

STANDING COMMITTEE REPORT NO. 14-49

RE: FY 2006 BUDGET/TC

SUBJECT: FY 2006 BUDGET

SEPTEMBER 21, 2005

The Honorable Peter M. Christian
Speaker, Fourteenth Congress
Federated States of Micronesia
Second Regular Session, 2005

Dear Mr. Speaker:

Your Committee on Transportation and Communications, to which was jointly referred the National Government's proposed FY 2006 budget, begs leave to report as follows:

Pursuant to rule 7, section 6(b) of the Official Rules of Procedure of the Fourteenth Congress of the Federated States of Micronesia, your Committee has limited its review to those portions of the proposed budget relating to matters under its jurisdiction. These are the budgets for:

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. Grants, Subsidies and Contributions to:
 - (a) the Asia Pacific Telecommunity (APT);
 - (b) the International Telecommunications Union (ITU);
 - (c) the Micronesian Shipping Commission;
 - (d) the International Civil Aviation Organization (ICAO);
 - (e) FSM Capital Energy/Utilities
3. Capital and Human Resource Development
 - (a) Outer Islands of Chuuk Airport Construction & Completion
 - (b) Infrastructure Maintenance Fund (IMF)

Your Committee conducted its first public hearing on the Department's FY2006 budget on May 24, 2005. The second meeting on the FY06 budget was held on September 13, 2005. The report and recommendations that follow are based upon the information and input provided by the Secretary and staff of the Department interviewed during the public hearing.

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As recommended by your Committee, the phrase "Ta Airport Pavement" under the Capital and Human Resource Development is renamed to "Outer Islands of Chuuk Airport Construction and Completion". Your Committee feels that it is important to identify the locations and purposes of the proposed funding. In addition, your Committee has deleted the project Management Unit (PMU) funding under the same category because a sum of \$750,000 recommended for the PMU was already included in the FY2005 Supplemental budget (See PL No. 14-51, C.D.3).

GENERAL COMMENTS

Your Committee expresses its appreciation to the Department for its continuous effort in accommodating the needs of this nation. The Committee encourages the Secretary and his staff to continue their efforts to improve fiscal responsibility within the Department while maintaining high quality services. Your Committee intends to work closely with the Department and urges the staff to submit more complete and candid reports.

The Committee has noted a number of vacant positions within the Department and urges that they be filled at the earliest possible time if qualified personnel are available. Where positions remain vacant for a considerable period of time, the continuing need for such positions should be carefully re-evaluated.

On the Fiber Optic Cable project, the Secretary has indicated that a marine survey is needed before the placement of the Fiber Optic cables. The governments involved in this project are required to put upfront their participation costs to finance the said survey. The exact amount for each government was to be decided when they met on June 1, 2005. Your Committee has not been informed on the result of the June 1, 2005 meeting. Further, the Secretary informed your Committee that the U.S. military has pledged a 65% financial assistance for the survey. Your Committee urges the Department to review the proposed project in line with the Amended Compact.

Your Committee wishes to bring to your attention a request made by the Secretary to increase the Civil Aviation Division's budget for personnel to accommodate 13 new positions (a Manager for Air Navigation & 12 Security Screeners). The proposed budget amount is \$142,982, (an annual salary for the Manager is \$15,049 and for a Security Screener is \$9,841). As a party to the International Civil Aviation Organization Convention (ICAO), the FSM Government is obligated to provide proper screening and security at each airport in the FSM. The security screening is a mandate by ICAO. The Secretary has indicated that the FSM government must comply

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with this mandate by January 2006. Hence, the Department has requested this said amount in order to initiate the needed manpower to provide security screening in the FSM. According to the Secretary, Continental Micronesia is currently providing this security screening function, however, there is ongoing dialogue between Continental Micronesia and FSM National Government on this ICAO mandate. Therefore, your Committee recommends for approval the sum of \$142,982 for the 13 new positions.

The Department has requested an additional \$36,000 to pay for outstanding telephone bills. This request is not included in the \$50,000 requested by the President for the National Government outstanding phone bills. Your Committee recommends the approval of \$10,000.

The Committee has reviewed the requests for annual grants, subsidies, and contributions to the organizations under its jurisdiction. Regarding the regional and international organizations to which our country belongs, the Committee, again, urges that better utilization of the technical resources available through these organizations be achieved.

The Committee recognizes the importance of sea and air transportation to the flow of goods into and out of the country, and would like to be informed of future activities of the Micronesian Shipping Commission and to be given an opportunity to make comments on proposed agenda or issues ahead of scheduled meetings.

Summary of Major Changes

The President's FY2006 proposed budget for the various divisions under the Department is \$1,223,160, which is \$91,238 more than last year's budget. Based on certain needs for the Department, your Committee recommends the approval of **\$1,366,142** subject to availability of funds and recommendations from the Ways and Means Committee.

The proposed budget for Grants, Subsidies and Contributions for FY2006 is \$400,690. The committee recommends the approval of **\$400,690**.

The proposed budget for Capital and Human Resource Development Programs for FY2006 is \$663,196. The Committee recommends approval of **\$966,923**.

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Your Committee carefully reviewed the proposed budget and recommends for approval a total budget of **\$2,733,755**.

Following is a detailed presentation of the Committee's findings and recommendations (committee's recommendations are bold & underlined).

I. DEPARTMENT OF TRANSPORTATION, COMMUNICATION AND INFRASTRUCTURE

A. Office of the Secretary:

1. Positions, Salaries and Benefits

Recommended by President 6 at a total of \$73,103
Recommended by Committee 6 at a total of \$73,103

For reference only, the proposed amount for salaries and benefits for FY2006 is \$73,103, which is \$1,342 more than last year's budget. There is no change in the number of positions in the Office of the Secretary but the slight increase results from benefit increases. The Committee has recommended the proposed budget for the said Office.

2. Travel:

Recommended by President \$34,865
Recommended by Committee \$24,865

The Committee recommends a reduction of \$10,000 in the travel category.

3. Contractual Services:

Recommended by President \$4,000
Recommended by Committee \$4,000

4. Other Current Expenses:

Recommended by President \$60,000
Recommended by Committee \$70,000

The Department has requested a sum of \$36,000 to pay outstanding telephone bills. Your Committee recommends the approval of \$10,000, however, urges the Secretary to monitor the Department's communication activities.

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5. Fixed Assets:

Recommended by President \$4,000
Recommended by Committee \$4,000

B. Division of Marine Transportation:

1. Positions, Salaries and Benefits

Recommended by President 5 at a total of \$94,551
Recommended by Committee 5 at a total of \$94,551

As indicated above, the FY06 proposed budget for marine division is \$94,551. Comparing the FY05 budget, your Committee notes a decrease of \$476.

2. Travel:

Recommended by President \$30,359
Recommended by Committee \$30,359

3. Contract Services

Recommended by President \$514,083
Recommended by Committee \$514,083

4. Other Current Expenses:

Recommended by President \$0
Recommended by Committee \$0

5. Fixed Assets:

Recommended by President \$0
Recommended by Committee \$0

C. Division of Civil Aviation

1. Positions, Salaries and Benefits:

Recommended by President 2 at a total of \$48,729
Recommended by Committee 15 at a total of \$191,711

Your Committee recommends an additional sum of \$142,982 for new positions (a Manager and 13 Security Screeners) under this division, which substantially increases the amount for personnel.

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2. Travel:

Recommended by President \$10,000
Recommended by Committee \$10,000

3. Contract Services:

Recommended by President \$0
Recommended by Committee \$0

4. Other Current Expenses:

Recommended by President \$0
Recommended by Committee \$0

5. Fixed Assets:

Recommended by President \$0
Recommended by Committee \$0

D. Division of Communication

1. Positions, Salaries and Benefits:

Recommended by President 2 at a total of \$38,455
Recommended by Committee 2 at a total of \$38,455

2. Travel:

Recommended by President \$17,514
Recommended by Committee \$17,514

3. Contract Services:

Recommended by President \$25,000
Recommended by Committee \$25,000

4. Other Current Expenses:

Recommended by President \$0
Recommended by Committee \$0

5. Fixed Assets:

Recommended by President \$0
Recommended by Committee \$0

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E. Division of Infrastructure

1. Positions, Salaries and Benefits:

Recommended by President 12 at a total of \$181,306
Recommended by Committee 12 at a total of \$181,306

2. Travel:

Recommended by President \$19,230
Recommended by Committee \$19,230

3. Contract Services:

Recommended by President \$67,965
Recommended by Committee \$67,965

4. Other Current Expenses:

Recommended by President \$0
Recommended by Committee \$0

5. Fixed Assets:

Recommended by President \$0
Recommended by Committee \$0

II. GRANTS, SUBSIDIES AND CONTRIBUTIONS:

A. Asia Pacific Telecommunity (APT):

Recommended by President \$7,640
Recommended by Committee \$7,640

B. International Telecommunications Union (ITU):

Recommended by President \$55,000
Recommended by Committee \$55,000

C. International Civil Aviation Organization (ICAO):

Recommended by President \$28,050
Recommended by Committee \$28,050

D. Micronesia Shipping Commission:

Recommended by President \$10,000

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Recommended by Committee \$10,000

E. Energy (FSM Utility):

Recommended by President \$300,000

Recommended by Committee \$300,000

The total amount for grants, subsidies and contributions your Committee recommends for this FY2006 is \$400,690.

III. Capital and Human Resources Development

A. Outer Islands of Chuuk Airport Construction & Completion:

Recommended by President \$468,196

Recommended by Committee \$755,787

The President's original request for the TA Airport project dated March 30, 2005 and reflected in the FY06 budget book was \$468,196. Later, in Presidential Communication No. 14-42 dated July 12, 2005, the President requested that other outer island airports of Chuuk State be included in this appropriation, thereby increasing his original request for the TA Airport project from \$468,196 to \$505,787. Again, in Presidential Communication No. 14-55 (amendments to FY06 Budget bill) dated September 12, 2005, the President recommended another increase from \$488,196 to \$755,787. To accommodate this increase, the President is taking \$250,000 from the infrastructure development sector funds appropriated to COM-FSM State Campus facility improvement. The Committee recommends the amount of \$755,787 for the TA airport and Outer Island of Chuuk airport & construction completion, subject to the recommendations by the Ways and Means Committee.

B. Infrastructure Maintenance Fund (IMF)

Recommended by President \$195,000

Recommended by Committee \$211,136

In Presidential Communication No. 14-55, the President has requested an increase for the IMF Fund from 195,000 to \$211,136. This is an increase of \$16,136 from domestic revenues. The Committee recommends the approval of \$211,136.

IV. **CONCLUSIONS**

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Your committee on Transportation and Communication has reviewed the proposed FY2006 Budget within your committee's jurisdiction. Each of the sums "**Recommended by Committee**" set forth above reflects funding for the designated activity, contributions, and capital and human resource development for all of fiscal year 2006.

Subject to the conditions and limitations set forth herein, and the availability of funds as determined by your Committee on Ways and Means, your Committee on Transportation and Communications recommends approval of the amounts listed above.

Respectfully submitted,

Moses A. Nelson, chairman

Dion G. Neth, vice chairman

Resio S. Moses, member

Ramon Peyal, member

Claude H. Phillip, member

Simiram Sipenuk, member

Peter Sitan, member