be added in Section 11 of the budget bill - with regard to reprogramming:

"Reprogramming other than that specified herein is not permitted, and more specifically, reprogramming into or out of any item contained in Section 8 (Grants, Subsidies & Contributions) or Section 9 (Capital and Human Resources) is not permitted."

Amendment to Allottees

Your Committee recommends that the President of College of Micronesia-FSM be the allottee for not only the funds appropriated for the College of Micronesia-FSM at Section 9(1)(a), but also be the allottee of the funds appropriated for the FSM Fisheries and Maritime Institute at Section 9(1)(b).

With the foregoing amendments, your Committee on Ways and Means is in accord with the intent and purpose of C.B. No. 16-23 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. 16-23, C.D.1.

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Respectfully submitted,

/s/ Dohsis Halbert
Dohsis Halbert, chairman

/s/ Claude H. Phillip
Claude H. Phillip, vice-chairman

Setiro Paul, member

Roger S. Mori, member

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

/s/ Peter Sitan
Peter Sitan, member

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