

SPECIAL COMMITTEE REPORT NO. 21-12

RE: COMMITTEE TO WAIT ON THE PRESIDENT

AUGUST 19, 2020

The Honorable Wesley W. Simina
Speaker, Twenty-First Congress
Federated States of Micronesia
Seventh Special Session, 2020

Dear Mr. Speaker:

Your Committee to Wait on the President was duly appointed on August 17, 2020, consisting of members Esmond B. Moses, Peter M. Christian, Ferny S. Perman and Dion G. Neth. Esmond B. Moses was designated as the chairman.

The Committee met with the President on August 18, 2020, at 9:00 a.m. The President greeted the Committee, and thanked everyone for the opportunity to meet. Chairman Moses expressed Congresses gratitude for the meeting and reported that Congress is in the Seventh Special Session and was ready to transact business.

Your Committee received an agenda from the President communicating the priorities the Executive branch wished action on this session. Upon review of the agenda the Chairman stated Congress is prepared to move forward on at least some of the items.

The first item on the President's agenda was a COVID-19 update. Update on the Implementation of the FSM COVID-19 Framework provided to Congress. Highlights include: Still do not have COVID-19 in Micronesia and surrounding nations. Working with the states by doing SIM exercises, Pohnpei and Kosrae have completed exercises. Kosrae did round 2 yesterday, have not received an update on the exercise as of yet. Chuuk and Yap have not yet been assessed. NTF has asked numerous times and they have not yet been invited. They have been doing

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independent exercises to prepare. Challenges with the schools opening up and quarantine locations, as the schools were being used for quarantine. They are now having to focus on independent structures. High Tide is needing their hotel for their own personal use because of the fire. The pre-quarantine requires citizens quarantined for 14 days in Guam with 2 COVID-19 tests. Pohnpei is on board with this plan. Setting up contract with a service provider and hotel in Guam. Trying to safely bring our people back. Social distancing decree is being finalized, should be introduced to the President sometime this week for his endorsement. Chairman Perman inquired from the beginning of the COVID-19 outbreak, how many SIM exercises have been completed in each state? If we are planning to bring in stranded citizens, especially those receiving medical services abroad, should be practicing several times per week. Costs \$760 for each test, in order to ensure they have the health documents needed. Chairman Taulung responded that there have been 2 or 3 exercises prior to lockdown. Each state has been doing their own and he does not have exact numbers. 3 in Pohnpei, 4 in Kosrae, several in Yap and Chuuk. He expressed agreement that the exercises should happen more frequently. There is concern that outside observers need to be involved to ensure and accurate assessment is completed. Chairman Perman expressed that the governors of the states need to invite the NTF, however, since the NTF is based in Pohnpei, it seems like there should be many more exercises happening. He also inquired as to why the Palau model has not been practiced during the exercises. Chairman Taulung noted that they are learning from the Palau model and following many of the same procedures. They are learning from many different models. Looking at resources and the ability to put all citizens in one location, not sure if this can be done.

Chairman Perman noted that he has received many emails regarding this matter. Those on medical referral or receiving medical treatment abroad are in locations that are spiking. What will happen if someone who is stranded gets sick and dies? Who will be responsible? It's been over 6 months that we have been planning, we will never feel 100% comfortable. Concerns about food security, New Zealand suspects COVID-19 may have entered through frozen meat. There is no way to respond to everyone that is inquiring. The President noted that he tries to respond

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in a way that responds to the needs of many citizens. Regarding citizens preparing to return to the FSM, he noted that the National Government has never given anyone the impression that we are ready to accept citizens. Unfortunately, some of the states have given some information that may have been premature. Have to be confident that we are ready and air tight with the procedures. Everyone is working hard to get ready. Regarding the cost of testing, he is surprised to hear that high cost. The Secretary of Finance and Administration added that they are working on contracts for the hotels in Guam and the medical facility that will be monitoring the citizens in quarantine prior to departure. The President notes that the Palau model cannot be fully followed because we have many more citizens and 4 states. We also will have to stagger the return of our people due to the high numbers.

Presidential Communication 21-363 was the next item on the agenda. This is a proposed bill to amend Title 55 in order to provide assistance to "other businesses" impacted by COVID-19, outside of the current limits of the Tourism Mitigation Fund. If the bill is adopted, it will expand to businesses who are not in the tourism sector, but are impacted by COVID-19. They will develop criteria. The Secretary of Finance and Administration noted we have paid out \$1.8M from the Mitigation Fund. Details will be worked out by regulation. Chairman Perman noted that he has received many emails regarding this matter. He noted that some businesses are paid monthly and some quarterly. Some people have noted that there are delays and there is concern that expanding eligibility would further delay the distribution of the checks to businesses. The Secretary of Finance and Administration noted that the delays are due to businesses that are not current with their tax filings. Cannot compare to last years numbers when they have not been filed. The President noted that this is an incentive for businesses to get caught up on their taxes if they have not been compliant. Rob Solomon noted that they spend a lot of time educating people who do not qualify, who do not have proper documentation. The President also noted that there are 40+ applicants that are not eligible for PUA because they are not citizens. They are trying to expand eligibility of non-citizens. The Tourism Mitigation Fund may allow eligibility, but the language may need to be amended. Teachers eligibility would also require and amendment.

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The third item on the agenda was nominations for the FSM Trust Fund Board, FSM Office of Personnel and the FSMTC Board. The President is asking Congress to act on these during special session.

A supplemental budget request of \$3M was the next item on the agenda. \$1.7M is related to COVID-19, additional funding \$300,000 for stranded citizens. \$300,000 to charter flights, \$250,000 on the ground funding for pre-quarantine, etc. \$50,000 to Guam CG to assist the students, (\$40-50K per month being expended). Foreign Service premium has started to be paid at a rate of 25% of base pay. The President believes this is a fair compensation for the staff to have to be in an infected environment. Employees have become infected. \$500,000 requested as contingency plan to plan for front line workers in the states, as well as national government front line workers. COM has requested \$1.2M. The supplemental requests \$400,000 for the core budget to help COM. Chairman Perman asked about the depleting revenue projection. He noted that there is a lot of foreign aid coming in related to COVID-19. He inquired as to the use of the foreign funds donated. The President noted that they are mostly receiving supplies and equipment. CARES Act funds is routed to the states, only Pohnpei has not provided their budget to the Department of the Interior. More grants from ADB are anticipated by November. They are considering how to support citizens in informal sectors like fishermen and farmers. The Secretary of Finance and Administration noted that a lot of the donor assistance has been budgeted in the health response plan. Some of the World Bank \$2.5M has been contracted for medical equipment, pharmaceuticals, etc. Japan funding requires the funds be spent on medical equipment from Japan. The Department of Health and Social Affairs is doing all of the budgeting, matching the needs with the resources. The Secretary of Health and Social Affairs noted the testing part of the CARES Act can be used for the testing in Guam. They are determining what costs can be covered, but testing is definitely covered. The President noted that many of the funds are not flexible. Chairman Perman inquired about the \$6M from ADB. \$3M allocated to financial response and \$1M to department health (reimbursement requests from the states, MiCare patient support) and they are keeping some in reserve in case there is an

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outbreak.

The next agenda item was the HANTRU cable legislation. The President noted that there are internal issues that must be addressed. He is briefed by the departments and agencies. The President also had a Zoom call with the chairman of the telecom board. The President is requesting the support of Congress for this bill to help address some of the issues that are being dealt with under the current set up. The ownership of the spur would be transferred to the OAE. The OAE is disputing some of the current financial arrangements. World Bank is expressing concerns about internal issues that may impact future World Bank resources. Cables need to be neutral to ensure companies that come in the future, there won't be a monopoly. The President noted that the Micronesia cable was ongoing until recently. We were not aware of the progress of the OAE working with Nauru and Kirabati. Funding connected to World Bank, there was initial agreement with conglomerate. U.S has issues with Hawaei being involved due to security concerns. The U.S. through World Bank, is trying to redirect. The 3 countries are going to reevaluate the procurement process and go back to World Bank to try and get out of the selection of Hawaei. There is an extensive process that will have to be gone through. There are 5 stages of procurement. Hawaei bid was \$10-12M less than other bids. Mid-September is the timeline to try and get the process to World Bank and then get their response on how to move forward. Hope that this will not derail the project, as it is significant for Kosrae. The President noted that his office will be available with technical support for any questions. Vice Speaker noted that Chairman Gouland will address the issues during an oversight hearing in the next few days. Chairman Perman noted FSMTC is required to provide the same service to all states, regardless of the cost. Kosrae has cost \$700K-\$1M per year in loss. Chairman Perman noted that the law should be revisited to make the platform more competitive. He noted that the timing of the change is challenging. The President noted that the intent of the legislation is to also relieve the obligations from Telecom. The hope is to allow FSMTC to be profitable. OAE is billing less than \$700,000 for the year. The Secretary of TC&I, we are trying to relieve Telecom from the burden of the bill for the U.S. loan. Want to work closely with them on the World Bank project so they will not have to take a loan to put it in.

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Telecom pays \$300,000 per month for the loan, that will transfer to OAE. Other companies that come in would share the cost of the loan. Looking at restructuring the loan, it's currently at 5%. Trying to get down to 1-2%. Telecom is struggling to renegotiate with the US. Part of the current agreement with Nauru and Kiribati is to upgrade the spur, will cost \$1M. If it's with OAE, World Bank funds can be used. Trying to manage using grants instead of Telecom using its resources.

Grants and resolutions were discussed next. The President noted that most of the federal programs on health and education will be submitted. Chairman Perman noted that there were some questions about the Japan grant for medical equipment. It was noted that all of the equipment must be purchased from Japan.

Congress Agenda Items:

1. Why did Telecom allow the bandwidth allocation for Kosrae to reach its limit and what can be done about it. The internet service in Kosrae is now very slow and Kosrae has no funds available to purchase extra bandwidth. What can the President do to assist?

It was noted that there will need to be a subsidy. The amount of bandwidth used, increases costs. They have reached the limit that they have paid for. The use has increased significantly due to COVID-19. Students are doing online learning, the government is also using a lot more. The question is whether Congress can subsidize due to the increase. Telecom cannot continue to subsidize, using profits from Pohnpei and Chuuk. The President noted that he will get more information on the matter and share with Congress.

2. There was a resolution of Congress allocating \$5 million of a China grant for road improvements in Kosrae. What can be done for the funds to be disbursed promptly to Kosrae?

The President noted that there was an executive meeting with the Governors. He requested Foreign Affairs meet with China to clarify what specific implementation time lines for financial commitments from China. The President will share the information with Congress.

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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/ Esmond B. Moses
Esmond B. Moses, chairman

/s/ Peter M. Christian
Peter M. Christian, member

/s/ Ferny S. Perman
Ferny S. Perman, member

/s/ Dion G. Neth
Dion G. Neth, member