

STANDING COMMITTEE REPORT NO. 16-18

RE: P.C. NO. 15-374/W&M

SUBJECT: FY 2010 BUDGET

SEPTEMBER 18, 2009

The Honorable Isaac Figir
Speaker, Sixteenth Congress
Federated States of Micronesia
First Regular Session, 2009

Dear Mr. Speaker:

Your Committee on Ways and Means, to which was jointly referred Presidential Communication No. 15-374 transmitting the National Government's proposed FY 2010 budget, begs leave to report as follows:

Presidential Communication No. 15-374 concerns the National Government's proposed budget for fiscal year 2010 as set forth in a publication entitled National Government Fiscal Year 2010 Proposed Budget ("Budget Book"). Pursuant to rule 7, section 1(b), of the Official Rules of Procedure of the Sixteenth Congress of the Federated States of Micronesia, your Committee has limited its review to those portions of the budget relating to matters under its jurisdiction. These are:

Operations Budget

- (a) Office of the President
- (b) Department of Finance
- (c) Congress
- (d) Public Auditor
- (e) Office of SBOC

Grants, subsidies and contributions

Office of the President

- (f) Asia Pacific Inst. Broadcasting Development (AIBD)
- (g) Asia Pacific Broadcasting Union
- (h) Pacific Island News Association

Department of Finance

- (i) OCO Membership
- (j) Financial Management System - Maintenance fee
- (k) FSM Group Life Insurance

Office of SBOC

- (l) Asia Pacific Investment

Other Grants, subsidies and contributions

- (m) Single Audit Fee (National Government and States)
- (n) Former Presidents' Allowance

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Capital and Human Resource Development

Department of Finance

- (o) National Staff Upgrading
- (p) Staff Housing
- (q) Recruitment and Repatriation
- (r) Capacity Building Road/Staff Upgrade

President's Office

- (s) FSM Trust Fund
- (t) Multi-purpose Building/Medical Facility Warehouse

Office of SBOC

- (u) Year 2010 Census

This report, and all previous and subsequent reports by this Committee, should be treated as policy for this Nation, as defined by the Congress. It is your Committee's intent that any commentary found in this report should be treated as policy for the guidance of the relevant departments, agencies and offices.

During May, August and September 2009, your Committee conducted public hearings with representatives of the relevant departments, agencies and offices and, in some instances, followed up with additional communications. This Standing Committee Report reflects the recommendations of your Committee on Ways and Means regarding the proposed FY 2010 budget based on the consultations outlined above. Your Committee's findings and recommendations follow.

Comments Regarding This Years' Budget

Your Committee is mindful of the economic pressure being experienced by the FSM. The President's recommendation, overall, is that all government operations should be maintained at the fiscal year 2009 funding levels wherever possible. He has also recommended that all areas reduce travel and non-essential expenditures by 10% as compared to the fiscal year 2009 levels.

Your Committee is, for the most part, in agreement with the President's recommendation, although there are certain exceptions where budget levels have been increased, based on requests by the department, office or program, and where the Committee recognizes the essential nature of the need.

OFFICE OF THE PRESIDENT

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The following is an overview of proposed funding for the Office of the President in FY 2010.

Overview

	FY09 App.	FY10 proposed	Committee rec.
Personnel	264,612	264,612	264,612
Travel	115,250	118,176	118,176
Contract services	137,000	136,000	136,000
OCE	68,100	60,100	60,000
Fixed assets	5,500	5,000	5,000
Total	590,462	583,888	583,888
Employees	14	14	14

A detailed discussion of each of the divisions of the Office of the President follows.

Office of the President - President's Office

	FY09 App.	FY10 proposed	Committee rec.
Personnel	201,687	201,687	201,687
Travel	100,381	90,354	90,354
Contract services	134,000	134,000	134,000
OCE	39,500	39,500	39,500
Fixed assets	1,000	1,000	1,000
Total	461,568	466,541	466,541
Employees	9	9	9

Office of the President - Public Information Office

	FY09 App.	FY10 proposed	Committee rec.
Personnel	62,925	62,925	62,925
Travel	14,869	27,822	27,822
Contract services	3,000	2,000	2,000
OCE	28,600	20,600	20,600
Fixed assets	4,500	4,000	4,000
Total	113,894	110,231	110,231
Employees	5	5	5

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The Public Information Office Budget request maintains personnel expenses at the FY09 level and reduces contractual services, OCE, and fixed assets significantly. Your Committee applauds its efforts.

Your Committee is, however, disappointed to see that the requested travel for the Public Information Offices has almost doubled from the FY09 level.

DEPARTMENT OF FINANCE AND ADMINISTRATION

An overview of proposed funding for the Department of Finance and Administration follows.

The source of funds for the Department of Finance's FY10 budget identified in the Budget Book include \$1,732,878 of local revenue and \$81,750 Compact capacity building sector grant, requested for use by the National Treasury for staff housing for 2 financial advisors.

Overview of the Department of Finance and Administration

	FY09 App.	FY10 proposed	Committee rec.
Personnel	1,240,950	1,243,385	1,243,385
Travel	154,669	141,914	141,914
Contract services	140,748	194,756	194,756
OCE	216,557	212,073	212,073
Fixed assets	11,781	22,500	22,500
Total	1,764,705	1,814,628	1,814,628
Employees	87	87	87

Your Committee acknowledges the good work of the Department in FY09, in its implementation of a new automated system and in its efforts and successes at resolving long-standing disputed costs identified by prior years' audit reports.

Department of Finance - Office of the Secretary

	FY09 App.	FY10 proposed	Committee rec.
Personnel	58,984	58,984	58,984
Travel	48,055	42,073	42,073
Contract services	1,500	1,500	1,500
OCE	40,484	44,000	44,000

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Fixed assets	7,500	2,000	2,000
Total	156,523	148,557	148,557
Employees	3	3	3

Department of Finance - Treasury (National plus State Offices)

	FY09 App.	FY10 proposed	Committee rec.
Personnel	404,779	409,597	409,597
Travel	19,037	15,293	15,293
Contract services	26,800	108,300	108,300
OCE	80,000	72,000	72,000
Fixed assets	4,281	8,000	8,000
Total	534,897	613,190	613,190
Employees	28	28	28

Department of Finance - Customs and Tax Administration (National plus State Offices)

	FY09 App.	FY09 proposed	Committee rec.
Personnel	604,372	599,692	599,692
Travel	62,814	51,571	51,571
Contract services	80,448	82,956	82,956
OCE	67,391	67,391	67,391
Fixed assets	0	11,500	11,500
Total	815,025	813,110	813,110
Employees	45	45	45

Department of Finance - Personnel

	FY09 App.	FY10 proposed	Committee rec.
Personnel	77,645	79,466	79,466
Travel	13,338	13,338	13,338
Contract services	30,000	0	0
OCE	15,284	15,284	15,284
Fixed assets	0	0	0
Total	136,267	108,088	108,088
Employees	5	5	5

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Department of Finance - Investment and International Finance

	FY09 App.	FY10 proposed	Committee rec.
Personnel	95,170	95,646	95,646
Travel	11,425	19,639	19,639
Contract services	2,000	2,000	2,000
OCE	13,398	13,398	13,398
Fixed assets	0	1,000	1,000
Total	121,993	131,683	131,683
Employees	6	6	6

At the public hearing held in May, the Department informed your Committee that it was necessary for it to reprogram travel funds from the other divisions to the Investment and International Finance Division, in order to meet its need for essential travel. To prevent this from recurring, the Department has requested additional travel funds.

CONGRESS

The table below contains an overview of Congress' proposed FY 2010 budget, to be funded entirely from domestic revenues.

Overview

	FY09 App.	FY10 proposed	Committee rec.
Personnel	1,208,344	1,227,190	1,227,190
Travel	618,133	618,133	618,133
Contract services	631,100	631,100	631,100
OCE	617,000	617,000	617,000
Fixed assets	27,000	27,000	27,000
Total	3,107,725	3,120,423	3,120,423
Employees	59	59	59

A discussion of funding for each separate area of operations is set out below.

Congress - Speaker and Members

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	FY09 App.	FY10 proposed	Committee rec.
Personnel	415,290	415,290	415,290
Travel	489,881	489,881	489,881
Contract services	507,600	507,600	507,600
OCE	0	0	0
Fixed assets	0	0	0
Total	1,412,771	1,412,771	1,412,771
Employees	14	14	14

Congress - Staff Offices

	FY09 App.	FY10 proposed	Committee rec.
Personnel	793,135	809,804	809,804
Travel	128,252	128,252	128,252
Contract services	123,500	123,500	123,500
OCE	127,000	127,000	127,000
Fixed assets	27,000	27,000	27,000
Total	1,198,887	1,215,556	1,215,556
Employees	46	45	45

Your Committee also notes that although the Budget Book lists a vacant position within the Congress Staff Offices, that position has been filled. The vacant position is within the Kosrae Delegation Office. Again, your Committee urges the Director of Administration to work closely with the Executive Branch so that next years' Budget Book will contain a more accurate personnel listing.

Congress - Delegation Offices

In order to address an audit finding that the Congress-Delegation Offices budget was not broken down by line-item category, your Committee recommends the budgets below, requested by each Delegation Office. The funding level remains the same as for FY09, but a more detailed breakdown is included.

This years' budget request for the Delegation Offices is broken down by line item, other than personnel, which is included in Congress - Staff Offices above. For next year's budget, your Committee would

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like to see the Delegation Office personnel included in the Delegation Office budget requests.

Your Committee notes that the Contract services line item for each Delegation Office includes amounts for Member Representation, up to a maximum of \$25,000 per member, at the Delegation Offices' discretion. This restriction on the maximum amount permitted will be included in the budget law.

Your Committee confirms and reminds the Delegation Offices that this Member Representation is not to be advanced, and that any representation required by the Delegation Office as a whole should be funded by each of the Members taking equal shares from their Member representation. No representation expenditure should be made by the Delegation Office beyond the maximum provided for each Member. A Delegation Office may determine among its Members that a lesser amount is required for Member Representation than the \$25,000 per Member. In that event, the remaining amount in Contract services shall be available for operational expenses of the office, such as POL, utilities and so forth.

KOSRAE DELEGATION	FY09 App.	FY10 proposed	Committee rec.
Personnel			*
Travel			0
Contract services			52,000
OCE			18,000
Fixed assets			0
Total	70,000	70,000	70,000
Employees	4	4	4*

POHNPEI DELEGATION	FY09 App.	FY10 proposed	Committee rec.
Personnel			*
Travel			10,000
Contract services			110,000
OCE			10,000
Fixed assets			10,000
Total	140,000	140,000	140,000
Employees	3	3	3*

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CHUUK DELEGATION	FY09 App.	FY10 proposed	Committee rec.
Personnel			*
Travel			
Contract services			150,000
OCE			
Fixed assets			
Total	210,000	210,000	210,000
Employees	5	5	5*

YAP DELEGATION	FY09 App.	FY10 proposed	Committee rec.
Personnel			*
Travel			10,000
Contract services			40,000
OCE			20,000
Fixed assets			0
Total	70,000	70,000	70,000
Employees	3	3	3*

***These items are included in Congress-Staff Offices above.**

The funding request for the delegation offices remains at the FY09 levels.

Your Committee approves the FY10 budget request as set out in the tables above for the FSM Congress.

PUBLIC AUDITOR

The table below contains an overview of Office of the Public Auditor's proposed FY 2010 budget.

Your Committee notes that the source of funds for the Public Auditor's Office identified in the Budget Book is entirely local revenues. In prior fiscal years, the Chuuk Branch Office of the FSM National Public Auditor was funded by compact funds from the capacity building sector. This year's budget request seeks to have Congress fund the entire operations for the Public Auditor, including its Chuuk Branch Office from local revenues.

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Your Committee recommends funding the Chuuk Branch Office request of \$174,357 with Compact funds from the Public Sector Capacity Building Grant.

Your Committee also notes that additional Compact funds from the Public Sector Capacity Building Grant have been approved. Your Committee encourages the Office to work with the Executive Branch to identify where these Compact funds might be substituted for domestic revenue funds within the Office's budget approved below. If the Office is able to identify such, your Committee would be willing to amend the budget act to reflect this. Until such time as a use is identified, the additional sector grant funds will not be appropriated.

Your Committee notes that the amounts reflecting in the "FY09 App." Column in the Budget Book do not match the actual amounts appropriated for each category in the FY09 budget act (P.L. No. 15-55). That Act appropriated only 1 quarter of the Chuuk Office operations, for a total personnel appropriation of \$448,543 of the total \$845,315 appropriated for the Public Auditor's Office. Subsequently, Congress appropriated 1 additional month's salaries for the Chuuk Office. It appears that significant reprogramming was necessary to meet the personnel cost requirement for the year.

Because the Capacity Building Grant has already been approved for the Chuuk Branch Office, the difficulties of last year should not recur this year.

The FY10 proposed amount reflects the President's recommendation, which is significantly less than the amount requested by the Office (\$1,095,241). If the Office is unable to continue operations at an acceptable level with the approved budget, your Committee recommends that it request a supplemental budget appropriation through the Executive Branch.

Overview

	FY09 App.	FY10 proposed	Committee rec.
Personnel	460,861	569,969	569,969
Travel	167,027	178,598	178,598
Contract services	162,350	145,320	145,320
OCE	59,720	74,700	74,700
Fixed assets	7,675	7,500	7,500

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Total	857,633	976,087	976,087
Employees	25	25	25

The Office informed the Committee that the Budget Book inaccurately stated that the total appropriated for FY09 was \$857,633 when in fact the appropriation was \$976,083. The current year proposed amount differs only very slightly from the FY09 level.

Public Auditor - National Office

	FY09 App.	FY10 proposed	Committee rec.
Personnel	421,768	460,673	460,673
Travel	162,027	150,557	150,557
Contract services	156,000	130,500	130,500
OCE	54,435	52,500	52,500
Fixed assets	7,500	7,500	7,500
Total	801,730	801,730	801,730
Employees	20	20	20

Public Auditor - Chuuk Office

	FY09 App.	FY10 proposed	Committee rec.
Personnel	39,093	109,296	109,296
Travel	5,000	28,041	28,041
Contract services	6,350	14,820	14,820
OCE	5,285	22,200	22,200
Fixed assets	175	0	0
Total	55,903	174,357	174,357
Employees	5	5	5

Your Committee recommends funding for the Public Auditor's Office in the amounts set forth in the tables above. The funding source is Compact Sector Grant for Capacity Building for the Chuuk Branch Office of \$174,357; and domestic revenues for the balance of the operations of \$801,730.

**OFFICE OF STATISTICS, BUDGET AND ECONOMIC MANAGEMENT,
OVERSEAS DEVELOPMENT ASSISTANCE AND COMPACT MANAGEMENT
(SBOC)**

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An overview of proposed funding for the Office of SBOC follows.

The source of funds for the Office of SBOC's budget identified in the Budget Book is completely from domestic revenues.

Overview

	FY09 App.	FY10 proposed	Committee rec.
Personnel	606,345	615,240	606,345
Travel	105,259	96,030	94,733
Contract services	202,000	241,000	202,000
OCE	124,059	99,340	99,340
Fixed assets	13,500	7,500	7,500
Total	1,051,163	1,059,110	1,009,918
Employees	39	37	37

Your Committee recommends funding Personnel of the Office at the FY09 level. Travel is recommended for funding at the level of \$94,733, consistent with the Executive Branch's recommendation of reducing travel by 10% from the FY09 levels. Contractual services will be funded at the FY09 level and OCE and Fixed assets will be funded at the level requested for FY10.

Modifications to the Divisions' budget reflect the above policy decision.

Office of SBOC - Office of the Director (Administration)

	FY09 App.	FY10 proposed	Committee rec.
Personnel	0	43,591	0
Travel	0	4,270	0
Contract services	0	0	0
OCE	0	1,000	0
Fixed assets	0	0	0
Total	0	48,861	0
Employees	0	2	0

Your Committee has repeatedly expressed concern about the continuing growth of the Office. When the Office was created, your Committee was assured repeatedly that positions and funding for the office would be

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taken from the Department of Finance and Administration and that the operation of the Office would not represent, overall, an increase in the operating expenses of the National Government. This has not been the case.

Your Committee does not agree with the creation of this division of the Office and recommends funding at the FY09 level. Your Committee has placed the two positions in the Division of Compact Management, as that appears to be where the salaries were previously located.

Division of Statistics

	FY09 App.	FY10 proposed	Committee rec.
Personnel	258,143	267,425	258,143
Travel	7,686	6,917	6,917
Contract services	0	0	0
OCE	67,000	60,000	61,000
Fixed assets	13,500	0	0
Total	346,329	334,342	326,060
Employees	21	20	20

Division of Budget and Economic Management

	FY09 App.	FY10 proposed	Committee rec.
Personnel	213,648	213,648	213,648
Travel	22,425	12,394	12,394
Contract services	2,000	7,000	7,000
OCE	23,059	15,340	15,340
Fixed assets	0	7,500	7,500
Total	261,132	255,882	255,882
Employees	11	10	10

Division of Overseas Development Assistance

	FY09 App.	FY10 proposed	Committee rec.
Personnel	34,989	59,380	34,989
Travel	0	0	2,973
Contract services	0	0	0
OCE	0	0	0

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Fixed assets	0	0	0
Total	34,989	59,380	37,962
Employees	1	2	2

Your Committee is appreciative of the work of this Division, and encourages the division to continue to gather, monitor and manage overseas development assistance.

Division of Compact Management

	FY09 App.	FY10 proposed	Committee rec.
Personnel	99,565	65,965	99,565
Travel	75,148	72,449	72,449
Contract services	200,000	200,000	195,000
OCE	34,000	23,000	23,000
Fixed assets	0	0	0
Total	408,713	361,414	390,014
Employees	6	3	5

GRANTS SUBSIDIES AND CONTRIBUTIONS

	FY09 App.	FY10 Proposed	Committee rec.
Office of the President			
Asia Pacific Inst. Broadcasting Development (AIBD)	4,500	4,500	4,500
Asia Pacific Broadcasting Union	800	800	800
Pacific Island News Association	350	350	350
Department Of Finance			
OCO Membership	4,000	4,000	4,000
Financial Management System - Maintenance fee	30,000	30,000	30,000
FSM Group Life Insurance*	43,000	43,000	43,000
SBOC			
Econ Rpt & Stats (Capacity Bldg)	100,000	0	0

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Asia Pacific Investment	0	150	150
Other			
Compact Review Committee	75,000	0	30,000
Former Presidents Allowance	50,000	50,000	50,000
Single Audit Fee (National Government and States)	329,250	329,250	329,250
Total	636,900	462,050	492,050

*** In previous years, this amount was included within the budget of the Department of Finance & Administration.**

Although the current year budget contained grants for Economic Reporting and Statistics within the Office of SBOC in the amount of \$100,000 and other grants contained \$75,000 for the Compact Review Committee, the Budget Book did not contain any funding request for these purposes for FY10.

Your Committee specifically inquired of the Director of SBOC during the May hearing whether funds were needed for this purpose in FY10 and were informed that funds were not required because the FSM position had been developed fully. However, in a meeting with the President, your Committee became aware that the five-year review was a top priority of the President and that funds were required for this purpose.

Your Committee has still not received a request for a specific amount of funds for this purpose, and so your Committee recommends \$30,000 for this use.

Your Committee recommends approval of funding for the grants, subsidies and contributions in the amounts set out in the table above.

CAPITAL AND HUMAN RESOURCE DEVELOPMENT

	FY09 App.	FY10 Proposed	Committee rec.
Department of Finance			
National staff upgrading	50,000	50,000	50,000
Capacity Building Roadmap	0	150,000	0
Tax Reform	128,000	0	128,000