

STANDING COMMITTEE REPORT NO. 17-141

RE: P.C. NO. 17-216/W&M

SUBJECT: FY 2013 BUDGET

SEPTEMBER 22, 2012

The Honorable Isaac Figir
Speaker, Seventeenth Congress
Federated States of Micronesia
Fifth Regular Session, 2012

Dear Mr. Speaker:

Your Committee on Ways and Means, to which was jointly referred Presidential Communication No. 17-216 transmitting the National Government's proposed FY 2013 budget, begs leave to report as follows:

Presidential Communication No. 17-216 concerns the National Government's proposed budget for FY 2013 as set forth in a publication entitled "*National Government FY2012 Recommended Budget*" (Budget Book). Pursuant to rule 7, section 1(b), of the Official Rules of Procedure of the Seventeenth Congress of the Federated States of Micronesia, your Committee has limited its review to portions of the budget under its jurisdiction. These are:

Operations Budget

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

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Grants, Subsidies and Contributions

Office of the President

- (f) Asia Pacific Broadcasting Development (AIBD)
- (g) Asia Pacific Broadcasting Union
- (h) Pacific Island News Association
- (i) National Prayer Day
- (j) OCO Membership
- (k) Financial Management System - Maintenance fee
- (l) FSM Group Life Insurance

Office of SBOC

- (m) Asia Pacific Investment

Resources: Other Grants, Subsidies and Contributions

- (n) MLFC Loan Payment
- (o) Single Audit Fee
- (p) Former President's allowance
- (q) Staff Housing
- (r) Recruitment and Repatriation

Investment: Capital and Human Resource Development

Department of Finance

- (s) Tax Reform
- (t) FMIS Project

President's Office

- (u) FSM Trust Fund
- (v) National Staff Upgrading
- (w) Capacity Building Road/Staff Upgrade

Office of SBOC

- (x) Monitoring and Reconciliation-States

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 the intent of your Committee that any commentary found in this report should be treated as policy for the guidance of the relevant departments, agencies and offices.

During May and September 2012, your Committee conducted public hearings regarding the FY 2013 budget and deliberated upon the findings and all other information gathered. This Standing Committee

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Report reflects the recommendations of your Committee on Ways and Means regarding the proposed FY 2013 budget. Your Committee worked diligently to keep the budget within FY 2012 appropriations. Your Committee's findings and recommendations follow.

OPERATIONS BUDGET

(a) Office of the President

The following is an overview of recommended funding for the total operations of the Office of the President in FY 2013. The funding source is domestic revenue.

Overview - Total Operations

	FY12 Original Appropriation	FY12 Supplement	FY13 President Recommend	Committee Recommend
Personnel	340,826	0	352,388	340,826
Travel	133,324	10,000	158,413	143,324
Contract services	146,000	20,000	146,000	166,000
OCE	90,564	0	87,500	90,564
Fixed assets	9,000	0	17,000	9,000
Total	719,714	30,000	761,301	749,714
Employees	18		18	18

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

Office of the President - President's Office

	FY12 Original Appropriation	FY12 Supplement	FY13 President Recommend	Committee Recommend
Personnel	205,551	0	205,551	205,551

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Travel	90,354	10,000	124,556	100,354
Contract services	144,000	20,000	144,000	164,000
OCE	45,000	0	45,000	45,000
Fixed assets	1,000	0	6,000	1,000
Total	485,905	30,000	525,107	515,905
Employees	9		9	9

The President's request exceeds FY 2012 appropriations by approximately \$10,000. The only significant increase is under travel. Representatives from the President's Office testified that the amount appropriated for FY 2012 was not sufficient and the President anticipates similar travel needs in the coming year. Your Committee is sensitive to the President's travel needs but recommends funding the President's Office at current levels for FY 2013. Your Committee on Ways and Means recommends maintaining or reducing funding levels through the next fiscal year.

Office of the President - Public Information Office

	FY12 Original Appropriation	FY12 Supplement	FY13 President Recommend	Committee Recommend
Personnel	54,349	0	54,349	54,349
Travel	29,602	0	17,847	29,602
Contract services	2,000	0	2,000	2,000
OCE	30,280	0	23,500	30,280
Fixed assets	8,000	0	6,000	8,000
Total	124,231	0	103,696	124,231
Employees	4		4	4

The Public Information Office's budget was discussed intermittently during discussion with the Personnel Office and the President's Office. Your Committee expressed concern over the reduction to travel and OCE budgets of the Public Information Officer. The Public Information Officer testified that these are areas in which sacrifices were deemed appropriate. Your Committee recommends funding the Public Information Office at the current level.

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Office of the President - Personnel Office

	FY12 Original Appropriation	FY12 Supplement	FY13 President Recommend	Committee Recommend
Personnel	80,926	0	92,488	80,926
Travel	13,368	0	16,010	13,368
Contract services	0	0	0	0
OCE	15,284	0	19,000	15,284
Fixed assets	0	0	5,000	0
Total	109,578	0	132,498	109,578
Employees	5		6	5

Your Committee notes that the Personnel Office remains under the President's Office. This topic was not raised during the hearing. Your Committee was informed in prior hearings that an analysis to determine the permanent location of the Personnel Office was being conducted. Your Committee hopes this analysis has been completed and a permanent determination can be made.

The Personnel Office is requesting one new position, that of Personnel Specialist. Staff of the President's Office testified that the Personnel Office currently has two Personnel Specialists and workload demands necessitate an additional position. Your Committee recommends funding the Personnel Office at the current year's level.

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(b) Department of Finance and Administration

The following is an overview of proposed funding for the Department of Finance and Administration.

Overview - Total Operations

	FY12 Appropriated	FY13 President Recommend	Committee Recommend
Personnel	1,106,718	1,123,774	1,106,718
Travel	169,450	203,596	169,450
Contract services	322,906	320,906	322,906
OCE	212,398	261,500	212,398
Fixed assets	3,000	80,000	3,000
Total	1,814,472	1,989,776	1,814,472
Employees	82	82	82

A detailed discussion of each of the divisions of the Department of Finance and Administration follows.

Department of Finance - Office of the Secretary

	FY12 Appropriated	FY13 President Recommend	Committee Recommend
Personnel	61,705	61,706	61,705
Travel	52,907	45,684	52,907
Contract services	19,500	19,500	19,500
OCE	29,000	26,500	29,000
Fixed assets	0	0	0
Total	163,112	153,390	163,112
Employees	3	3	3

Requested funding for the Office of the Secretary remain nearly the same as the current level. Your committee recommends funding the Office of the Secretary at the same level funded as FY 2012.

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Department of Finance - Treasury (National plus State Offices)

	FY12 Appropriated	FY13 President Recommend	Committee Recommend
Personnel	386,282	413,976	386,282
Travel	28,619	43,205	28,619
Contract services	159,650	156,650	159,650
OCE	90,000	70,500	90,000
Fixed assets	0	0	0
Total	664,551	684,331	664,551
Employees	28	28	28

The division is requesting increases to Personnel due to request for \$20,000 for overtime not funded in FY 2012 and increase to travel to attend the Finance Conference in Yap as well as to visit the States in support of the FMIS project. These increases are partly offset by decreases in requested contract services and OCE requests. Your Committee recommends funding the Division of Treasury at the same level of funding as FY 2012.

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

	FY12 Appropriated	FY13 President Recommend	Committee Recommend
Personnel	559,112	548,746	559,112
Travel	54,150	65,272	54,150
Contract services	141,756	142,756	141,756
OCE	80,000	142,000	80,000
Fixed assets	0	75,000	0
Total	835,018	973,774	835,018
Employees	45	45	45

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The Division of Customs and Tax Administration is requesting an overall increase of \$138,756. This is mostly comprised of travel increases to the States and a large increase to OCE. Additionally, four vehicles are requested, one for each state office, under fixed assets. Your Committee recommends funding the Division of Customs and Tax Administration at the same level of funding as FY 2012.

Department of Finance - Investment and International Finance

	FY12 Appropriated	FY13 President Recommend	Committee Recommend
Personnel	99,619	99,346	99,619
Travel	33,774	49,435	33,774
Contract services	2,000	2,000	2,000
OCE	13,398	22,500	13,398
Fixed assets	3,000	5,000	3,000
Total	151,791	178,281	151,791
Employees	6	6	6

The Division of Investment and International Finance is requesting increases to travel and OCE for an overall increase of \$26,490. The increase in travel is to fund more domestic trips including the Finance Conference in Yap. Your Committee recommends funding the Division of Investment and International Finance at the same level of funding as FY 2012.

**(c) Office of Statistics, Budget and Economic Management,
Overseas Development Assistance and Compact Management (SBOC)**

An overview of proposed funding for SBOC follows. The funding source for all amounts recommended under SBOC is domestic revenue.

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Overview - Total Operations SBOC

	FY12 Appropriated	FY13 President Recommend	Committee Recommend
Personnel	568,563	629,501	568,563
Travel	97,747	133,854	97,747
Contract services	205,000	244,000	205,000
OCE	98,340	123,340	98,340
Fixed assets	9,100	34,350	9,100
Total	978,750	1,165,045	978,750
Employees	34	37	34

A detailed discussion of each of the Divisions of SBOC follows.

Office of SBOC - Office of the Director (Administration)

	FY12 Appropriated	FY13 President Recommend	Committee Recommend
Personnel	53,579	53,579	53,579
Travel	3,873	15,492	3,873
Contract services	0	0	0
OCE	0	15,000	0
Fixed assets	0	24,000	0
Total	57,452	108,071	57,452
Employees	3	3	3

The Office of the Director of SBOC is requesting an increase to travel to fund trips to the FSM States. Other increases include a \$15,000 request for OCE and a request for a vehicle. Your Committee believes the funding for the Office of the Director for FY 2012 is sufficient for FY 2013. Your Committee recommends funding the Director's Office at the same level of funding as FY 2012.

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Office of SBOC - Division of Statistics

	FY12 Appropriated	FY13 President Recommend	Committee Recommend
Personnel	256,754	257,194	256,754
Travel	6,495	6,495	6,495
Contract services	0	30,000	0
OCE	61,000	61,000	61,000
Fixed assets	0	0	0
Total	324,249	354,689	324,249
Employees	19	19	19

The requested budget for the Division of Statistics remains nearly identical except for a request for an IT contract. Your Committee recommends funding the Division of Statistics at the same level of funding as FY 2012.

Office of SBOC - Division of Budget and Economic Management

	FY12 Appropriated	FY13 President Recommend	Committee Recommend
Personnel	189,488	219,888	189,488
Travel	11,695	27,411	11,695
Contract services	5,000	5,000	5,000
OCE	16,340	26,340	16,340
Fixed assets	9,100	9,100	9,100
Total	231,623	287,739	231,623
Employees	9	10	9

The Division of Budget and Economic Management is requesting a budget increase of \$56,116. The increased budget is to include a Senior Economist position plus increased travel to the states and increased OCE. Your Committee recommends funding the Division of Budget and Economic Management at the same level of funding as FY 2012.

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Office of SBOC - Division of Overseas Development Assistance

	FY12 Appropriated	FY13 President Recommend	Committee Recommend
Personnel	24,838	35,870	24,838
Travel	10,000	10,562	10,000
Contract services	20,000	21,000	20,000
OCE	0	0	0
Fixed assets	0	1,250	0
Total	54,838	68,682	54,838
Employees	1	2	1

The Division of Overseas Development Assistance is requesting one new position; otherwise the Division's budget remains similar to the FY 2012 budget. Your Committee recommends funding the Division of Overseas Development Assistance at the same level of funding as FY 2012.

Office of SBOC - Division of Compact Management

	FY12 Appropriated	FY13 President Recommend	Committee Recommend
Personnel	43,904	62,970	43,904
Travel	65,684	73,894	65,684
Contract services	180,000	188,000	180,000
OCE	21,000	21,000	21,000
Fixed assets	0	0	0
Total	310,588	345,864	310,588
Employees	2	3	2

The Division of Compact Management is requesting one new position, that of Health Sector Specialist. The Division is also requesting a travel increase to fund visits to the States. The increased request for Contract services of \$8,000 is to fund an internship program within the Division. Your Committee recommends funding the Division of Compact Management at the same level of funding as FY 2012.

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(d) Legislative Branch

An overview of proposed funding for the Legislative Branch follows. The funding source for all amounts recommended under the branch is domestic revenue.

Overview - Total Operations

	FY12 Appropriate	FY12 Supplement	FY13 President Recommend	Committee Recommend
Personnel	1,267,995	(20,000)	1,249,573	1,247,995
Travel	654,133	70,000	664,133	724,133
Contract services	1,028,100	160,000	1,054,000	1,188,100
OCE	292,000	20,000	302,000	312,000
Fixed assets	83,000	0	101,500	83,000
Total	3,325,228	230,000	3,371,206	3,555,228
Employees	60		58	60

A detailed discussion of each of the Offices of the Legislative Branch follows.

Congress - Speaker and Members

	FY12 Appropriated	FY12 Supplement	FY13 President Recommend	Committee Recommend
Personnel	423,290	0	422,910	423,290
Travel	489,881	70,000	489,881	559,881
Contract services	507,600	140,000	504,000	647,600
OCE	70,000	0	70,000	70,000
Fixed assets	0	0	0	0
Total	1,490,771	210,000	1,486,791	1,700,771
Employees	14		14	14

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Personnel needs for Speaker and members remain steady at the FY 2012 level. Requested travel remains at the current year's level and is to fund various domestic and international trips and to attend regular and special sessions. Contract services also remains at the FY 2012 level. Contractual services includes fees for international organizations and amounts for Member Representation. Your Committee recommends maintaining the budget of the Speaker and members of Congress at the FY 2012 level.

Congress - Staff Offices

	FY12 Appropriated	FY12 Supplement	FY13 President Recommend	Committee Recommend
Personnel	844,705	(20,000)	826,663	824,705
Travel	128,252	0	138,252	128,252
Contract services	210,500	0	240,000	210,500
OCE	127,000	0	137,000	127,000
Fixed assets	34,000	0	52,500	34,000
Total	1,344,457	(20,000)	1,394,415	1,324,457
Employees	46		44	46

Your Committee recommends funding Congress staff offices at the current year's level. The requested FY 2013 budget differs only slightly from the FY 2012 budget. Your Committee recommends maintaining the level of expenditure of Congress's staff rather than increasing it. Your Committee further recommends the contract services and travel budgets not be used for training of exempt employees or employees who are nearing retirement.

Congress - Delegation Offices

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 Member Representation is not to be advanced, and that any representation

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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.

Chuuk Delegation Office

Your Committee notes the Contract services line item for the Chuuk Delegation Office includes \$10,000 that is exclusively for the use of the delegation office and is not to be used for Member Representation. Your Committee further notes the travel line item includes \$6,000 for the travel needs of delegation staff. Finally, your Committee notes that the OCE line item includes \$20,000 that is exclusively for the operation of the Chuuk Delegation Office and is not to be used for Member Representation.

KOSRAE DELEGATION	FY12 Appropriated	FY12 Supplement	FY13 President Recommend	Committee Recommend
Personnel	0	0	0	
Travel	10,000	0	10,000	10,000
Contract services	20,000	5,000	20,000	25,000
OCE	20,000	5,000	20,000	25,000
Fixed assets	20,000	0	20,000	20,000
Total	70,000	10,000	70,000	80,000

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POHNPEI DELEGATION	FY12 Appropriated	FY12 Supplement	FY13 President Recommend	Committee Recommend
Personnel	0	0	0	
Travel	10,000	0	10,000	10,000
Contract services	100,000	5,000	100,000	105,000
OCE	30,000	5,000	30,000	35,000
Fixed assets		0		0
Total	140,000	10,000	140,000	150,000

CHUUK DELEGATION	FY12 Appropriated	FY12 Supplement	FY13 President Recommend	Committee Recommend
Personnel	0	0	0	
Travel	6,000	0	6,000	6,000
Contract services	160,000	5,000	160,000	165,000
OCE	20,000	5,000	20,000	25,000
Fixed assets	24,000	0	24,000	24,000
Total	210,000	10,000	210,000	220,000

YAP DELEGATION	FY12 Appropriated	FY12 Supplement	FY13 President Recommend	Committee Recommend
Personnel	0	0	0	
Travel	10,000	0	10,000	10,000
Contract services	30,000	5,000	30,000	35,000
OCE	25,000	5,000	25,000	30,000
Fixed assets	5,000	0	5,000	5,000
Total	70,000	10,000	70,000	80,000

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(e) Office of Public Auditor

An overview of proposed funding for the Office of Public Auditor follows. The funding source for the National Public Auditor Office is domestic revenue.

Total Operations

	FY12 Appropriated	FY13 President Recommend	Committee Recommend
Personnel	546,930	489,505	546,930
Travel	161,241	161,241	161,241
Contract services	100,520	86,000	100,520
OCE	74,700	52,500	74,700
Fixed assets	0	7,000	0
Total	883,391	796,246	883,391
Employees	25	22	25

The Public Auditor is requesting a new Deputy Public Auditor position. The Public Auditor cited the increasing workload and mandate to phase out expatriate positions to justify the need for the Deputy.

The Committee inquired as to why the requested travel budget had increased even when the Chuuk Office was to be shutdown. The Public Auditor responded that audit requirements in all four states remain, therefore without the Chuuk branch auditors from the central office must travel to Chuuk to perform audits there.

Your Committee recommends funding the Office of the Public Auditor at the FY 2012 level.

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(f) - (t) GRANTS SUBSIDIES AND CONTRIBUTIONS

The funding source for all amounts recommended by the Committee under this section is domestic revenues.

	FY12 Appropriated	FY13 President Recommend	Committee Recommend
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
National Prayer Day	10,000	10,000	10,000
25th Anniversary of Independence	40,191	0	40,191
FSM Group Life Insurance	0	43,000	0
Department Of Finance			
OCO Membership	4,000	4,000	4,000
Financial Management System - Maintenance fee	30,000	35,000	30,000
FSM Group Life Insurance	43,000	0	43,000
SBOC			
Asia Pacific Investment	250	250	250
RESOURCES: Other Grants			
MLFC Loan Payment	200,000	200,000	200,000
Single Audit Fee	329,250	329,250	329,250
Former President' Allowance	50,000	50,000	50,000
Staff Housing	510,000	510,000	510,000
Recruitment and Repatriation	233,218	233,218	233,218
Total	1,455,559	1,420,368	1,455,559

Your Committee recommends funding Grants, Subsidies and Contributions in the amounts listed in the Table above. Your Committee recommends maintaining FY 2012 levels of funding.

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(u) - (dd) Investment

The funding source for all amounts recommended by the Committee under this section is domestic revenue, unless specified in the narrative below.

INVESTMENT: Capital and Human Resources Development	FY12 Appropriated	FY13 President Recommend	Committee Recommend
Department of Finance			
Tax Reform	117,000	179,842	117,000
FMIS Project	0	250,000	0
President's Office			
Trust Fund/Emergency Reserve	1,000,000	1,107,204	1,000,000
Staff Upgrading	50,000	50,000	50,000
Capacity Building Road Map	115,000	110,000	115,000
Office of SBOC			
Monitoring and Reconciliation-States	0	65,000	0
Total	1,282,000	1,762,046	1,282,000

Your Committee recommends funding Investment in Capital and Human Resources Development in the amounts listed in the Table above. Your Committee recommends maintaining FY 2012 levels of funding.

CONCLUSION

Your Committee on Ways and Means has reviewed the proposed fiscal year 2013 budget and carefully scrutinized all the information provided by the Office of the President, the Department of Finance and Administration, the Office of SBOC, the Legislative Branch and the Office of the National Public Auditor, including information relating to grants, subsidies and contributions and capital and human resource development which are in your Committee's jurisdiction. Based upon the information provided and its deliberations, your Committee recommends appropriation at FY 2012 levels in general and in the exact sums set forth above in the column entitled "Committee Recommend", subject to the availability of funds as determined by your Committee upon consolidation of all Committee recommendations.

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Respectfully submitted,

/s/ Dohsis Halbert
Dohsis Halbert, chairman

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

/s/ Roger S. Mori
Roger S. Mori, member

/s/ Tony H. Otto
Tony H. Otto, member

/s/ David W. Panuelo
David W. Panuelo, member

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

/s/ Paliknoa K. Welly
Paliknoa K. Welly, member