

STANDING COMMITTEE REPORT NO. 20-25

RE: C.B. NO. 20-83/CONSOLIDATED W&M

SUBJECT: FY 2018 BUDGET

SEPTEMBER 23, 2017

The Honorable Wesley W. Simina
Speaker, Twentieth Congress
Federated States of Micronesia
Second Regular Session, 2017

Dear Mr. Speaker:

Your Committee on Ways and Means, to which was referred C.B. No. 20-83, entitled:

"A BILL FOR AN ACT TO APPROPRIATE **\$76,378,100** FROM THE GENERAL FUND OF THE FEDERATED STATES OF MICRONESIA FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2018, TO PROVIDE FUNDING FOR THE OPERATIONS OF ALL BRANCHES OF THE NATIONAL GOVERNMENT OF THE FEDERATED STATES OF MICRONESIA, ITS AGENCIES, VARIOUS PROGRAMS, GRANTS, SUBSIDIES AND CONTRIBUTIONS AND CAPITAL AND HUMAN RESOURCES DEVELOPMENT, 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 2018 Budget

The subject bill is based upon the *FSM National Government FY2018 Recommended Budget* ("Budget Book"), transmitted by the Executive as Presidential Communication No. 19-579, as reported on by each Congress Standing Committee.

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Your Standing Committees have recommended funding levels for budget requests within their areas of jurisdiction. Congress has adopted each of the Committee's reports. The report numbers are as follows: Education - S.C.R No. 20-10; External Affairs - S.C.R. No. 20-18; Health and Social Affairs - S.C.R No. 20-19; Resources and Development - S.C.R No. 20-20; Transportation and Communication - S.C.R No. 20-21; Judiciary and Governmental Operations - S.C.R No. 20-23; and Ways and Means - S.C.R No. 20-24.

FY 2018 Revenue Projections

Your Committee notes that FY 2018 Estimated Revenues were included with the Budget Book, with projections of \$70,320,354 of Domestic Revenue, \$5,252,250 of amended Compact Sector Grant funding, and \$1,612,620 of Supplemental Education Grant (SEG) funding for FY 2018. The Estimated Revenues also included U.S. Federal Programs and other foreign assistance, which Congress does not appropriate; as such, your Committee has deleted these sources from the Estimated Revenues and appropriating legislation.

Your Committee recommends using the Revenue Projection of **\$70,320,354** in Domestic Revenue as provided by the FY 2018 Budget Book, as the Committee defers to the President for domestic revenue projections for FY 2018. Your Committee recommends using the Revenue Projection of **\$1,612,620** in Supplemental Education Grant (SEG) funding as provided by the Budget Book, as the Committee also defers to the President for projections concerning the availability of SEG funds. Finally, your Committee recommends using the Revenue Projection of **\$5,252,250** in Compact Sector grants as provided by the FY 2018 Budget Book, noting that, of the total Compact Sector Grant funding for FY 2018, \$1,000,000 will come from "amended Compact-Operational funds" (Education Sector Grant) and \$4,252,250 will come from "amended Compact-Infrastructure Sector Development funds" (Infrastructure Sector Grant Arrears).

Adding the Domestic Revenue, the Compact Sector Grant funding for COM-FSM, and the SEG, a total of **\$77,185,224** in revenue is estimated for FY 2018. Of this amount, **\$70,320,354** will be available from Domestic Revenue, **\$5,252,250** will be available from amended Compact

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Sector funds, and **\$1,612,620** will be available from the Supplemental Education Grant.

All your Committees worked 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 rely. In this report, your Committee on Ways and Means recommends approval of a budget for FY 2018 totalling **\$76,378,100**; of this amount, **\$69,513,230** is recommended from Domestic Revenue and **\$5,252,250** is recommended from the amended Compact Sector for COM-FSM and **\$1,612,620** is recommended from the Supplemental Education Grant.

Standing Committee Reports Adjustments

Your Committee has reviewed the Standing Committee Reports of each of your Committees. Each report made recommendations in relation to the budgets of the departments, agencies, offices and programs within each Committee's jurisdiction. Your Committee's deliberations and recommendations are summarized by this report and are reflected in the attached bill.

After reviewing each report, your Committee wishes to make the following adjustments:

- (1) Committee on Education – S.C.R. No. 20-10

Your Committee does not recommend any adjustments to the adopted Standing Committee Report.

- (2) Committee on External Affairs – S.C.R. No. 20-18

Your Committee does not recommend any adjustments to the adopted Standing Committee Report.

- (3) Committee on Health and Social Affairs – S.C.R. No. 20-19

Your Committee does not recommend any adjustments to the adopted Standing Committee Report.

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(4) Committee on Resources and Development, S.C.R. No. 20-20

Your Committee recommends reducing the funding for the line item titled "Assistance to States for Tourism Investment Plan Implementation" (p.28) from \$1,200,000 to -0-. Your Committee does not disapprove of the purpose of this line item, however, given the limited availability of funds for the beginning of FY 2018, your Committee presently wishes to utilize this money to fund other projects.

(5) Committee on Transportation and Communication, S.C.R. No. 20-21

Your Committee recommends reducing the funding for the line item titled "Funding for Road Seaport and Airport Improvement" (p.13) from \$1,200,000 to -0-. Your Committee does not disapprove of the purpose of this line item, however, given the limited availability of funds for the beginning of FY 2018, your Committee presently wishes to utilize this money to fund other projects.

(6) Committee on Judiciary and Governmental Operations, S.C.R. No. 20-23

Your Committee notes that a technical error was made in the discussion of the line item titled "Administration, Office of the Secretary: Contractual Services" under the detail for the Operations of the Department of Justice (pp. 3-4). S.C.R. No. 20-23 states that a total of \$15,000 is allocated under this line item for the independent contract of Mr. Clement Mulalap to work, based in New York, on national matters (p.4). The amount allocated for this purpose should have been stated as \$125,000, not \$15,000. The various charts and totals in S.C.R. No. 20-23 reflect the correct amounts. This note is meant to clarify that it is the intent of your Committee to ensure that \$125,000 of this line item is used for the purpose described herein. On a related note, your Committee wishes to state that, if the amount recommended herein is insufficient to cover the amount of the contract negotiated with Mr. Mulalap, your Committee requests that the Executive Branch transmit to Congress a future supplemental appropriations request in order to fund the full

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amount of the contract. Your Committee wishes to clearly state that this \$125,000 allocation of the Contractual Services line item shall not be used to cover any expenses other than the one specifically identified in this paragraph.

(7) Committee on Ways and Means, S.C.R No. 20-24

Your Committee recommends multiple changes to the Standing Committee Report based on discussions during and subsequent to the Committee meeting to consolidate the budget.

Your Committee recommends changing the distribution of funds for the Kosrae Delegation Office (p. 18). Your Committee recommends keeping the Total amount at \$70,000, to be divided as follows: \$10,000 for Travel, \$40,000 for Contractual Services and \$20,000 for OCE. This change does not affect any of the total amounts in S.C.R. No. 20-24.

Your Committee recommends reducing the funding for the line item titled "FSM Trust Fund" (p.25) from \$5,000,000 to -0-. As a general policy matter, your Committee remains committed to investing in the FSM Trust Fund. Your Committee wishes, however, to utilize the limited available funds for other purposes at this time. Your Committee notes that it will likely revisit this line item during future sessions throughout the upcoming fiscal year.

Your Committee recommends adding a new line item to be placed in Section 9 of the budget titled "Payments for Yap-Chuuk Telecom Cable Project". Your Committee recommends funding this item at \$8,000,000. Your Committee believes that funding for this line item is both very important and time-sensitive. Your Committee has been in communication with the President and wishes to note that it is hopeful that the Executive Branch will be able to secure future reimbursements for this expenditure.

Due to the limited availability of funds, your Committee recommends eliminating funding for the following line items (pp. 23-25) to be placed in Sections 8 and 9 of the Budget at this time:

- IPU Conferences (\$50,000)
- APPU (\$50,000)

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- FSM-Israel Parliamentary Relations (\$50,000)
- FSM-Cuba Parliamentary Relations (\$50,000)
- FSM-Japan Parliamentary Relations (\$50,000)
- FSM-France Parliamentary Relations (\$50,000)
- COFA Alliance National Network (\$25,000)
- Travel to Investment Advisor (Wilshire) (\$30,000)
- UN Ocean Conference (\$50,000)
- Independence Day Activities (\$50,000)
- Implementation of ODA Policy \$50,000
- Compact Review Committee \$50,000
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Your Committee wishes to note that it will reconsider appropriating funds for the items in the above list, during future sessions of the upcoming fiscal year.

In addition, your Committee wishes to reduce the line item titled "Congress: Staff Upgrade" (p. 23), to be placed in Section 8 of the Budget, from \$50,000 to \$25,000.

Your Committee also notes that the line item titled "Trade Fairs" (p. 24) has been independently considered in the FY18 Budget report from your Committee on Resources and Development (S.C.R. No. 20-20, p. 27). Your Committee therefore wishes to eliminate its own funding recommendation for this line item (\$40,000).

Your Committee recommends increasing funds for the line item titled "MRA Conference in Japan" (p. 24) from -0- to \$30,000.

Your Committee recommends adding a \$10,000,000 appropriation for "Priority Infrastructure Projects". Your Committee recommends an allocation for this item as follows:

- Kosrae: \$1,500,000
- Pohnpei: \$3,000,000
- Chuuk: \$4,000,000
- Yap: \$1,500,000

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Conclusion

With the forgoing amendments, your Committee on Ways and Means is in accord with the intent and purpose of C.B. No. 20-83, as amended, 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. 20-83.

Respectfully submitted,

/s/ Isaac V. Figir
Isaac V. Figir, chairman

Victor V. Gouland, member

/s/ David W. Panuelo
David W. Panuelo, member

Ferny S. Perman, member

/s/ Robson U. Romolow
Robson U. Romolow, member

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

/s/ Paliknoa K. Welly
Paliknoa K. Welly, member