

STANDING COMMITTEE REPORT NO. 16-99

RE: P.C. NO. 16-188/T&C

SUBJECT: FY 2011 BUDGET

SEPTEMBER 23, 2010

The Honorable Isaac V. Figir
Speaker, Sixteenth Congress
Federated States of Micronesia
Fourth Regular Session, 2010

Dear Mr. Speaker:

Your Committee on Transportation and Communications, to which was jointly referred Presidential Communication No. 16-188 transmitting the National Government's proposed FY 2011 budget, begs leave to report as follows:

Presidential Communication No. 16-188 concerned the National Government's proposed budget for fiscal year 2011 as set forth in a publication entitled *National Government Fiscal Year 2011 Recommended Budget* ("Budget Book"). Pursuant to rule 7, section 6(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 for the Department of Transportation,
Communication and Infrastructure:

- (a) Office of the Secretary
- (b) Division of Marine Transportation
- (c) Division of Civil Aviation
- (d) Division of Communication
- (e) Division of Infrastructure

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Grants, subsidies and contributions

- (f) Asian Pacific Telecommunication
- (g) International Telecommunication Union
- (h) International Civil and Aviation Organization
- (i) Energy (FSM Utilities)

Capital and human resource development

- (j) FSM Capitol Rehabilitation
- (k) FSM Capitol Road/Bridge and Drainage Improvement
- (l) President's Office Renovation and Improvement
- (m) FSM Capital Official Residence and Security Fence
- (n) Infrastructure Development
- (o) Infrastructure Maintenance Fund (IMF)

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.

INTRODUCTORY COMMENTS

Following the convening of the Fourth Regular Session of Congress on May 11, 2010, your Committee conducted a series of hearings with the Department of Transportation, Communication and Infrastructure, the Office of Statistics, Budget, Overseas Development Assistance and Compact Management (S.B.O.C.), the Department of Justice and the Project Management Unit. This report reflects the recommendations of your Committee on Transportation and Communications regarding the proposed FY2011 budget based on the hearings referred to above.

Project Management Project (PMU)

Your Committee notes that the Project Management Unit is still not operating under the Department of Transportation, Communication and Infrastructure and their budget does not appear in the Budget Book. Your Committee held a hearing with the Department of Transportation, Communication and Infrastructure on May 25, 2010, regarding PMU's supplemental budget request for FY2010 and lack of a proper request for PMU's FY2011 operations. The Secretary testified that PMU intended to survive throughout FY2011 with the \$1,894,459 they requested as a supplemental budget for FY2010; therefore PMU did not plan to submit any operational budget for FY2011.

Your Committee held a joint hearing with your Committees on Judiciary and Governmental Operations and Ways and Means on May 21, 2010. Witnesses included the Assistant Secretary for Infrastructure, the PMU General Manager, and representatives from

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S.B.O.C. Members questioned Project Management Unit about the improper procedures used to submit their budget request. The General Manager responded that PMU was only doing what was asked of them by U.S. Office of Insular Affairs through their representative Steve Savage and that they used the same procedure they have used in the past. Your Committee in Standing Committee Report No. 16-83 recommended no action on the PMU request. PMU did not submit their request to Congress properly and therefore Congress cannot act upon it. Therefore, in this Standing Committee Report there is no recommended budget for PMU.

EXECUTIVE RECOMMENDATIONS

The Secretary testified that the Executive Budget Review Committee recommendations vary significantly from what was requested, but that many of these are due to oversights. The Secretary informed the Committee of correspondence from the President's office supporting several of the items initially removed or reduced by the EBRC. Your Committee received these documents and took them under advisement in making its recommendations.

**Operations Budget for the Department of Transportation,
Communication and Infrastructure**

Overview

	FY10 App.	FY2011 proposed	Committee recommends
Personnel	\$519,597	\$582,263	\$534,374
Travel	\$91,886	\$123,384	\$118,384
Contract serv.	\$1,298,965	\$1,354,566	\$1,350,566
OCE	\$84,000	\$55,300	\$55,300
Fixed assets	\$0	\$29,250	\$3,188
Total	\$1,994,428	\$2,144,763	\$2,061,812
Employees	28	28	29
Sources of Revenue	Domestic Unrestricted	Domestic Unrestricted	Domestic Unrestricted

Your Committee notes the Department's overall decrease in total OCE from FY2010. Your Committee also notes the increases in personnel, travel, contract services, and fixed assets. However, the Committee understands the reasons for these increases compared to the Department's FY2010 budget, which included decreases in all categories except personnel. Your Committee notes travel has increased more than 30 percent. The increase is primarily due to large increases in travel budgets for the Divisions of Civil Aviation and Infrastructure and will be discussed further below.

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a. Office of the Secretary - DTC&I

	FY10 App.	FY11 proposed	Committee recommends
Personnel	78,063	84,321	\$78,063
Travel	17,680	21,360	\$21,360
Contract services	4,000	4,000	\$4,000
OCE	40,000	40,000	\$40,000
Fixed assets	0	0	\$0
Total	139,743	149,681	\$143,423
Employees	6	6	6

The Office of the Secretary is seeking an increase in personnel to accommodate moving some key staff to higher pay grades. Your Committee recommends these salaries remain at 2010 levels, except to the extent the salary increases are mandatory. There are two vacant positions in the Secretary's office that are currently being advertised.

b. Division of Maritime Transportation

	FY10 App.	FY11 proposed	Committee recommends
Personnel	119,217	\$138,755	\$119,217
Travel	15,000	\$17,641	\$17,641
Contract services	1,078,000	\$1,119,601	\$1,119,601
OCE	0	\$0	\$0
Fixed assets	0	\$0	\$0
Total	1,212,217	\$1,275,997	\$1,256,459
Employees	5	5	5

In the Marine Transportation Division, the personnel amount has increased by \$19,538. This is due to the new Assistant Secretary, who was formerly the Manager, receiving the professional premium. The budgeted salary for his former position, now called Manager for System Development, remains at a professional premium level. The Secretary testified it is necessary to keep the premium salary available to attract the most qualified applicants. Whether the recruited person receives the premium is based on the person's qualifications. Your Committee recommends removing the budgeted professional premium for the position of Manager for System Development.

Contractual services for the Division of Maritime Transportation increased by \$41,601, roughly 3.5 percent. The Assistant Secretary wants to add a messman position that was removed in FY2010, maintain two cadet positions, and hire a maritime advisor. Funding for these positions is from the \$568,993 line

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item appearing in the budget book. Your Committee recommends the proposed amount for contractual services.

c. Division of Civil Aviation

	FY10 App.	FY11 proposed	Committee recommends
Personnel	77,463	101,672	\$87,229
Travel	10,000	25,197	\$25,197
Contract services	0	\$0	\$40,000
OCE	0	\$1,300	\$1,300
Fixed assets	0	\$4,250	\$3,188
Total	87,463	132,419	\$156,914
Employees	3	3	3

Personnel for the Civil Aviation Division has increased by \$24,209, this increase is due to the Assistant Secretary for Civil Aviation receiving the professional premium. The Division has no current vacancies. The Aviation Security position was recently filled. The recruited person does not qualify for the professional premium, and receives a salary of \$16,048. Therefore, your Committee recommends removing the premium from the Division's personnel budget.

Travel expenses have more than doubled for this Division. The amount includes the U.S. Federal Aviation Administration yearly trips to Honolulu and Oklahoma as well as trips to each state and each state's outer islands. Your Committee recommends funding the proposed amount for travel.

The Division wishes to hire an aviation attorney under contractual services. The attorney will work part-time to develop FSM aviation regulations. The Assistant Secretary also wants to contract a retired U.S. Transportation Security Administration representative as a consultant on airport security matters. The \$40,000 for the positions was removed by the EBRC. The Secretary submitted correspondence from the President's office in support of funding the two positions. The remuneration for these two individuals will be only airfare, lodging, and meals; neither will receive a salary. The cost will be \$10,000 for the attorney and \$30,000 for the TSA representative. Your Committee recommends funding the two positions in the amount of \$40,000 under contract services.

The amount for fixed assets was cut by the EBRC from \$8,500 to \$4,250. The remaining \$4,250 is for four computers. Your Committee recommends funding only three computers: two desktops and one laptop. Also, an amount for a vehicle for the Division was cut. The Assistant Secretary testified the reduced amounts

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were acceptable. When asked about the proposed vehicle the Assistant Secretary responded the Division would need roughly \$20,000 for a proper vehicle. The vehicle would require lights, markings, and radio equipment necessary to enter restricted airport areas. Your Committee does not recommend funding the vehicle.

d. Division of Communication

	FY10 App.	FY11 proposed	Committee recommends
Personnel	\$43,114	\$43,114	\$61,837
Travel	14,186	\$14,186	\$14,186
Contract services	30,000	\$30,000	\$0
OCE	30,000	\$0	\$0
Fixed assets	0	\$0	\$0
Total	\$117,300	87,300	\$76,023
Employees	2	2	3

Testimony from the Division of Communication concerned personnel almost exclusively. The other categories have remained level with FY2010 or have decreased. The Division is requesting a new position, titled Information Communication Technology, which the EBRC removed. The Assistant Secretary testified he needs the position badly. The Secretary provided a letter showing the President's support for the position, as well as the title, salary, and job description. The proposed salary is \$18,723. The Assistant Secretary testified the Division could live with the EBRC cuts to travel, but that the new position was vital. Your Committee recommends funding the new position.

An amount of \$30,000 for a communications consultant is requested under contract services. It is your Committee's position that this consultant has been around long enough and is no longer needed. Your Committee recommends removing the \$30,000 for contractual services from the Division's budget.

e. Division of Infrastructure

	FY10 App.	FY11 proposed	Committee recommends
Personnel	188,028	214,401	\$188,028
Travel	34,803	45,000	\$40,000
Contract services	186,965	200,965	\$186,965
OCE	14,000	14,000	\$14,000
Fixed assets	0	25,000	\$0
Total	423,797	499,366	\$428,993
Employees	12	12	12

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Personnel expenses for the Division of Infrastructure increased 14 percent over FY2010. The Department testified this was to cover overtime for inspectors, to repair some mistakenly depressed salaries to former levels, and to offer the civil engineer a raise. The Secretary and Assistant Secretary both testified that the engineer was a good engineer who has been assigned increasing duties, has helped to train locals, and has been offered higher salaries elsewhere. The Department testified it is very important they retain this engineer. Your Committee recommends maintaining salaries for the Division at 2010 levels.

Your Committee recommends reducing the Division's amount for contract services by \$14,000, the amount for the Water Project Manager.

Grants, Subsidies and Contributions

	FY10 App.	FY11 proposed	Committee recommends
Energy (FSM Utilities)	\$400,000	482,820	\$500,000
Asian Pacific Telecommunity (APT)	\$7,640	7,640	\$7,640
International Telecommunication Union (ITU)	\$55,000	55,000	\$55,000
International Civil Aviation Organization (ICAO)	\$28,050	28,050	\$28,050
Micronesian Shipping Commission	\$0	\$0	\$5,000
Total	490,690	573,510	\$595,690
Sources of Revenue	Domestic Unrestricted	Domestic Unrestricted	Domestic Unrestricted

The Department testified that the energy costs for the capital complex is approximately \$50,000/month or \$600,000/year. Due to this, the Department requested your Committee to increase the energy budget to \$600,000 to avoid a supplemental budget request later in the fiscal year to cover the energy shortfall. Your Committee recommends providing \$500,000 for energy costs. However, your Committee wishes to request the Department to do what it can to conserve energy and reduce the cost.

The Micronesian Shipping Commission annual fee was left out of the recommended budget due to oversight. The Secretary presented

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a letter to your Committee showing support for inclusion of the fee for FY 2011. Your Committee recommends funding the fee of \$5,000.

Your Committee recommends funding the other amounts as presented in the above table.

CAPITAL AND HUMAN RESOURCE DEVELOPMENT

	FY10 App.	FY11 proposed	Committee recommends
FSM Capital's Rehabilitation	\$100,000	\$450,000	\$450,000
FSM Capital Road/Bridge & Drainage Improvement	\$0	\$800,000	\$800,000
President's Office Renovation & Improvement	\$0	\$100,000	\$0
FSM Capital Official Residence and Security Fence	\$0	\$140,000	\$0
Infrastructure Development	\$0	\$2,437,560	\$0
Infrastructure Maintenance Fund (IMF)	\$85,000	\$121,878	\$120,925
Total	\$185,000	\$4,049,438	\$1,370,925
Sources of Revenue	Domestic Unrestricted	Domestic Unrestricted	Domestic Unrestricted

The Department is requesting \$450,000 for rehabilitation of the Capital Complex. Requests for capital rehab have been refused or decreased over the past few years. The Department views the \$450,000 as the minimum amount needed for rehabilitation and is only a part of the \$1,700,000 total requested which includes backup generators. Your Committee recommends funding \$450,000 specifically for rehabilitation of the Supreme Court and the Central Facilities Buildings in Palikir. Your Committee also recommends funding the road and bridge improvement and the infrastructure maintenance fund in the amounts provided in the table above. The amount of \$120,925 represents 5 percent of the

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National Government's share of the FY2011 compact infrastructure sector grant.

CONCLUSION

Your Committee on Transportation and Communications has reviewed the relevant portions of the proposed FY2011 budget and all testimony carefully. Based on the Committee's deliberations, your Committee recommends appropriation of each of the sums set forth above in the column entitled "Committee recommends" with a total of \$2,061,812 for the Department's operation, \$595,690 for Grants, Subsidies and Contributions, and \$1,370,925 for Capital and Human Resource Development. The total approved amount for the Department's budget for fiscal year 2011 is \$4,028,427. This amount is from domestic revenue.

With the modification identified above, your Committee on Transportation and Communications recommends authorizing those portions of the FY2011 budget relating to matters under its jurisdiction, subject to availability of funds, as determined by your Committee on Ways and Means.

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Respectfully submitted,

/s/ Dion G. Neth
Dion G. Neth, chairman

/s/ Tony H. Otto
Tony H. Otto, vice chairman

/s/ Tiwiter Aritos
Tiwiter Aritos, member

Claude H. Phillip, member

/s/ Peter M. Christian
Peter M. Christian, member

/s/ Joe N. Suka
Joe N. Suka, member

/s/ Joseph J. Urusemal
Joseph J. Urusemal, member