

STANDING COMMITTEE REPORT NO. 17-39

RE: P.C. NO. 16-369/EX AFF

SUBJECT: FISCAL YEAR 2012 BUDGET

SEPTEMBER 21, 2011

The Honorable Isaac V. Figir
Speaker, Seventeenth Congress
Federated States of Micronesia
Second Regular Session, 2011

Dear Mr. Speaker:

Your Committee on External Affairs to which was jointly referred Presidential Communication No. 16-369 transmitting the National Government's proposed Fiscal Year 2012 Budget, begs leave to report as follows:

Presidential Communication No. 16-369 was transmitted to Congress with the National Government Fiscal Year 2012 Recommended Budget ("Budget Book"). Pursuant to Rule 7, Section 5(b), of the Official Rules of Procedure of the Seventeenth 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.

This report and all previous and subsequent reports of your Committee, shall be treated as reflecting the policies of the Federated States of Micronesia, as defined by Congress. It is the intent of your Committee that any commentary found in this report should be treated as policy for the guidance of the Department, agencies and entities.

The Foreign Affairs budget submitted for Fiscal Year 2012 is in line with what was approved for Fiscal Year 2011. Actually, the submitted budget is \$188,291 BELOW the Fiscal Year 2011 level, a feat for which the Department should be commended. Without any indication of any substantial change in activities on the part of the overseas missions and mindful of a need for flexibility for the new administration and management of the Department, your Committee will abstain from any drastic changes to the submitted budget.

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Your Committee held a budget hearing with the Department of Foreign Affairs on May 13, 2011. Present were Secretary Lorin Robert, Deputy Secretary Jane Chigiyal and the ambassadors and representatives from all the Overseas Offices.

Your Committee is concerned that the submitted budget this year once again contains errors: time and time again witnesses for the Department appear at budget hearings claiming different needs from what was presented to the Committee. Not only that, sometimes the witnesses disavow the figures in the Budget Book. Your Committee feels that the Department and the people who prepare the Budget Book should consult before the hearings so as not to waste hearing time verbally correcting clerical errors. This will allow the hearings to focus more on policy. That being said, your Committee took note of a few "clerical errors" mentioned at the budget hearing, and is incorporating corrections of them in this report.

By and large however, your Committee is satisfied with the submitted departmental budget in the Budget Book. Your Committee would like to add or amend the following items:

- For Guam, add \$12,000 to contractual services to retain a local hire FSM citizen to assist with outreach;
- For Guam, add \$23,000 to fixed assets for office equipment, furniture and furnishings;
- For Guam, amend the line item in personnel for Linda Timothy to reflect \$26,000 instead of \$24,711 (an increase of \$1,289);

- For Washington, amend Staff Housing to \$111,800 based on actual needs instead of the requested \$92,800 (an increase of \$19,000, back to the FY11 level);
- For Washington, add \$3,500 to fixed assets services for computers;
- For New York, add \$60,000 to contractual services for the services of an FSM citizen lawyer;
- For New York delete the funding for the First Secretary since the position has long been vacant (a decrease of \$46,520);
- For the Office of the Secretary travel, at the hearing the Department requested an adjustment of \$31,000 over

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- the Budget Book, mainly to attend the PALM¹ meeting, your Committee recommends generally staying with the Budget Book level, which is already more than \$27,000 over Fiscal Year 2011, except for the Office of the Secretary² which should remain at the FY11 level;
- For Beijing add \$21,117 to contractual services for exchange rate fluctuations.
 - For Tokyo, the budget shows a large increase of \$187,082 because of the new exchange rate of the yen.

There are increases across the board for personnel due to the adjustment in benefits to 11% from the previous 9%.

With respect to housing, your Committee is concerned about the cost of staff housing and invites the Department to present its guidelines for staff housing. In particular your Committee notes that staff housing in Japan is \$87,000 per year for two staff members, and likely to increase. Some explanation is needed as to what standards of housing the Embassy staff is entitled to.

At the hearings the Secretary testified that the Fiscal Year 2012 budget request is based on the current exchange rate (as of May), instead of the outdated rate of the previous year. Your Committee feels that the exchange rate contingency fund should be replenished but at a lower level. Your Committee recommends \$50,000 instead of the \$200,000 funded for Fiscal Year 2011. This amount will appear under OCE for the Office of the Secretary. Your Committee is still awaiting a report on the usage of the first \$200,000.

With these recommended changes, the operations budget will go back up to \$4,203,734, which is just a little below the Fiscal Year 2011 level of \$4,267,286.

The operations budget is detailed in the spreadsheets below.

Table 1: Budget by Office

¹ Pacific Islands Leaders Meeting in Japan

² Your committee also feels that JEMCO travel should be funded out of the President's Office.

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Breakdown by office	FY 11 appropriated	FY 12 request	Difference FY12 and FY11	Committee Recommends
Office of the Secretary	\$511,342	\$266,527	(\$243,062)	\$311,395
Asian, African & Multilaterals	\$103,617	\$105,426	\$1,809	\$105,426
American and European	\$81,100	\$85,104	\$4,004	\$85,104
Guam Consulate	\$283,132	\$291,521	\$8,389	\$327,810
Honolulu Consulate	\$405,598	\$335,363	(\$70,235)	\$335,363
Washington Embassy	\$497,487	\$443,572	(\$53,915)	\$466,702
Fiji Embassy	\$232,217	\$236,247	\$4,030	\$236,247
Tokyo Embassy	\$835,269	\$1,022,351	\$187,082	\$1,022,351
UN Mission	\$831,884	\$760,341	(\$71,543)	\$773,821
Beijing Embassy	\$485,640	\$509,898	\$24,258	\$539,515
Total	\$4,267,286	\$4,056,350	(\$209,183)	\$4,203,734

Table 2:
Line item
budget

	FY 11 appropriated	FY 12 requested	Difference FY12 and FY11	Committee Recommends
Line item budget				
Personnel	\$1,309,887	\$1,342,386	\$32,499	\$1,297,155
Travel	\$212,849	\$240,025	\$27,176	\$234,893
Contractual	\$2,074,900	\$2,146,837	\$71,937	\$2,258,954
OCE	\$563,150	\$319,232	(\$243,918)	\$369,232
Fixed Assets	\$106,500	\$8,500	(\$98,000)	\$43,500
Total	\$4,267,286	\$4,056,980	(\$210,306)	\$4,203,734

Table 3:
Recommended
Budget

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	Secretary	Asian African multilaterals	American and European	GUAM
Line item budget				
Personnel	\$100,235	\$105,426	\$85,104	\$119,812
Travel	\$86,160			\$11,766
Contractual	\$30,000			\$141,532
OCE	\$95,000			\$31,700
Fixed Assets	\$0			\$23,000
Total	\$311,395	\$105,426	\$85,104	\$327,810

	Honolulu	Washington	Fiji	Tokyo
Line item budget				
Personnel	\$123,653	\$182,920	\$98,497	\$195,997
Travel	\$10,910	\$29,782	\$19,000	\$18,900
Contractual	\$169,800	\$203,000	\$85,550	\$732,779
OCE	\$29,000	\$47,500	\$31,700	\$74,675
Fixed Assets	\$2,000	\$3,500	\$1,500	\$0
Total	\$335,363	\$466,702	\$236,247	\$1,022,351

	UN	Beijing	Total all offices	
Line item Budget				
Personnel	\$124,165	\$161,346	\$1,297,155	
Travel	\$31,595	\$26,780	\$234,893	
Contractual	\$577,061	\$319,232	\$2,258,954	
OCE	\$36,000	\$23,657	\$369,232	
Fixed Assets	\$5,000	\$8,500	\$43,500	
Total	\$773,821	\$539,515	\$4,101,848	

Table 4:
Personnel

	FY 11 appropriated ³	FY12 Requested	Increase (decrease)	Committee Recommends
Personnel				

³Different parts of the Budget Book do not match. This personnel info is from the detailed breakdown of personnel costs by office in the Budget Book, starting from page 42. This differs slightly from the summary on page 41, and from the Department's own records.

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line item				
Off Sec.	\$100,182	\$100,235	\$53	\$100,235
AAM	\$103,610	\$105,426	\$1,816	\$105,426
AM & E	\$85,651	\$85,104	(\$547)	\$85,104
Guam	\$116,386	\$118,523	\$3,426	\$119,812
Honolulu	\$121,428	\$123,653	\$2,225	\$123,653
Washington	\$179,624	\$182,920	\$3,296	\$182,920
Fiji	\$94,967	\$98,497	\$3,530	\$98,497
Tokyo	\$192,466	\$195,997	\$3,531	\$195,997
UN	\$167,838	\$170,685	\$2,847	\$124,165
Beijing	\$152,279	\$161,346	\$9,067	\$161,346
Total	\$1,314,431	\$1,343,675	\$29,244	\$1,297,155

A detailed breakdown by office and object class is as follows:

Table 5: Detailed comparison by office

	FY11	FY12	Difference	recommend
Secretary				
Personnel	\$100,182	\$100,235	\$53	\$100,235
Travel	\$86,160	\$91,292	\$5,132	\$86,160
Contractual	\$30,000	\$30,000	\$0	\$30,000
OCE	\$295,000	\$45,000	(\$250,000)	\$95,000
Fixed Assets		\$0		\$0
Total	\$511,342	\$266,527	(\$244,815)	\$311,395

Recommended OCE includes \$50,000 contingency for exchange rate.

	FY11	FY12	Difference	recommend
APAMA				
Personnel	\$103,617	\$105,426	\$1,809	\$105,426
Travel	\$0	\$0	\$0	\$0
Contractual	\$0	\$0	\$0	\$0
OCE	\$0	\$0	\$0	\$0
Fixed Assets		\$0	\$0	\$0

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Total	\$103,617	\$105,426	\$1,809	\$105,426
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	FY11	FY12	Difference	recommend
Amer & European				
Personnel	\$81,100	\$85,104	\$4,004	\$85,104
Travel	\$0	\$0	\$0	\$0
Contractual	\$0	\$0	\$0	\$0
OCE	\$0	\$0	\$0	\$0
Fixed Assets		\$0	\$0	\$0
Total	\$81,100	\$85,104	\$4,004	\$85,104

	FY11	FY12	Difference	recommend
Guam				
Personnel	\$116,386	\$118,523	\$2,137	\$119,812
Travel	\$11,766	\$11,766	\$0	\$11,766
Contractual	\$119,280	\$129,532	\$10,252	\$141,532
OCE	\$30,700	\$31,700	\$1,000	\$31,700
Fixed Assets	\$5,000	\$0	(\$5,000)	\$23,000
Total	\$283,132	\$291,521	\$8,389	\$327,810

Recommendations:

- \$12,000 in contractual to hire FSM citizen
- \$23,000 for office equipment and furniture
- technical adjustment for salary of L. Timothy

	FY11	FY12	Difference	recommend
Honolulu				
Personnel	\$121,428	\$123,653	\$2,225	\$123,653
Travel	\$10,910	\$10,910	\$0	\$10,910
Contractual	\$231,460	\$169,800	(\$61,660)	\$169,800
OCE	\$26,800	\$29,000	\$2,200	\$29,000
Fixed Assets	\$15,000	\$2,000	(\$13,000)	\$2,000
Total	\$405,598	\$335,363	(\$70,235)	\$335,363

Decrease in Contractual due to lower rent. The Consulate moved to an office with lower rent.

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There is also a saving because hiring a local hire reduces the requirement for staff rent.

	FY11	FY12	Difference	recommend
Washington				
Personnel	\$179,624	\$182,920	\$3,296	\$182,920
Travel	\$32,863	\$29,782	(\$3,081)	\$29,782
Contractual	\$203,000	\$184,000	(\$19,000)	\$203,000
OCE	\$47,000	\$47,500	\$500	\$47,500
Fixed Assets	\$35,000	\$0	(\$35,000)	\$3,500
Total	\$497,487	\$443,572	(\$53,285)	\$466,702

Recommendations

- Staff housing back at FY 11 level
- Add \$3,500 for computers

	FY11	FY12	Difference	recommend
Fiji				
Personnel	\$94,967	\$98,497	\$3,530	\$98,497
Travel	\$16,000	\$19,000	\$3,000	\$19,000
Contractual	\$88,100	\$85,550	(\$2,550)	\$85,550
OCE	\$31,650	\$31,700	\$50	\$31,700
Fixed Assets	\$1,500	\$1,500	\$0	\$1,500
Total	\$232,217	\$236,247	\$4,030	\$236,247

Local typist will not be hired, leading to a decrease in Contractual.

	FY11	FY12	Difference	recommend
Tokyo				
Personnel	\$192,466	\$195,997	\$3,531	\$195,997
Travel	\$18,900	\$18,900	\$0	\$18,900
Contractual	\$546,603	\$732,779	\$186,176	\$732,779
OCE	\$69,300	\$74,675	\$5,375	\$74,675
Fixed Assets	\$8,000	\$0	(\$8,000)	\$0
Total	\$835,269	\$1,022,351	\$187,082	\$1,022,351

Tokyo requests a large increase in its budget because of the exchange rate.

	FY11	FY12	Difference	recommend
New York				
Personnel	\$167,838	\$170,685	\$2,847	\$124,165

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Travel	\$18,378	\$31,595	\$13,217	\$31,595
Contractual	\$569,668	\$517,061	(\$52,607)	\$577,061
OCE	\$34,000	\$36,000	\$2,000	\$36,000
Fixed Assets	\$42,000	\$5,000	(\$37,000)	\$5,000
Total	\$831,884	\$760,341	(\$71,543)	\$773,821

Recommendations:

- reinstate funding for FSM lawyer
- no funding for vacant first secretary position

	FY11	FY12	Difference	recommend
Beijing				
Personnel	\$152,279	\$161,346	\$9,067	\$161,346
Travel	\$17,872	\$26,780	\$8,908	\$26,780
Contractual	\$286,789	\$298,115	\$11,326	\$319,232
OCE	\$28,700	\$23,657	(\$5,043)	\$23,657
Fixed Assets	\$0	\$0	\$0	\$8,500
Total	\$485,640	\$509,898	\$24,258	\$539,515

-Increase in personnel and contractual to reflect exchange rate.

-Increase in travel because of need for the Ambassador to present credentials in South East Asia.

In addition to the operations budget, your Committee recommends the following grants and subsidies, which are membership dues for international organizations:

Organization	Requested	Committee Recommends
Pacific Forum Secretariat	\$46,000	\$46,000
Secretariat for Pacific Community	\$56,000	\$56,000
UN Membership fees	\$60,000	\$60,000
ESCAP ⁴	\$5,000	\$5,000
East-West Center	\$5,000	\$5,000
ACP Cotonou Membership fees	\$10,000	\$10,000

⁴ United Nations Economic and Social Commission for Asia and Pacific

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Total	\$182,000	\$182,000
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Your Committee on Foreign Affairs has carefully reviewed the President's recommended FY 2012 budget and all information provided by the Executive and the entities under your Committee's jurisdiction. The recommended sums set forth above reflect your Committee's recommendations on

the level of funding for the designated activity, program or project for FY 2012.

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 Foreign Affairs recommends approval of the amounts listed above.

Respectfully submitted,

/s/ Paliknoa K. Welly
Paliknoa K. Welly, chairman

/s/ Tiwiter Aritos
Tiwiter Aritos, vice chairman

/s/ Isaac V. Figir
Isaac V. Figir, member

Berney Martin, member

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

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

/s/ Wesley W. Simina
Wesley W. Simina, member