

S.C.R. NO. 13-15

JUNE 3, 2003

COMMITTEE ON TRANSPORTATION AND COMMUNICATIONS

Your Committee on Transportation and Communications, to which was jointly referred the National Government's proposed FY 2004 budget, leave to report as follows:

The FY 2004 Proposed Budget Book, transmitted by the Executive on April 29, 2003, details the National Government's proposed budget for Fiscal Year 2004. Pursuant to rule 7, section 6(b), of the Official Rules of Procedure of the Thirteenth Congress of the Federated States of Micronesia, as amended, your committee has limited its review to those portions relating to matters under its jurisdiction.

Your committee recognizes that, due to the signing of an Amended Compact of Free Association with the United States of America, our budget review and approval procedures are in a process of change. A significant feature of the new budget procedure is that the FSM will transmit a sector grant proposal to the U.S. Government for review prior to Congress' passage of the National Government's fiscal year operating budget. The committee understands that the final sector grants may affect sources of revenue related to that operating;" budget. Therefore, the committee's recommendations and approvals are preliminary at this time and subject to review and adjustment upon receipt of new information regarding the budget process and funding changes.

Although, Congress' role in the budget process does not involve formal passage of legislation at this time, your committee has, nevertheless, reviewed those portions of the proposed budget relating to matters under its jurisdiction and provides its recommendations in this report. These matters include:

1. The Department of Transportation, Communication and Infrastructure, which comprises the Office of the Secretary, and the divisions of Marine Transportation, Civil Aviation, Communications, and Infrastructure (together the "Department") ;
2. The FSM Telecommunications Corporation, as funded through section 215(a) (2) of the Compact of Free Association;
3. Grants, Subsidies and Contributions to:
  - (a) the Asia Pacific Telecommunity (APT),
  - (b) the International Telecommunications Union (ITU) ,
  - (c) the International Civil Aviation Organization (ICAO) , and
  - (d) the Micronesian Shipping Commission; and

4. Capital development funding requests for the FSM Capitol Complex and for the dry-docking of National vessels, as funded through the capital account funds under section 211 of the Compact of Free Association.

Your committee held numerous public hearings at which it spoke at length with the Secretary and key officers and staff of the Department of Transportation, Communication and Infrastructure. Representatives of the

President's Office, the Department of Finance and Administration, and the Budget Office also participated in the hearings. A representative from the Department of Justice observed some of the hearings. The hearings were held on several days during this first regular session. Your committee then held its committee mark-up session on the budget on the afternoon of May 29, 2003 at which it made preliminary budget recommendations and discussed policy issues of concern. This report contains the decisions of your committee in that meeting, on the basis of information and documents submitted thereto by the relevant agencies and persons.

The committee notes as a preliminary matter that the executive branch proposes to fund the entire Department from domestic revenue. Yet, an entire sector grant is specifically devoted to public infrastructure under the Amended Compact. We would strongly urge the President to consider designating as many Department functions and projects as possible to funding sources within that sector grant.

The committee would also urge that the President consider referencing the existing FSM development plan in its efforts. While we understand that the formal "Multi-Year Rolling Development Plan" required under the Amended Compact has not been prepared, we believe that the existing plan may be helpful in determining proper sector designations.

I. DEPARTMENT OF TRANSPORTATION, COMMUNICATION AND INFRASTRUCTURE

FY 2004 Total	\$1,350,831	Committee
<u>\$1,237,406</u>		
requested:		Recommends:
FY 2003 Total	\$1,648,827	
Approved:		

The total budget of the Department of TC&I that your committee is recommending is 25.3% less than that approved in FY 2003 budget. The recommended figure is also 8.8% less than the FY 2004 budget request.

- A. Office of the Secretary:

FY 2004 Total	\$184,139	Committee
<u>\$159,139</u>		
requested:		Recommends:
FY 2003 Total	\$158,176	
Approved:		

1. Number of positions: 6

There is no change in the number of positions in the Secretary's Office. Your committee recommends approval of the 6 positions requested.

2. Salaries and Benefits:

FY 2004 Total	\$71,584	Committee
<u>\$71,584</u>		
requested:		Recommends:
FY 2003 Total	\$71,585	
Approved:		

No changes over FY 2003 were requested. Your committee recommends approval of the amounts requested.

3. Travel:

FY 2004 Total	\$33,554	Committee
<u>\$25,000</u>		
requested:		Recommends:
FY 2003 Total	\$46,191	
Approved:		

Your committee notes and appreciates that the amount requested for travel for FY 2004 is significantly less than that approved for FY 2003. Nevertheless, your committee cannot recommend the amount requested.

Compact revenues will be significantly lower in FY 2004 and your committee believes that travel is one area in which strict fiscal restraint should be exercised.

The committee has carefully reviewed the Department's proposed travel requests and recommends that the Department limit travel to that which is absolutely necessary for the carrying out of its basic duties and services. A prioritizing exercise must be done. It is the committee's view that some of the proposed trips are of a higher priority than others and would like to express some comments, to assist the Department in prioritizing:

1. Proposed trips to Merchant Marine Academies:

Your committee has heard testimony from key representatives of the Department regarding the shortage of FSM citizens who have received merchant marine training. The Department wishes to conduct exploratory visits to two merchant marine academies (one in the US and one in the Philippines), develop relations with the academies and agreements regarding admission of FSM students into the academies and then recruit FSM students from all four States to attend the academies.

First, your committee believes that sending 2 representatives on exploratory trips to the academies may be excessive, and that the Department should send only the most relevant person in the Department. Second, the committee recommends that the Department focus on the academy in the Philippines.

Finally, your committee feels that recruitment trips to all four FSM States might be premature at this time.

2. Ship-building inspection trips:

Your committee expresses concern over the fact that a significant amount of money was spent last year to inspect the building of a ship in China, yet, as your committee learned during its budget review hearings, the building of the ship has not begun. Your committee recognizes that some travel to China was required during the contract negotiation stage. For FY 2004, the committee strongly recommends that the Department limit its China ship-building travel to a reasonable minimum.

3. Travel to Micronesian Shipping Commission meetings:

Your committee expresses concern about requests for travel funds to attend Micronesian Shipping Commission meetings. Your committee recommends that the Department utilize whatever funds are already available, including revolving funds, for this purpose.

4. All duplicate travel requests:

Your committee requests that the Department should strive to send only one key person from the Department on international and domestic trips. The traveler should be the person who is knowledgeable and relevant to the topic at hand (for instance, Division or unit heads or staff who are most familiar with the area involved).

Having made the above comments, your committee does not wish to impose specific travel restrictions on the Office of the Secretary and requests that the Secretary exercise his or her own good judgment with respect to use of the Office's travel budget.

For these reasons, your committee recommends approval of an overall travel budget for the Office of the Secretary of \$25,000.

4. Contractual Services:

FY 2004 Total	\$4,000	Committee
<u>\$4,000</u>		
requested:		Recommends:
FY 2003 Total	\$4,000	
Approved:		

Your committee recommends approval of the amount requested. This amount comprises \$2,000 for office equipment repair and \$2,000 for vehicle repair. Your committee believes these amounts are reasonable. There is no change from the FY 2003 budget.

5. Other Current Expenses:

FY 2004 Total	\$50,000	Committee
<u>\$32,400</u>		
requested:		Recommends:
FY 2003 Total	\$32,400	
Approved:		

Your committee recommends approval of the same amount that was appropriated in FY 2003 for this category. The Department has requested an increase in funding for communications, fuel, printing and reproduction costs and other supplies and materials. In light of reduced funding in FY 2004 under the amended Compact, your committee recommends that the Department strive to operate on the same amount of money that it did in FY 2003 in these areas.

6. Fixed Assets:

FY 2004 Total	\$25,000	Committee
<u>\$0</u>		
requested:		Recommends:
FY 2003 Total	\$4,000	
Approved:		

The FY 2004 Proposed Budget Book included a request for \$25,000 for a new vehicle for the Office of the Secretary. However, this request was deleted at the request of the Department during a committee hearing.

B. Division of Marine Transportation:

FY 2004 Total	\$698,428	Committee
<u>\$631,681</u>		
requested:		Recommends:
FY 2003 Total	\$980,218	
Approved:		

1. Number of positions: 5

Your committee recommends approval of the 5 positions requested. No new position was requested for FY 2003.

2. Salaries and Benefits:

FY 2004 Total	\$94,997	Committee
<u>\$94,997</u>		
requested:		Recommends:
FY 2003 Total		
Approved:	\$94,997	

Your committee recommends approval of the amount requested.

3. Travel:

FY 2004 Total	\$64,348	Committee
<u>\$22,601</u>		
requested:		Recommends:
FY 2003 Total	\$13,624	
Approved:		

For many of the reasons outlined in the section relating to Travel for the Office of the Secretary, your committee does not recommend the amount requested for travel for FY 2004, but recommends instead the total of \$22,601. Your committee's recommendation is based upon its conclusion that the China ship-building, San Francisco academy visit, recruitment and briefing trips may be excessive at this time. Your committee recommends that the division prioritize wisely in order to operate within the recommended travel budget.

4. Contractual Services:

FY 2004 Total	\$514,083	Committee
<u>\$514,083</u>		
requested:		Recommends:
FY 2002 Total	\$871,597	
Approved:		

Your committee recommends approval of the amount requested, which is for provisioning, personnel and steaming POL for the MB Caroline Voyager for nation-wide services. The decrease from the FY 2003 amount is due to the decommissioning of the MB Caroline Islands.

5. Other Current Expenses:

There is no request for funding under this category for this Division.

6. Fixed Assets:

FY 2004 Total	\$25,000	Committee
<u>\$0</u>		
requested:		Recommends:
FY 2003 Total	\$4,000	
Approved:		

A request was made for \$25,000 for a new vehicle for the Marine Transportation Division. Your committee declines to recommend this amount and urges the Department to operate using existing vehicles.

C. Division of Civil Aviation

FY 2004 Total	\$76,207	Committee
<u>\$73,989</u>		
requested:		Recommends:
FY 2003 Total	\$75,727	
Approved:		

1. Number of positions: 3

Your committee recommends approval of the positions requested. Your committee also notes that the position of Manager, Aviation Navigation, is vacant at this time, and that it was also vacant (but funded) throughout FY 2003. Your committee notes that this position has been vacant for the past 6 years. The committee urges that the Department either fill this vacancy or delete it from future budget requests.

2. Salaries and Benefits:

FY 2003 Total	\$63,989	Committee
<u>\$69,989</u>		
requested:		Recommends:
FY 2003 Total	\$64,034	

Approved:

Your committee recommends approval of the amount requested. A slight correction was made by the Department over the FY 2003 amounts.

3. Travel:

FY 2004 Total	\$12,218	Committee
<u>\$10,000</u>		
requested:		Recommends:
FY 2003 Total	\$11,693	
Approved:		

Your committee recommends approval of the amount of \$10,000 for travel. In light of the need to exercise fiscal restraint in this area, the committee recommends that the Division prioritize its travel needs wisely and operate within the budget recommended.

4. Fixed Assets:

FY 2004 Total	\$-0-	Committee
<u>\$6,000</u>		
requested:		Recommends:
FY 2003 Total	\$-0-	
Approved:		

Department personnel testified in public hearing that they are experiencing increasing difficulty maintaining their off-site equipment because they do not have a vehicle dedicated to their office. The committee recognizes the critical necessity of maintaining safe conditions for air traffic. Therefore, the committee recommends \$6,000 for the purpose of purchasing a pre-owned, but adequate vehicle for use by the Division of Civil Aviation.

5. There were no requests for Contractual Services, Other Current Expenses and Fixed Assets for this division.

D. Division of Communication

FY 2004 Total	\$72,430	Committee
\$71,750		
requested:		Recommends:
FY 2003 Total	\$59,707	
Approved:		



1. Number of Positions: 2

Your committee recommends approval of the positions requested. There is no new position requested for FY 2003.

2. Salaries and Benefits:

FY 2003 Total	\$37,750	Committee
<u>\$37,750</u>		
requested:		Recommends:
FY 2002 Total	\$37,750	
Approved:		

Your committee recommends approval of the amount requested. There is no change from FY 2003.

3. Travel:

FY 2003 Total	\$25,680	Committee
<u>\$20,000</u>		
requested:		Recommends:
FY 2002 Total		
Approved:	\$21,957	

For many of the same reasons already expressed above relating to other travel requests, your committee recommends approval of the amount of \$20,000, which is slightly less than requested, and recommends that the Division carefully prioritize its travel needs and operate within this budget.

4. No requests in the Contract Services or Other Current Expenditures categories are made by this division.

5. Fixed Assets:

FY 2004 Total	\$14,000	Committee
<u>\$14,000</u>		
requested:		Recommends:
FY 2003 Total	\$-0-	
Approved:		

The Division has requested \$14,000 for the purchase of radio monitoring equipment. The committee heard testimony during its committee hearings about the purpose and necessity of this equipment. Your committee agrees that this is a valuable and necessary expense and recommends approval of the amount requested.

E. Division of Infrastructure

FY 2003 Total	\$319,627	Committee
<u>\$294,847</u>		
requested:		Recommends:
FY 2002 Total	\$312,812	
Approved:		

1. Number of Positions: 12

A request was made for 13 positions, including one vacant position. Your committee notes that in its Standing Committee Report No. 12-87 regarding the FY 2003 Budget, the committee recommended only 12 positions because the President had not authorized the Division to fill this vacancy. Your committee therefore considers the Division's request for a 13th position to be a request for a new position. Your committee recommends approval of only 12 positions.

1. Salaries and Benefits:

FY 2004 Total	\$203,462	Committee
<u>\$178,682</u>		
requested:		Recommends:
FY 2003 Total	\$204,087	
Approved:		

Your committee recommends approval of \$24,780 less than the amount requested. The reduction reflects the removal of the salary of the 13<sup>th</sup> position, which the committee does not recommend, and \$10,000 for overtime for employees who turn on the water pumps following a power outage. The committee notes that National Police officers are on the capitol premises at all times. The committee, therefore, recommends that the Department coordinate with the Department of Justice on this matter and train police personnel to perform the activities necessary to turn on the pumps.

3. Travel:

FY 2004 Total	\$19,200	Committee
<u>\$19,200</u>		
requested:		Recommends:
FY 2002 Total	\$21,590	
Approved:		

Your committee recommends approval of the amount requested. Your committee feels that the Division's travel requests are reasonable and notes that there is a slight decrease from the FY 2003 travel amount.

4. Contractual Services:

FY 2004 Total	\$82,965	Committee
<u>\$82,965</u>		
requested:		Recommends:
FY 2003 Total	\$87,965	
Approved:		

Your committee recommends approval of the amount requested, which is a slight decrease from the FY 2003 amount.

5. Other Current Expenses:

FY 2003 Total	\$14,000	Committee
<u>\$14,000</u>		
requested: Recommends:		
FY 2002 Total	\$14,000	
Approved:		

Your committee recommends approval of the amount requested, which comprises \$5,000 for electrical and carpentry supplies, \$4,000 for maintenance and repair services and \$5,000 for POL.

6.Fixed Assets:

There are no requests for funding for this category by this Division.

II. GRANTS, SUBSIDIES AND CONTRIBUTIONS:

FY 2004 Total	\$403,329	FY 2004 Total
<u>\$403,329</u>		
requested:		Recommended:
FY 2003 Total	\$396,035	
Approved:		

While the committee recommends funding all of the grant, subsidy and contribution requests from the Department, the committee requests that the Department carefully review the necessity of participation in the various organizations and activities included. The Department should maximize the benefits received from our participation. We also request that the Department report promptly to the committee describing those

benefits and provide justification for continued participation in each organization and activity under its jurisdiction.

A. Asia Pacific Telecommunity (APT):

FY 2003 Amount Approved:	\$9,000
FY 2004 Amount Requested:	\$7,640
Committee Recommends:	\$7,640

B. International Telecommunications Union (ITU):

FY 2003 Amount Approved:	\$57,639
FY 2004 Amount Requested:	\$57,639
Committee Recommends:	\$57,639

C. International Civil Aviation Organization (ICAO):

FY 2003 Amount Approved:	\$28,050
FY 2004 Amount Requested:	\$28,050
Committee Recommends:	\$28,050

D. Micronesian Shipping Commission:

FY 2003 Amount Approved:	\$10,000
FY 2004 Amount Requested:	\$10,000
Committee Recommends:	\$10,000

E. Energy (FSM Utility):

FY 2003 Amount Approved:	\$291,346
FY 2004 Amount Requested:	\$300,000
Committee Recommends:	\$291,346

III. CONCLUSIONS:

Given the unique nature of the Fiscal Year 2004 Budget process, your Committee on Transportation and Communications would recommend preliminary and non-binding approval of the proposed FY 2004 budget with the recognition that the budget will require revisions as the process gains more clarity. The committee recommends that the President be granted broad authority to revise the proposed budget to address issues as they arise throughout the review process. Finally, your committee would strongly urge the President to instruct his budget staff to review all of the proposed line items to determine whether they may be funded by compact sector grants.

Signed by Senators Nelson, Neth, Aritos, Christian, Phillip, Asugar and Figir

