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COWR No. 13-03
 June 15, 2023
 RE: L.B. No. 13-39

Semeon J. Phillip
 SPEAKER

Salpasr E. Tilfas
 VICE SPEAKER

Andy J. Andrew
 FLOOR LEADER

LELU:
 Alik S. Isaac,
 Bob H. Skilling
 Moses M. Thomson
 Salpasr E. Tilfas
 Yoshiro P. Abraham

TAFUNSAK:
 Lyndon H. Jackson
 Nena C. Ned
 Ramsey S. George
 Ruthsina R. Jonah

MALEM:
 Artson S. Talley
 Sasaki L. George
 Semeon J. Phillip

UTWE:
 Andy J. Andrew
 Yamado A. Melander

The Honorable Semeon J. Phillip
 Speaker
 13th Kosrae State Legislature
 Tofol, Kosrae FM 96944

Dear Speaker Phillip:

Your Committee of the Whole (COW), to which was assigned L.B. No. 13-39 entitled, *"To amend State Law No. 12-190 by amending Sections 1; 2(2)(d); (15)(c) & (d); (16)(d); (17)(d); (18)(d); 8(d); 10(1)(c) & (d); (3)(d); 4(d); (5)(c); & (d); (6)(c); and (8)(c) & (d) to amend the approved fiscal year 2023 Foreign Assistance Fund budget and transfer to the Local Revenue Fund under contractual and consumables for some of the locally funded departments, offices and agencies of the Executive Branch; and for other purposes,"* begs leave to report as follows:

COMMITTEE ACTION:

Your committee met in three separate occasions/ Executive Meetings to deliberate on L.B. No. 13-39.

The committee met on May 17th, 2023 and the decided course of action was to do individual research on the bill; staff was also asked to seek clarification on discrepancies found in the bill.

The committee met again on June 5th, 2023 and due to discrepancies found in the bill, the members collectively decided to hold a public hearing to gather first-hand information directly from the Executive Budget Review Committee (EBRC). The hearing was scheduled for June 12th, 2023, however, due to a time conflict (with SNLC preparatory meeting), the hearing was postponed to a later date.

Finally on June 12th, 2023, the committee met and further deliberated on the bill. During this meeting, the committee was provided with a document [attached herewith] submitted by the State Budget Office in hopes of clarifying the discrepancies cited by the committee.

COMMITTEE FINDINGS:

The intent of the subject bill is clearly stated in its title.

The basic intent of the bill is to amend the approved 2023 fiscal year FAF budget and transfer to the Local Revenue Fund under contractual and consumables for several departments/ offices, agencies of the Executive Branch which are locally funded.

Accompanied by Governor's Message No. 13-54, the Governor made mention on several reasons behind their approach. First is that Kosrae State has yet to secure the level of national subsidy anticipated for the current fiscal year, despite repeated requests. Secondly, the State is trying to avoid the same situation that was cited for the FY2021 Annual Audit where the State incurred a \$927,406 outstanding receivable when funds were not authorized by law at the national government. And lastly, the Budget Office cannot issue allotment (a prerequisite for any payment request), if the State has not received a national subsidy for the current fiscal year. Another reason emphasized by the Governor in his message was the near-depletion fund status of some of the offices/ agencies of the Executive Branch, especially from the contractual and consumable budget categories.

During the committee's series of meetings, the members made note of the significance of the bill. However, several particular concerns were brought forth by members of the committee. A few of the members noted discrepancies found in the bill, particularly on the amount totals not adding up. This led to some back and forth work between the committee staff and personnel from the Executive Branch. Eventually the committee was provided with a document submitted by the Budget Office, in hopes of clarifying the discrepancies found.

Another issue of concern was the timing of the bill; some members felt that the current fiscal year (2023) is closing in very soon and that perhaps these offices/ agencies might survive until then; with this uncertainty, the committee staff was asked to obtain information on current balances of relevant offices/ agencies from the Executive Branch.

Another concern was the seemingly disreputable practice by the Executive Branch thru this bill, especially when they initially tried to discourage the budget ceiling raise for local revenue fund; And now that it's been raised and there's a new gap, they're now trying to completely fill the gap (thru this bill). Some members felt this conduct to be dishonest and insulting as well.

During the committee's latest meeting on June 12th, 2023, the members collectively decided to move forward with the bill, however, to make amendments to the bill to reflect most-urgent needs for utilities, communication, and POL only!

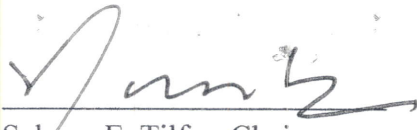
COMMITTEE RECOMMENDATION:

With the aforementioned findings, Your Committee of the Whole (COW) hereby recommends the passage of L.B. No. 13-39 in its first reading with the

understanding that further bill amendments will be made to satisfy the committee's findings, before the second and final reading.

//Attachment//

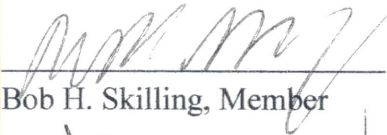
Respectfully submitted,



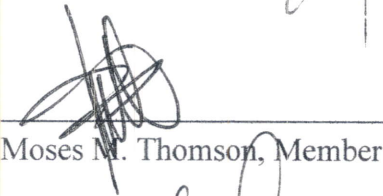
Salpasr E. Tilfas, Chairman



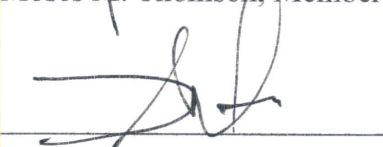
Andy J. Andrew, Member



Bob H. Skilling, Member

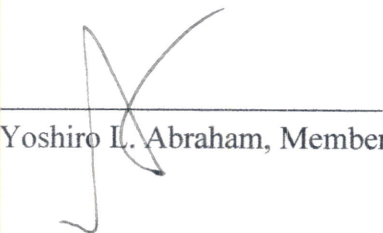


Moses M. Thomson, Member



Ramsey S. George, Member

Sasaki L. George, Member



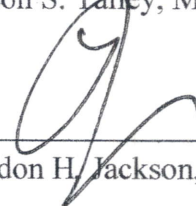
Yoshiro L. Abraham, Member



Alik S. Isaac, Member



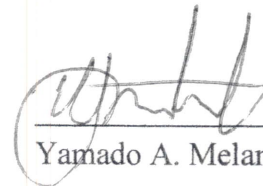
Artson S. Talley, Member



Lyndon H. Jackson, Member

Nena C. Ned, Member

Ruthsina R. Jonah, Member



Yamado A. Melander, Member