



GOVERNMENT OF KOSRAE  
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Governor's Message  
No. 13-54  
COW

May 15, 2023

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

Dear Speaker Phillip,

I extend my compliments and warm greetings to you and the members of the 13<sup>th</sup> Kosrae State Legislature. I am pleased to transmit herewith a bill to amend the current budget law for your review and favorable consideration. I must ask that this bill be addressed in the ongoing special session for the following reasons.

For locally funded entities, we are reaching the point where budget for consumables and contractual to a lesser extent are almost depleted. I am referring to budget sourced by the local revenues. DT&I for example has zero in its consumable and contractual budget to fund obligations in those areas. Therefore, the intent of this bill is to adjust the budget to ensure these entities are able to pay their bills, mostly utilities, communication, board fees and housing. As you may note, the necessary adjustment is on the source of fund, moving costs away from foreign assistance fund to the local revenues.

We are taking this approach for the following reasons. First, we have yet to secure the level of national subsidy anticipated for this fiscal year. Despite our repeated request, this was apparently left out again in the recent passage of PL Nos. 22-191 and 22-194. These were the national funding for the satellite bandwidth expansion and procurement of a ship, about \$1,291,000, which were amended to now include urgent road repair and coastal protection.

Second, we do not want to continue a practice the state was cited for in the FY 2021 annual audit where we incurred a \$927,406 outstanding receivable when those funds are not authorized by law at the national government. Yes, the budget law provided enough funding for consumables for the concerned entities, but these are sourced from the anticipated national subsidy to the state.

Third and last, since the state has not received a national subsidy that can be used for the current budget year, the budget office cannot issue allotment - a requisite for any payment request. Without the amendment the bill seeks to achieve, we cannot process payments that are needed to keep these offices running.

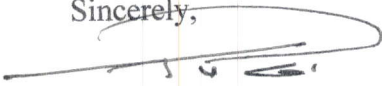
"TUKENI OREKMA IN AKWOYE MWET LASR A AN SESR KOSRAE"  
"WORKING TOGETHER FOR THE WELLBEING OF OUR PEOPLE AND KOSRAE"

Mr. Speaker, I am certain that many of you share the question whether the general fund can absorb these adjustments. While the intent here is to stay within the projected revenue level, the concern remains valid insofar as comparing the overall performance of our collections efforts against the budget. Our cash flow situation has been with us for the past several years and we have been able to manage our finances. If our financial situation does not improve in this coming year, we may have to reassess and decide on a more fiscally prudent course.

In the meantime, my office will continue to lobby for additional assistance from the national government and my office is also actively engaging our partners to speed up implementations of projects that were approved. We are also currently reviewing a good numbers of public land leases with the aim to have reasonable increases in those revenues. Taking these steps may be small but it is nonetheless some ways to ensure we will be able to cover our cost at the end of this budget year.

Should you and members need additional information, please do let us know.

Sincerely,



Tulensa W. Palik  
Governor

CC: Lt. Governor  
Chief Justice  
Department/Agency Heads

*Recd 05/10/23  
@ 11:15 am  
Ksl / Lkahn*