



Governor's Message
No. 13-47
COW

GOVERNMENT OF KOSRAE
Office of the Governor
Kosrae State
Post Office Box 158
Tofol, Kosrae FM 96944
Telephone (691) 370-3002/3003/3009

April 11, 2023

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

Dear Speaker Phillip,

It gives me great pleasure to extend my compliments and warm greetings to you and the members of the 13th Kosrae State Legislature. I am pleased to transmit herewith for legislative review and consideration, the proposed budget for Fiscal Year 2024.

This proposed budget represents the state's expenditure plans for our public projects, programs and services, which we expect to be able to provide and deliver to our Kosraean populace in the ensuing 2024 fiscal year. On general terms, this budget supports our collective ambitions to continue to provide and improve education amongst our people, provide healthcare services, promote and facilitate economic activities, to improve the livelihood of Kosraeans, implement enabling infrastructures and to continue to provide and improve the enabling governance, which among other things, ensures that the public system remains transparent and accountable to the Kosraean people.

Among other planning documents in place, we have to guide our planning within efforts of the overarching Kosrae Strategic Development Plan. I am pleased to say that the review process conducted by my Budget Review Committee made emphasis on ensuring that proposed budgets conform to our development plan.

As in previous years, anticipated revenue sources to fund FY 2024 activities include the financial assistance of the Compact of Free Association, as amended, domestic revenue sources, foreign assistance, US grants, CFSM subsidies, among others. As in previous years, it is important to note that 30% of available Amended Compact financial assistance is proposed to be allocated towards infrastructure projects, as required by provisions of the Amended Compact and Fiscal Procedures Agreement.

You may note in this submission that we are using the current Amended Compact Grant allocation as instructed through our National Government due to the fact that the new compact allocation is still unclear to us at this time. Once we receive updated figures of the financial

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assistance under the new/amended Compact, we will together need to work out the necessary adjustments to this proposed budget.

This submission includes sums of \$2,688,528 and \$151,151 for the infrastructure /IMF projects, respectively. These sums are included in this submission, reserved to fund priority infrastructure projects and IMF projects lined up within the IPIC priority listing of the state.

The following represents the anticipated available revenue sources and respective project revenues for FY2023:

Source	Amount
Amended Compact	\$ 9,955,764
Supplemental Education Grant	\$ 1,151,635
General Fund Revenues	\$ 3,000,000
Foreign Assistance Grants	\$ 1,083,614
U.S. Federal Grants	\$ 1,098,982
Total	\$ 16,298,995

On the expenditure side, in sum, \$16,276,318 is proposed to fund the operations of the state in the upcoming 2024 fiscal year. Of this total, \$11,107,399 is attributable to the Amended Compact, \$2,986,187 from the local revenue, \$1,098,982 from US grants, \$18,063 anticipated to be coming from non-US grants, and \$1,083,614 anticipated to be subsidized by FSM Congress.

As expressed above, this proposed budget includes expenditure plans and levels for all branches and budget entities. The following is the budget levels of branches and offices contributing to the sums enumerated above.

Branch/Entity

Branch/Entity	Budget Level	Allocation
Executive	\$ 10,381,828	64%
Legislative	\$ 726,270	4%
Judiciary	\$ 443,620	3%
Public Auditor	\$ 133,823	1%
Agencies, Boards	\$ 918,931	5%
Projects, Grants	\$ 3,671,847	23%
Total	\$ 16,276,318	100%

Expenditure Category

<u>Category</u>	<u>Level</u>	<u>Allocation</u>
Personnel	\$ 7,577,246	47%
Travel	\$ 402,110	2%
Contractual Services	\$ 5,244,379	32%
Other Current Expenditures	\$ 2,528,903	16%
Fixed Assets	\$ 523,680	3%
Total	\$ 16,276,318	100%

The details of the above figures are shown in each of the worksheets provided for the respective branch, department and agencies in the budget workbook.

Mr. Speaker, I am aware of your budget request to source your entire fiscal year 2024 budget from or under the local revenue fund. In contemplating your request- the same request was made by the Acting Chief Justice in his State of the Judiciary Message- and the operational needs of the various offices of the government, I regret to inform you that by honoring your request, most of the mandated functions of offices of the government, the locally funded entities most especially, will be severely affected.

It is our best projection that the local revenue will be at \$3M; however, the proposed budget requests from for all offices of the government are over \$4M. With that, the Executive Branch, its agencies and offices requests for travel and fixed assets are funded under the Foreign Assistance fund and more than 75% of the Other Current Expenditures are also funded under the Foreign Assistance Fund in this submission, totaling a sum \$1,076,150 for the leadership to seek financial assistance from our good members of the FSM Congress.

I am optimistic that with partnership and cooperation of the Legislature, we can ensure an end product that serves the best interest of the government and the people of Kosrae. I am confident that the Legislature will do its due diligence in ensuring that this budget represent the most prudent and efficient budgetary guide for us in the ensuing year. I must also thank the Legislature in advance for your work on this budget.

As usual, I offer the services of the appropriate staff of the executive to assist with the Legislature's review and approval process.

Thank you for your time and may you have a blessed day!

Sincerely,



Tulensa W. Palik
Governor

CC: Lt. Governor
Chief Justice
Department/Agency Heads

Rec'd 04/11/23
@ 12:15 pm
KSL / KHA