

SPECIAL COMMITTEE REPORT NO. 19-12

RE: COMMITTEE TO WAIT ON THE PRESIDENT

SEPTEMBER 20, 2016

The Honorable Wesley W. Simina
Speaker, Nineteenth Congress
Federated States of Micronesia
Fifth Regular Session, 2016

Dear Mr. Speaker:

Your Committee to Wait on the President, consisting of members Senator Alik L. Alik, Senator Tiwiter Aritos, Senator David W. Paneulo, and Senator Joseph J. Urusemal, was duly appointed on September 19, 2016. Senator Alik was designated as the Chairman.

The Committee met with the Vice-President on September 19, 2016 at 3:00 pm. Chairman Alik greeted the Vice-President and key members of the Executive on behalf of Congress, and thanked them for the opportunity to meet. Chairman Alik reported that Congress was in session and was ready to transact business. The Committee stated it had as its main priority finalizing the budget for FY 2017. Other Congressional priorities included the following: 1) consideration of the bill to amend the FSM corporations law to avoid potential "blacklisting" of the FSM by the OECD Global Forum; 2) refusal by the Immigration Division to renew entry permits of certain foreign workers in the private sector; and 3) the outstanding Revenue Projection for the current session.

The Vice President greeted the Committee, and he distributed a written agenda detailing the Executive's priorities for this session. (Five of the items on the agenda were the subjects of Presidential Communications already transmitted to Congress; as such, they were not

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discussed.) The other items, plus several items not listed, were then discussed in turn.

FY17 Proposed Budget

Like your Committee, the Vice President indicated that it was his hope that early action could be taken on finalizing the budget. He also explained that some items had been omitted from earlier budget communications.

National PMU Budget for FY17

The Vice President asked the Secretary of TC&I to brief your Committee on this issue. The Secretary reiterated that the national PMU is still expected to retain a role in infrastructure projects even with the advent of the state PMOs. He explained that prior to the finalization of the FSM Infrastructure Development Plan, an RFP was issued, which resulted in identifying Lyon Associates to assume control of the PMU. On July 1, 2016, TC&I signed a 3-month contract with Lyon Associates, which will expire on September 30, 2016. The Secretary explained that the state PMOs are not ready to assume responsibility for infrastructure projects currently underway (e.g. Weno Road, Nan Pei High School, water line projects, etc.). Consequently, without an extension of the contract with Lyon Associates, these projects will come to a halt. He explained that he needs Congress to pass C.B. No. 19-150, which would appropriate a grant in the amount of \$506,300 from OIA, before September 30, 2016.

In addition, the total funding required to operate the PMU under the contract with Lyon Associates for the entire FY 2017 fiscal year is \$2,446,924. He explained that this entire amount would eventually need to be appropriated. He also reiterated that at the recent JEMCO meeting in August 2016, JEMCO raised the issue of the PMU/PMOs. He explained that JEMCO would like the National Government's PMU to retain oversight of infrastructure projects to ensure that they are implemented according to the Fiscal Procedures Agreement. (Towards the end of the lengthy meeting, the Secretary again reiterated that unless the necessary funds are appropriated by the end of September, he may be forced to turn over responsibility for all current projects to the

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state PMOs, which he indicated would be frowned upon by JEMCO.) It was agreed that the relevant standing committees would look into this matter.

Retention of the law firm Arnold and Porter for 2 years starting in October 2016

The Vice President explained that a request for appropriation for this purpose was previously included in the supplemental budget request to Congress during the Fourth Special Session. However, the request was not approved. He noted that an amount to fund the newly created Joint Committee on Compact Review and Planning (JCRP) had also been included but also not approved. The Vice President noted that the President and the Speaker had just recently returned from a trip to Washington, D.C. to meet with senior representatives of the law firm, and he encouraged your Committee to have the relevant standing committees consider this issue during the session.

Economic Road Map for the Economic Development Projects for \$19.5m

The Vice President emphasized the importance of this item as it relates to the need for the National Government to grow the economy for the benefit of all the people of the FSM. He explained that the Department of Resources & Development is continuing to refine the Road Map.

Joint Economic Management Committee Adopted Resolutions – 24 August 2016

The Vice President provided your Committee with a handout detailing the resolutions adopted by JEMCO at its meeting on August 24, 2016.

University of South Pacific Membership

The Vice President's staff provided a lengthy packet of information dated October 6, 2015, related to a resolution endorsing the membership of the FSM in the University of the South Pacific (USP). It was agreed that the appropriate standing committee would determine how to address this issue.

Miscellaneous issues

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Finally, some miscellaneous issues were briefly discussed: 1) the issue of the National Government reclaiming control of the foreign investment permit process to grow foreign investment in the FSM; 2) the possibility of reducing the time lag in approving health grants; 3) the status of the appropriation to repay arrears owed to San Diego State University; and 4) the recent situation involving the repatriation of FSM citizens by the Governor of Guam.

After laying out its priorities for the session, the appropriate Executive staff responded to the priorities laid out by your Committee.

Bill to amend FSM corporations law

Everyone agreed on the importance of addressing this issue to avoid any potential blacklisting of the FSM by the OECD Global Forum.

Refusal to renew entry permits of foreign workers

An Assistant Attorney General explained that the Immigration Division had recently issued letters purporting to give certain foreign workers only 15 days to exit the FSM as their applications for renewal of their entry permits would not be processed. The letters had caused some individuals in the private sector and the Governors of at least two states to express serious concern. Unfortunately, no attorney from the Department of Justice had reviewed the letters before they were sent. After the letters had been reviewed, the Department of Justice had instructed that the letters be rescinded while a review of the issue is conducted within the next six months by an attorney in the Department of Justice.

Revenue projection for current session

A representative from the Department of Finance & Administration explained that he had just received within the past hour updated numbers from NORMA, which had allowed him to finalize a draft of the revenue project for review by the Secretary of Finance and Administration. He explained that the final revenue projection, which should show a small increase, would be transmitted on September 20, 2016. Your Committee took the opportunity to remind

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everyone of the legal requirement that the revenue projection be transmitted to Congress 10 days prior to the start of the Congressional Session. The Committee stated that it would report the priorities to the full body of Congress and do its best to work on the priorities as set forth by the Vice President.

The meeting concluded with mutual agreement to move forward on the above issues in a timely and cooperative manner. Your Committee kindly requests the members address any further questions regarding the priority issues for this session to the members of the Committee during the discussion of this report at session.

Respectfully submitted,

/s/ Alik L. Alik
Alik L. Alik, Chairman

/s/ Tiwiter Aritos
Tiwiter Aritos, Member

/s/ Alik L. Alik
David W. Paneulo, Member

/s/ Joseph J. Urusemal
Joseph J. Urusemal, Member