

S.C.R. NO.13- 14
JUNE 3, 2003

COMMITTEE ON WAYS AND MEANS

Your Committee on Ways and Means, to which was jointly referred Presidential Communication No. 13-1, which transmitted the National Government's proposed FY2004 budget, begs leave to report as follows:

The FY2004 Proposed Budget book, transmitted by the executive on April 29, 2003 (the "proposed budget book"), details the National Government's proposed budget for FY2004. Pursuant to rule 7, section 1(b) of the Official Rules of Procedure of the Thirteenth Congress of the Federated States of Micronesia, your committee has limited its review of the proposed budget to departments and offices falling within its jurisdiction. These include the Office of the President, the Department of Finance and Administration, the Legislative Branch, and the Public Auditor's Office. In addition, your committee reviewed the proposed appropriations for the National Authorizing Committee, the World Bank, Membership Fee and the National Staff Upgrading program, which would be administered by the Department of Finance and Administration.

Your committee conducted public hearings with representatives of the above offices and, in some instances, has followed-up with additional communications. Based upon the testimony received and the information gathered during this process, and after appropriate deliberations, your committee submits the following preliminary comments regarding the subject budget proposals. All recommendations contained herein are to be considered preliminary in nature. Your committee will reserve its final recommendations until after the budget has been reviewed and returned by the United States and the Joint Economic Management Committee, as required by the proposed Compact of Free Association, as amended (referred to herein as the "Amended Compact"). Therefore, your committee reserves the right to change its recommendations or to make further cuts.

General Comments on Budgeting under the Amended Compact

Based on your Committee on Ways and Means' preliminary review of the proposed budget book, several problems have come to our attention with reference to the requirements of the Amended Compact. First, your committee is disappointed that no rationale was given for the proposed sector allocations. Therefore, your committee is left in the dark as to why some programs that seem suitable for Compact grant funding are

intended to be funded by local revenues and vice versa. In particular, your committee is troubled by the fact that some of the divisions and budget items the Executive Branch has designated for funding under the Sector for Capacity Building do not appear to have been based on any reasoned analysis or system of prioritization. This has led to the odd result that the entire budget for operations of the division of Customs and Tax

Administration is intended to be drawn from Capacity Building, but none of the budget for the Office of the Public Auditor, which is a key agency for "building effective, accountable, and transparent National Government institutions and systems" , is intended to be drawn from that sector. Your committee is concerned that the FSM may have a difficult time justifying some of its sector funding selections to the U.S. Congress and would suggest to the Budget Office that it revisit its proposed sector allocations and take a more reasoned and equitable approach. Furthermore, your committee hopes that, in the future, the Budget Office will work with the departments and agencies of the National Government to determine which programs best fit into Compact sectors.

Second, Congress has noticed that the \$200,000 that is the FSM's share of the Disaster Assistance Emergency Fund did not appear in the proposed budget. If the FSM does not contribute its share in compliance with section 211(d) of the Compact, as amended, it will not receive matching funds from the U.S. The establishment of this fund is especially important in light of the possible loss of FEMA assistance.

General Comments on Performance Reporting and Budgeting

Your committee is again disappointed with the slow progress made in the implementation of the performance-based reporting and budgeting system. Many departments and agencies failed to submit performance reports. The reports that were submitted contained many errors and few pieces of information that would be meaningful or useful in the analysis of a performance budget. Your committee implores each of the departments within its jurisdiction to focus on developing meaningful indicators of progress and to use such indicators, together with descriptions and explanations of accomplishments and difficulties encountered, to compile a more useful performance report. This, in turn, will enable each such department to compile a better performance-based budget, reducing or eliminating the need for this committee to look to the line-item budget in its review.

With respect to the performance based budgets included in the proposed budget book, many were simply regurgitations of what was contained in last year's book, without any refinement of the departments' goals and objectives or the financial resources needed to accomplish them. Furthermore, the Executive Budget Review Committee has again made its recommendations solely in relation to the line-item budget. Consequently, your committee is again forced to conduct its review and make its preliminary comments based on the line-items, rather than the insufficient proffered "performance budget".

OFFICE OF THE PRESIDENT - OVERVIEW

Your committee is disappointed that the Office of the President failed to submit a performance report for the first two quarters of Fiscal Year 2003, which prevented your committee from evaluating the office's performance budget in any meaningful way. In your committee's report on the FY2003 budget, the Office of the President was urged to focus on developing meaningful indicators of progress and to use such indicators, together with descriptions and explanations of accomplishments and difficulties encountered, to compile a more useful performance report. Your committee again urges the Office of the President to concentrate on this goal, in order to allow the compilation of a more comprehensive and useful performance-based budget.

The following is a consolidated summary of the line item budgets of the three divisions under the Office of the President and your committee's preliminary comments:

Prelim.	%	FY2003	FY2004	'04
		Appropriated	Request	
Endorsement Change				
Personnel		\$ 282,604	\$ 282,604	\$
282,604	0%			
Travel		178,495	160,960	
160,960	(9.8%)			
Contractual Svc.		146,500	115,000	
115,000	(21.5%)			
Other Current		121,770	92,300	
92,300	(24.2%)			
Fixed Assets		<u>20,500</u>	<u>20,000</u>	
<u>20,000</u>	<u>(2.4%)</u>			
Total:		\$ 749,869	\$ 670,864	\$
670,864	(10.5%)			
Number of Employees		16	16	16

Your committee commends the Office of the President for submitting a budget proposal for the three divisions in the Office of the President that amounts to a 10.5% decrease from the amount appropriated for the current fiscal year. The Committee also believes that it is appropriate that none of the budgeted funds are intended to be drawn from Compact sectors. However, your committee would like to note that further cuts may need to be made prior to the passage of the 2004 budget bill.

Furthermore, the committee notes that this budget was prepared before the new administration took the reins. Therefore, the committee would urge the Budget Office to give the new President the opportunity to review this budget to ensure that it accurately reflects the needs and direction of his new administration.

Office of the President - President's Office

1. Personnel

Department requests	9 at a total of \$189,919
President recommends	9 at a total of \$189,919
Committee endorses	9 at a total of \$189,919

Your committee initially approves of the personnel request for 9 positions.

2. Travel

Department requests	\$139,038
President recommends	\$139,038
Committee endorses	\$139,038

Your committee initially approves of the proposed \$139,038 for travel for fiscal year 2004, which is a 7.3% decrease in the travel budget from the amount appropriated for fiscal year 2003. Your committee is hopeful that the new administration will assess what is to be achieved by each possible trip and, accordingly, prioritize the office's travel, send the appropriate number of people on the trips that are taken and seek to reduce expenditures on each trip, so that the office will be able to stay within its budget.

3. Contract Services

Department requests	\$108,000
President recommends	\$108,000
Committee endorses	\$108,000

Your committee initially approves of the full amount requested for Contract Services, which represents a 22.6% decrease from the amount approved for fiscal year 2003.

4. Other Current Expenses

Department requests	\$53,500
President recommends	\$53,500
Committee endorses	\$53,500

Your committee notes that the amount proposed for Other Current Expenses is a 20.7% reduction from fiscal year 2003 and, therefore, gives its initial approval of the full amount requested.

5. Fixed Assets

Department requests	\$10,000
President recommends	\$10,000
Committee endorses	\$10,000

In the category of Fixed assets, the President's office has requested a desktop computer for \$3,000 and office furniture and fixtures for \$7,000. The total of \$10,000 represents a 40% increase from fiscal year 2003. Your committee believes these expenses are necessary to accommodate the needs of the new administration and therefore would be inclined to approve the full \$10,000 requested.

Your committee is, therefore, recommending a total of \$500,457 for the President's Office, a 9% decrease from the fiscal year 2003 level.

Office of the President - Office of Public Information

1. Personnel

Department requests	5 at a total of \$58,709
President recommends	5 at a total of \$58,709
Committee endorses	5 at a total of \$58,709

Your committee initially approves of the personnel request for 5 positions.

2. Travel

Department requests	\$14,652
President recommends	\$14,652
Committee endorses	\$14,652

Your committee notes that the amount proposed for Travel is a 21.6% reduction from fiscal year 2003 and, therefore, initially approves of the full amount requested.

3. Contract Services

Department requests	\$7,000
President recommends	\$7,000
Committee endorses	\$7,000

Your committee gives its initial endorsement of the full amount requested for Contract Services, which is the same amount requested for fiscal year 2003.

4. Other Current Expenses

Department requests	\$38,800
President recommends	\$38,800

Committee endorses \$38,800

Your committee notes that the amount proposed for Other Current Expenses is a 24.1% reduction from fiscal year 2003 and, therefore, initially approves of the full amount requested.

5. Fixed Assets

Department requests	\$7,000
President recommends	\$7,000
Committee endorses	\$7,000

In the Fixed Assets category, your committee would recommend funding the Computer Accessories and Office Furniture and Fixtures in the total amount of \$7,000 as requested.

Your committee is, therefore, without objection to the initial proposal totaling \$126,161 for the Office of Public Information, a 10.5% decrease from fiscal year 2003.

Office of the President - Office of Disaster Control

Your committee reminds the Office of Disaster Control that, especially in light of the possible loss of FEMA assistance, it should identify possible disaster scenarios and develop specific plans to respond to each scenario. The better the office is able to anticipate the type of disasters that the FSM may encounter, the better equipped it will be to quickly and effectively to limit the adverse consequences of the disaster.

In addition, your committee would like to direct the attention of the President and the Office of Disaster Control to the omission of the FSM's \$200,000 share of the Disaster Assistance Emergency Fund, as mentioned previously herein. Your committee would suggest that the Office of Disaster Control take the lead in identifying a source for these funds in the 2004 budget.

1. Personnel

Department requests	2 at a total of \$33,976
President recommends	2 at a total of \$33,976
Committee endorses	2 at a total of \$33,976

Your committee initially endorses the full amount requested for Personnel, which is the same amount approved in fiscal year 2003, and urges the new administration to work diligently to fill the vacancy in this office as soon as possible.

2. Travel

Department requests	\$7,270
President recommends	\$7,270
Committee endorses	\$7,270

Your committee notes that the amount proposed for Travel is a 34.7% reduction from fiscal year 2003 and, therefore, initially approves of the full amount requested.

3. Contract Services

Department requests	\$-0-
President recommends	\$-0-
Committee endorses	\$-0-

No funds were requested by this division for Contract Services and none would be recommended by your committee.

4. Other Current Expenses

Department requests	\$-0-
President recommends	\$-0-
Committee endorses	\$-0-

No funds were requested by this division for Contract Services and none would be recommended by your committee.

5. Fixed Assets

Department requests	\$3,000
President recommends	\$3,000
Committee endorses	\$3,000

In the Fixed Assets category, your committee initially approves of the \$3,000 proposed for the purchase of VHS radios.

Your committee is, therefore, without objection to the initial proposal totaling \$44,246 for the Office of Disaster Control, a 20.9% decrease from the fiscal year 2003 level.

DEPARTMENT OF FINANCE AND ADMINISTRATION - OVERVIEW

Your committee would like to bring the attention of the Department of Finance and Administration and, in particular the Budget Office, to the fact that the budget book failed to accurately represent the budget submissions of some departments and agencies,

including the legislative branch. Obviously, this creates enormous problems for the congressional committees reviewing the budget submissions. Your committee hopes that better care will be taken in the future to accurately set forth the proposals made by the various branches, departments and agencies of the National Government.

Your committee would also like to comment on several other matters of concern. First, your committee would like to remind the Secretary of Finance that appropriate procedures should be followed for the disposition of National Government property. Your committee is aware recent incidences where all proper procedures were disregarded and wishes to instruct the Secretary of Finance to use fair and transparent means of disposing of government assets in the future. Second, your committee wishes to direct the Personnel division to examine the housing allowances received by National Government employees to ensure that similarly-situated employees are treated equally, regardless of the branch of government or agency for which they work. Finally, your committee is concerned that the different branches and agencies of the National Government are receiving unequal access to funds available under the National Staff-Upgrading program. Your committee would like to remind the Assistant Secretary in the Personnel division that these funds are to be made available for all branches, departments and agencies on an equitable basis.

The following is a consolidated summary of the proposed line item budgets of the six divisions under the Department of Finance and Administration and your committee's preliminary comments:

Prelim.	%	FY2003	FY2004	'04
Endorsement	Change	Appropriated	Request	
Personnel		\$1,070,900	\$1,061,193	
	\$1,069,073			0.2%
Travel		227,355	197,960	
180,433	(20.6%)			
Contractual Svc.		668,213	620,713	
620,713	(7.1%)			
Other Current		308,335	209,537	
209,537	(32.0%)			
Fixed Assets		<u>51,200</u>	<u>4,000</u>	
<u>4,000</u>	<u>(92.2%)</u>			
Total:		\$2,326,003	\$2,093,403	
	\$2,083,756			(10.4%)
Number of Employees		80	80	81

Your committee is recommending approval of the proposed increase in the total number of positions from 80 to 81, for reasons detailed below under the Treasury and Investment heading.

The Committee on Ways and Means was pleased to note that the requested budget for the five divisions in the Department of Finance and Administration represents a 10% decrease from the amount appropriated for the current fiscal year. However, the committee has not heard sufficient justification, and does not believe it appropriate under the Compact Sector definitions, to draw 100% of the funding for three of the five divisions from the Compact Sector for Capacity Building. The committee would strongly suggest reducing the

percentage proposed to come from Capacity Building funds to no more than 1/3 of the budget of each of these divisions. Your committee would also like to note that further cuts may need to be made to the Department's budget prior to passage of the 2004 Budget Bill.

Department of Finance and Administration - Office of the Secretary

1.	Personnel	
	Department requests	5 at a total of \$97,485
	President recommends	5 at a total of \$97,485
	Committee endorses	5 at a total of \$97,485

Your committee initially approves of the personnel request for 5 positions.

2.	Travel	
	Department requests	\$27,000
	President recommends	\$27,000
	Committee endorses	\$20,000

Your committee appreciates the reductions that have been proposed in the travel budget for the Office of the Secretary from the fiscal year 2003 level, but believes that an additional \$7,000 should be cut from this area of the budget. As in past years, your committee strongly urges the Secretary travels and encourages the Secretary to curtail his frequent and extended travels so that he is able to spend more time in the office tending to the duties of the position and providing the necessary leadership to the Department's staff. Your committee will not dictate which trips the Secretary should cut, but notes that meetings with money managers could and should take place in the FSM, thereby allowing more government officials to participate and cutting down on travel costs. Your committee further notes that some trips, such as the IMP/World Bank annual meeting, are paid for, at least in part, by the sponsoring organization - a fact that should be reflected in the budget.

Additionally, your committee fails to see the necessity of the Secretary and his staff's visits to the States to meet with finance representatives there. Electronic and telephonic means of communication would be an adequate substitute for these trips.

3. Contract Services

Department requests	\$1,000
President recommends	\$1,000
Committee endorses	\$1,000

In the category of Contract Services, your committee initially approves of the \$1,000 requested for subscription fees, the same amount as was approved for fiscal year 2003.

4. Other Current Expenses

Department requests	\$28,300
President recommends	\$28,300
Committee endorses	\$28,300

Your committee would be inclined to approve of the full amount requested for Other Current Expenses, which is a 33.2% decrease from fiscal year 2003.

5. Fixed Assets

Department requests	\$-0-
President recommends	\$-0-
Committee endorses	\$-0-

No funds were requested by the Office of the Secretary for Fixed Assets and none would be recommended by your committee.

Your committee is, therefore, recommending a total of \$146,785 for the Office of the Secretary, a 17.1% reduction from the Fiscal Year 2003 level.

Department of Finance and Administration - National Treasury and Investment

1. Personnel

Department requests	25 at a total of \$304,768
President recommends	25 at a total of \$304,768
Committee endorses	26 at a total of \$312,648

Your committee was extremely disturbed to learn from staff testimony at the Department's public hearing that a new accountant was offered a position by the Treasury and Investment Division, was approved by the

Personnel department and was hired for a permanent position, despite the fact that neither the 2003 nor previous years' budgets indicate that funding for the position was ever approved by Congress. The division also failed to list this new position in the 2004 budget proposal, but verbally requested funding for the position at the hearing. Since the employee is already on the payroll, your committee would have no choice but to provide funding for the position, bringing the total number of employees for the division to 26. However, your committee wishes to warn the Department of Finance and Administration that these actions will not be tolerated in the future, and that the annual practice of submitting inaccurate employee lists and then requesting additional funding for omitted positions at or after the department's budget hearing must come to an end.

Your committee also notes that the two new accountant positions that were approved for fiscal year 2003 remain vacant. Last year, your committee recommended approving these two additional positions with the understanding that one new accountant will be placed in each of the Yap and Kosrae field offices to enable those offices to improve their ability to issue checks on time, go online, and keep their offices open in the event of illness or unavailability of one accountant. Your committee hopes these two positions will be filled and these objectives met in the very near future.

2. Travel

Department requests	\$35,527
President recommends	\$35,527
Committee endorses	\$25,000

Your committee notes that the amount proposed for Travel is only a 3.5% reduction from fiscal year 2003. Upon review of the proposed trips, your committee feels that there is room for additional reductions that would not substantially reduce the effectiveness of this office. While the members of your committee could not come to agreement on which specific trips to cut, many potential cuts were identified. For example, the trips to the embassies, consulates and overseas offices could be eliminated, since the monthly fund status reports that are submitted by these offices to the Department of Finance are sufficient to keep the Department abreast of their status and these offices are regularly audited by the Office of the Public Auditor. If deemed necessary, visits to the embassies, consulates and other overseas offices could easily be conducted during other scheduled trips to these countries. Furthermore, your committee sees no need for numerous trips to the FSM states by the Assistant Secretary to "assist the field offices" on different matters (i.e. one trip for accounting, one trip for Focus, etc.). The various kinds of assistance can and should be provided on each trip and electronic and telephonic communication should be relied upon more, so that fewer trips need to be taken.

Additionally, your committee again notes that the meetings with the FSM's money managers should occur in the FSM to cut back on travel costs and to allow access by a greater number of government officials. Your committee will leave the prioritization and cutting of specific trips to the division, but would recommend reducing the travel budget to \$25,000.

3. Contract Services

Department requests	\$18,400
President recommends	\$18,400
Committee endorses	\$18,400

Your committee initially approves of the full amount request for Contract Services, which represents a 36.3% cut from the fiscal year 2003 level.

4. Other Current Expenses

Department requests	\$85,500
President recommends	\$85,500
Committee endorses	\$85,500

Your committee gives its initial approval for the full amount requested for Other Current Expenses.

5. Fixed Assets

Department requests	\$-0-
President recommends	\$-0-
Committee endorses	\$-0-

No funds were requested by this division for Fixed Assets and none is being recommended by your committee.

Therefore, your committee would initially be inclined to approve of \$441,548 for the Division of Treasury and Investment, a 15.2% reduction from fiscal year 2003.

Department of Finance and Administration - Division of Customs and Tax Administration

Your committee appreciates the efforts made to reduce the budget of this division and recommends funding all line items in the amounts requested.

1. Personnel

Department requests	40 at a total of \$513,424
President recommends	40 at a total of \$513,424
Committee endorses	40 at a total of \$513,424

This division's personnel request is \$456 less than the amount approved for fiscal year 2003. Your committee would like to point out that the Budget Book incorrectly indicates that your committee approved only 39 employees for 2003, when, in fact, 40 employees were approved.

2. Travel

Department requests	\$19,327
President recommends	\$19,327
Committee endorses	\$19,327

Your committee notes that the amount proposed for Travel is a 27.8% reduction from fiscal year 2003 and, therefore, gives its preliminary approval for the full amount requested.

3. Contract Services

Department requests	\$74,988
President recommends	\$74,988
Committee endorses	\$74,988

Your committee notes that the amount proposed for Contract Services is the same as the amount approved in fiscal year 2003 and, therefore, initially approves of the full amount requested.

4. Other Current Expenses

Department requests	\$65,742
President recommends	\$65,742
Committee endorses	\$65,742

Your committee notes that the amount requested for Other Current Expenses is a 37.8% reduction from fiscal year 2003, and therefore, gives its preliminary approval to the full amount requested.

5. Fixed Assets

Department requests	\$-0-
President recommends	\$-0-
Committee endorses	\$-0-

No funds were requested by the division of Custom and Tax Administration for the purchase of fixed assets and no funds would be recommended by your committee for that purpose.

Your committee is, therefore, without objection to the initial proposal totaling \$673.481 for the Custom and Tax Division, a 7.9% reduction from fiscal year 2003.

Department of Finance and Administration - Division of Budget

Initially, your committee would like to encourage the Division of Budget to continue to work diligently toward improving the form and content of the Performance Report and performance Budget, for reasons set forth previously herein.

1. Personnel

Department requests	6 at a total of \$89,310
President recommends	6 at a total of \$89,310
Committee endorses	6 at a total of \$89,310

Your committee notes that the amount requested by this division for personnel is a decrease of \$5,000 (5.3%) in the amount budgeted for overtime, a reduction of which your committee approves.

2. Travel

Department requests	\$10,906
President recommends	\$10,906
Committee endorses	\$10,906

Your committee notes that the amount proposed for Travel is a 15.8% reduction from fiscal year 2003 and, therefore, initially approves of the full amount requested.

3. Contract Services

Department requests	\$2,000
President recommends	\$2,000
Committee endorses	\$2,000

Your committee initially approves of the full amount requested for Contract Services, which represents no increase over FY 2003.

4. Other Current Expenses

Department requests	\$21,950
President recommends	\$21,950
Committee endorses	\$21,950

Your committee notes that the amount proposed for Other Current Expenses is a \$1,000 (4.4%) reduction from fiscal year 2003 and, therefore, would be inclined to approve the full amount requested.

5. Fixed Assets

Department requests	\$2,000
President recommends	\$2,000
Committee endorses	\$2,000

Your committee has not initial objection to the amount requested for Fixed Assets, which is a \$15,000 (88.2%) reduction from fiscal year 2003.

Your committee is, therefore, without initial objection to the total proposal of \$126,166 for the Division of Budget, a 15.4% reduction from fiscal year 2003.

Department of Finance and Administration - Division of Personnel

1. Personnel

Department requests	4 at a total of \$56,206
President recommends	4 at a total of \$56,206
Committee recommends	4 at a total of \$56,206

Your committee has no objection to the amount requested for Personnel, which is \$3 higher than the amount requested for fiscal year 2003.

2. Travel

Department requests	\$105,200
President recommends	\$105,200
Committee endorses	\$105,200

Your committee notes that the amount proposed for Travel is a 12.9% reduction from fiscal year 2003 and, therefore, would be inclined to recommend approval of the full amount requested.

3. Contract Services

Department requests	\$524,325
President recommends	\$524,325
Committee endorses	\$524,325

Your committee initially approves of the amount requested by the Personnel division for Contract Services, which represents a 6.6% reduction from the level approved for fiscal year 2003.

4. Other Current Expenses

Department requests	\$8,045
President recommends	\$8,045
Committee endorses	\$8,045

Your committee notes that the amount proposed for Other Current Expenses is a \$1,000 (11%) reduction from fiscal year 2003 and, therefore, would be inclined to recommend approval of the full amount.

5. Fixed Assets

Department requests	\$2,000
President recommends	\$2,000
Committee endorses	\$2,000

Your committee would initially recommend providing funding for the \$2,000 computer proposed by the Personnel division under the Fixed Assets category.

Your committee is, therefore, without objection to the total proposed budget of \$695,776 for the Division of Personnel, a 6.9% decrease from fiscal year 2003.

LEGISLATIVE BRANCH – OVERVIEW

Your committee is again disappointed that no performance report was submitted by the legislative branch. This committee, therefore, urges the Director of Administration to devote significant time and thought to determining meaningful indicators of progress and to using such indicators, together with descriptions and explanations of accomplishments and difficulties encountered, to compile a performance report that will be useful to both this committee and the legislative branch itself.

The following is a summary of the line item budget of the legislative branch and your committee's recommendations:

Prelim.	%	FY2003	FY2004	'04
		Appropriated	Request	
	Endorsement			Change

Personnel	\$1,777,364	\$1,253,781	
\$1,099,786 (6.6%)			
Travel	661,000	774,400	
579,900 (12.3%)			
Contractual Svc.	625,783	717,700	
541,700 (13.1%)			
Other Current	648,677	705,542	
543,300 (12.4%)			
Fixed Assets	10,120	100,820	
<u>1,260 (87.5%)</u>			
Total:	\$3,122,944	\$3,552,243	
\$2,765,946 (11.4%)			
Number of Employees	58	58	58

Congress - Speaker and Members

1. Personnel

Department requests	14 at a total of \$407,700
President recommends	14 at a total of \$407,700
Committee endorses	14 at a total of \$407,700

Your committee would initially recommend approval of the full amount requested for Personnel, which represents no increase over FY 2003.

2. Travel

Department requests	\$571,400
President recommends	\$482,400
Committee endorses	\$473,400

Your committee would not recommend the proposed increase in the Speaker and Members' Travel budget and but would be inclined to recommend a travel budget of \$473,400, an 11.7% reduction from fiscal year 2003.

Your committee believes that by sending fewer members to certain conferences and by cutting back on committee travel, significant savings can be achieved.

3. Contract Services

Department requests	\$502,800
President recommends	\$454,395
Committee endorses	\$420,800

With respect to contractual services, your committee's initial recommendation would be to cut member representation funds by \$5,000 per member and committee representation funds by \$2,000 per committee, but to approve the full amount requested for other items under Contract Services.

4. Other Current Expenses

Department requests	\$75,000
President recommends	\$-0-
Committee endorses	\$4,800

Your committee initially would recommend against funding the \$75,000 "Legislative Conference" line item proposed under Other Current Expenses, but would recommend funding the verbal request for \$4,800 for FPOC annual fees, a line item that previously appeared under "Contract Services".

5. Fixed Assets

Department requests	\$-0-
President recommends	\$-0-
Committee endorses	\$-0-

No funds were requested for Fixed Assets and none would be recommended by your committee.

Your committee would, therefore be inclined to recommend a total of \$1,306,700 for the Speaker and Members of Congress, a 9.7% reduction from fiscal year 2003.

Congress - Staff Offices

1. Personnel

Department requests	44 at a total of \$846,081
President recommends	44 at a total of \$787,649
Committee endorses	44 at a total of \$692,086

Due to the many errors contained in the FY2004 Proposed Budget book and in the submission received from the Director of Administration, your committee has based its endorsed funding level on a payroll list received from the Personnel department. Your committee would also initially recommend eliminating funding for one proofreader position for fiscal year 2004 and instead include funding for a proofreader, who would serve on a contract basis, in the contract services

section. Your committee has also moved funding for the Congressional Pages from this section to contract services.

2. Travel

Department requests	\$203,000
President recommends	\$112,500
Committee endorses	\$106,500

With respect to Travel, your committee would initially recommend that the proposed amount of \$204,175 for Staff Office travel be reduced to \$106,500, a 14.8% reduction from the level approved for 2003.

3. Contract Services

Department requests	\$214,900
President recommends	\$108,800
Committee endorses	\$120,900

Your committee would be inclined to recommend that the proposed budget for Contract Services be returned to last years' funding level, but the amounts provided for leased housing and training be reduced to \$23,400 and \$5,000, respectively. As previously mentioned, your committee would also recommend including funding in this section for Congressional Pages and for a proofreader on a contract basis.

4. Other Current Expenses

Department requests	\$160,800
President recommends	\$116,200
Committee endorses	\$118,500

Your committee would recommend returning to the fiscal year 2003 funding level for current expenses, and making additional cuts from the line items for books and library materials, equipment rental, printing and reproduction, repairs and maintenance and supplies and materials. With respect to printing and reproduction, your committee would like Congress' administration to look into ways to reduce these expenses by having jobs done locally and by reducing the numbers of copies that are made. Your committee further requests that a

portion of the funds allocated for communications and postage be designated for use by each of the six congressional committees.

Your committee believes, based on testimony heard at the budget hearing and an analysis of the amounts spent in FY2003 to date, that these amounts should be sufficient for fiscal

year 2004. Your committee again encourages Congress to look closely at energy consumption and attempt to reduce the amount spent on utilities, which has grown significantly in recent years.

5. Fixed Assets

Department requests	\$100,820
President recommends	\$ 9,100
Committee endorses	\$ 1,260

With respect to Fixed Assets, your committee believes that Congress can do without the vast majority of requested items. Recognizing that the National Government has recently purchased several new appliances for staff members, your committee feels that funding for just one refrigerator and one washing machine would be sufficient.

Your committee would, therefore, be inclined to recommend a total of \$1,039,246 for the Staff Offices of Congress, a 10.1% reduction from fiscal year 2003.

Congress - Delegation Offices

Other Current Expenses

Department requests	\$469,742
President recommends	\$375,104
Committee endorses	\$420,000

Your committee initially approves funding the current expenses for the Delegation Offices in the following amounts: Chuuk - \$180,000; Kosrae - \$60,000; Pohnpei - \$120,000; Yap - \$60,000; representing \$30,000 per member from each delegation.

Your committee is, therefore, inclined to recommend a total of \$420,000 for the Delegation Offices of Congress, a 14.3% reduction from fiscal year 2003.

PUBLIC AUDITOR'S OFFICE – OVERVIEW

Your committee is disappointed that no performance report was received from the Public Auditor's office and urges the Office to focus on developing meaningful indicators of progress and to use such indicators, together with descriptions and explanations of accomplishments and difficulties encountered, to compile a useful performance report.

The following is a summary of the line item budget for the Public Auditor's Office and your committee's recommendations:

Prelim.	%	FY2003	FY2004	'04
Endorsement	Change	Appropriated	Request	
Personnel		\$326,797	\$347,681	
\$331,209	1.3%			
Travel		128,200	175,033	
103,413	(19.3%)			
Contractual Svc.		42,000	96,400	
33,000	4.8%			
Other Current		26,000	41,110	
34,900	(4.4%)			
Fixed Assets		<u>1,000</u>	<u>31,000</u>	
<u>3,000</u>	<u>200%</u>			
Total:		\$523,997	\$691,224	
\$505,552	(3.5%)			
Number of Employees		15	16	16

Your committee notes that the budget submitted by the Public Auditor's Office is a \$167,277 or 31.9% increase from the amount approved for fiscal year 2003, in spite of the request by the President that each department and agency reduce its budget by 10% from 2003.

The committee is aware that the President's office has recommended a huge cut in the Office's proposed budget. The committee acknowledges the need to reduce the National Government's budget, but believes that the operating budget for the Public Auditor's Office should not be overzealously slashed when the expectations for this office are being raised with the implementation of the amended Compact and when a new Public Auditor (with an increased salary level) has just recently taken control of the office and its backlog of audits.

That said, the committee agrees with the President's recommendation that the travel budget be reduced from the proposed \$175,033. Your committee recognizes the need for a secretary in the office and initially approves funding for that position. However, your committee believes that, in light of recent CPA hirings, the office will be able to operate without the one vacant Auditor III position and would recommend removing funding for that position. The committee also believes that certain other cuts can be made in contract services, other current expenses and fixed assets without significantly impeding the achievement of the office's goals.

With respect to sector allocation, the committee believes that many of the objectives of the Public Auditor's Office, particularly items such as training and online publishing of

audit reports, and possibly the .operations of the entire office, fit squarely within the definition of "Capacity Building" and, therefore, should be funded from funds provided under that sector. The committee urges the Budget Office to consider this possibility for sector allocation.

Your committee is hopeful that, having filled the Public Auditor position, the critical need for ongoing leadership and improved employee morale in this office will be satisfied. Your committee again urges the office to focus on operating as independently as possible from the other governmental offices and agencies.

SPECIAL PROGRAMS

National Authorizing Committee

Department requests	\$8,000
President recommends	\$8,000
Committee endorses	\$8,000

Your committee has no objection at this time to funding the full amount requested by the Department of Finance and Administration for the National Authorizing Committee.

World Bank Membership Fee

Department requests	\$72,570
President recommends	\$72,570
Committee endorses	\$72,570

Your committee would be inclined to recommend funding the full amount requested by the Department of Finance and Administration for the World Bank Membership Fee.

CAPITAL AND HUMAN RESOURCE DEVELOPMENT PROJECTS

National Staff Upgrading

Department requests	\$50,000
President recommends	\$50,000
Committee endorses	\$50,000

The President requested \$50,000 for fiscal year 2003 National Staff Upgrading. Your committee recognizes that training is of great importance to the continued development of the National Government workforce and, for that reason, your committee initially would approve funding the requested amount, but again would request that the Division of Personnel: (a) conduct a more comprehensive assessment of the skills that are required by governmental employees at all levels and in all branches, departments and agencies of the National Government, (b) organize level-appropriate training programs that will

enable employees to acquire the necessary skills, (c) ensure that training funds are being spent equitably, and (d) find meaningful ways to evaluate the effectiveness of the training programs that have been funded.

Your committee believes that it is appropriate that 100% of these funds are intended to be drawn from the Compact Sector for capacity building.

Your committee would be inclined to recommend \$50,000 for National Staff Upgrading for fiscal year 2004, which is the same amount appropriated for fiscal year 2003.

CONCLUSION

Your Committee on Ways and Means has reviewed the proposed FY2003 Budget and carefully scrutinized all of the information provided by the Office of the President, the Department of Finance and Administration, the Legislative Branch, the Public Auditor's Office, including the information regarding the National Authorizing Committee, the World Bank Membership Fee, and National Staff Upgrading program, which are within your committee's jurisdiction. Each of the sums set forth above in the "Committee Endorses" lines and the "04 Prelim. Endorsement" columns reflect the levels of funding for the designated activity, program or project that, based on a preliminary review of the budget book, your committee would be likely to approve. However, a final evaluation and review of the budget will need to be done after sector grant levels are approved by JEMCO, as required by the amended Compact.

Signed by Senators Asor, Asugar, Figir, Phillip and Christian