

STANDING COMMITTEE REPORT NO. 17-46

RE: P.C. NO. 16-369/W&M

SUBJECT: FY 2012 BUDGET

SEPTEMBER 24, 2011

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

Dear Mr. Speaker:

Your Committee on Ways and Means, to which was jointly referred Presidential Communication No. 16-369 transmitting the National Government's proposed FY 2012 budget, begs leave to report as follows:

Presidential Communication No. 16-369 concerns the National Government's proposed budget for fiscal year 2012 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 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) Office of SBOC
- (d) Congress
- (e) Office of Public Auditor

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) 25th Anniversary of Independence

Department of Finance

- (k) OCO Membership

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- (l) Financial Management System - Maintenance fee
- (m) FSM Group Life Insurance
- (n) Personnel Manual Development
Office of SBOC
- (o) Asia Pacific Investment

Resources: Other Grants, Subsidies and Contributions

- (p) MLFC Loan Payment
- (q) FY 10 Single Audit Fee
- (r) Compact Review Committee
- (s) Staff Housing
- (t) Recruitment and Repatriation

Investment: Capital and Human Resource Development

Department of Finance

- (u) Tax Reform
President's Office
- (v) FSM Trust Fund
- (w) National Staff Upgrading
- (x) Capacity Building Road/Staff Upgrade

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 and September 2011, 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 2012 budget based on the consultations outlined above. Your Committee's findings and recommendations follow.

Comments Regarding This Years' Budget

Your Committee is mindful that the FY2012 Budget recommended to Congress far exceeds the revenue projections; as such, your Committee worked diligently to keep the budget in line with FY2011 appropriations when possible. Your Committee also denied any salary increases for reclassification of current employees.

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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 2012. The funding source for all recommended amounts under the Office is domestic revenues.

Overview - Total Operations

	FY11 Original Appropriation	FY11 Supplement	FY12 President Recommend	Committee Recommend
Personnel	258,025	0	346,376	340,826
Travel	124,239	10,000	133,324	133,324
Contract services	146,000	40,000	146,000	146,000
OCE	102,100	0	90,564	90,564
Fixed assets	21,000	0	69,000	9,000
Total	651,364	50,000	785,264	719,714
Employees	14		18	18

A detailed discussion of each of the divisions of the Office of the President follows. Note the increased number of employees under the President's Office is due to the inclusion of the Personnel Office in the President's Office. The Personnel Office was previously a part of the Department of Finance.

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Office of the President - President's Office

	FY11 Original Appropriation	FY11 Supplement	FY12 President Recommend	Committee Recommend
Personnel	201,687	0	205,551	205,551
Travel	90,354	10,000	90,354	90,354
Contract services	144,000	40,000	144,000	144,000
OCE	79,500	0	45,000	45,000
Fixed assets	1,000	0	61,000	1,000
Total	516,541	50,000	545,905	485,905
Employees	9		9	9

Representatives of the President's Office testified that the increase in personnel is due to the adjustment for fringe benefits and that otherwise the President's budget has decreased or been maintained at FY11 levels.

The President is requesting \$60,000 to purchase two new vehicles for the President and the Vice-President. The representatives further informed your Committee the amount of \$60,000 was insufficient to purchase the vehicles desired and asked your Committee to recommend \$70,000 for the two vehicles. The stated reasoning was that the current cars are four years old and have begun to have problems. The representatives stated that if the new vehicles are approved the current vehicles would possibly be transferred to the Department of Foreign Affairs.

Staff from the President's Office furthered testified that the requested travel amount would probably prove insufficient, citing the President's recent trip to New Zealand requiring use of funding from PIO travel funds.

Your Committee recommends funding the President's Office operations in the amount recommended by EBRC except for the amount for fixed assets. Your Committee does not recommended approval of two new vehicles.

Office of the President - Public Information Office

	FY11 Original Appropriation	FY11 Supplement	FY12 President Recommend	Committee Recommend
Personnel	56,338	0	59,899	54,349

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Travel	33,885	0	29,602	29,602
Contract services	2,000	0	2,000	2,000
OCE	22,600	0	30,280	30,280
Fixed assets	20,000	0	8,000	8,000
Total	134,823	0	129,781	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. The PIO budget only shows an increase in the item of OCE.

The former PIO has left the position and the new PIO is receiving a slightly lower salary. Your Committee recommends funding personnel in the amount of \$54,349. This amount is based on the salary of the new PIO. Your Committee recommends approval of \$8,000 for fixed assets to fund the purchase of an editing machine and a camera. Your Committee recommends funding travel, contract services and OCE in the amounts recommended.

Office of the President - Personnel Office

	FY11 Original Appropriation	FY11 Supplement	FY12 President Recommend	Committee Recommend
Personnel	79,466	0	80,926	80,926
Travel	13,338	0	13,368	13,368
Contract services	0	0	0	0
OCE	15,284	0	15,284	15,284
Fixed assets	0	0	0	0
Total	108,088	0	109,578	109,578
Employees	5		5	5

The President's representatives were questioned regarding the duration of the Personnel Office remaining under the President's Office. The representatives informed your Committee that a study of the Personnel Office was being performed and the President intended for Personnel to remain with his Office until the results of the study are revealed.

The Personnel Office staff informed your Committee that the once vacant Training Coordinator position had been filled. The personnel line item increased slightly due to fringe benefit increases. Remaining items of Personnel's budget are maintained at FY11 levels.

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Your Committee recommends funding the Division of Personnel at recommended levels.

(b) Department of Finance and Administration

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

Overview - Total Operations

	FY11 Appropriated	FY12 President Recommend	Committee Recommend
Personnel	1,287,385	1,229,467	1,106,718
Travel	171,003	193,274	169,450
Contract services	160,456	322,906	322,906
OCE	210,182	240,073	212,398
Fixed assets	34,500	29,000	3,000
Total	1,863,526	2,014,720	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

	FY11 Appropriated	FY12 President Recommend	Committee Recommend
Personnel	58,984	61,705	61,705
Travel	52,907	52,907	52,907
Contract services	19,500	19,500	19,500
OCE	29,500	29,000	29,000
Fixed assets	0	0	0
Total	160,891	163,112	163,112
Employees	3	3	3

Funding levels for the Office of the Secretary remain much the same as FY11 levels. The small increase in Personnel is for the fringe benefit increase. OCE decreased by \$500 as a line item for a Projector and supplies was included for FY11 but not FY12. The amount

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requested for Contractual services includes \$18,000 for Grants services-Bank of Tokyo.

The travel budget includes four international trips and one domestic trip to the states. The international trips include attendance at an ADB meeting, an IMF/World Bank meeting, and two JEMCO meetings. The domestic trip is to visit Finance officials and field offices in the states.

Your committee recommends funding the Office of the Secretary in the amounts recommended by EBRC.

Department of Finance - Treasury (National plus State Offices)

	FY11 Appropriated	FY12 President Recommend	Committee Recommend
Personnel	409,597	435,521	386,282
Travel	16,834	28,619	28,619
Contract services	56,000	159,650	159,650
OCE	72,000	90,000	90,000
Fixed assets	20,000	20,000	0
Total	574,431	733,520	664,551
Employees	28	28	28

Your Committee discovered that several salaries as reported in the budget book are incorrect. Your Committee recommends funding the proper amounts and therefore has adjusted the Personnel figure to reflect the true salary and fringe benefit levels. The base salaries were gathered from Personnel records. Your Committee recommends funding personnel in the amount of \$386,282.

The requested travel budget increased due to inclusion of one international trip to visit NOAA to reconcile financial records and for one additional monitoring trip to each of the states. Your Committee approves the increase in travel budget for the extra trips.

For contract services the request includes two Financial Advisors funded from the Public Sector Capacity Grant. Your Committee approved this use of Compact funds in May 2011. The amount totals \$103,650 and includes \$81,500 for salaries and \$22,150 to defray costs associated with travel and office expenses. In FY11 the amount for two financial advisors was included under grants and subsidies. Your Committee recommends funding contractual services in the amount requested of \$159,650. The Division is requesting an \$18,000 increase to its OCE

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budget compared to FY11. This is due to increases in freight and supplies and materials. Your Committee approves \$90,000 for OCE as recommended. Fixed Assets includes a request of \$20,000 for a document scanner. \$20,000 was appropriated for FY11 for a copier. Your Committee does not recommend funding the document scanner.

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

	FY11 Appropriated	FY12 President Recommend	Committee Recommend
Personnel	643,692	554,458	559,112
Travel	54,150	54,150	54,150
Contract services	82,956	141,756	141,756
OCE	80,000	90,391	80,000
Fixed assets	11,500	4,000	0
Total	872,298	844,755	835,018
Employees	45	45	45

Personnel amounts appear lower for FY12 due to the exclusion of requested overtime for FY12. Beginning FY11, a revolving fund was created to cover overtime costs, therefore, the requested amount for FY12 does not include overtime. Your Committee recommends continuing the practice of funding overtime through the revolving fund. Your Committee strongly encourages the Division to accelerate its collections and payments into its overtime revolving fund. According to the Personnel records the amounts requested for appropriation for certain Personnel are incorrect. Your Committee has adjusted the figures to accurately reflect the salary and fringe benefits needs. The total amount approved by your Committee for personnel is \$559,112 and includes no funding for overtime.

The increase in contractual services reflects a request for a tax accounting advisor funded from the Public Sector Capacity Grant. The Committee approved this use of Compact funds in May 2011. Your Committee recommends approving contractual services as requested in the amount of \$141,756.

Your Committee recommends approving OCE at FY11 levels; your Committee approves the amount of \$80,000 for OCE. The \$4,000 request under fixed assets is for computers. The FY11 appropriation included \$7,500 for a vehicle and \$4,000 for computers. Your Committee does not recommend funding computers again for FY12 and recommends \$0 for fixed assets budget.

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Department of Finance - Investment and International Finance

	FY11 Appropriated	FY12 President Recommend	Committee Recommend
Personnel	95,646	97,127	99,619
Travel	33,774	44,230	33,774
Contract services	2,000	2,000	2,000
OCE	13,398	15,398	13,398
Fixed assets	3,000	5,000	3,000
Total	147,818	163,755	151,791
Employees	6	6	6

The small increase in recommended personnel is due to the fringe benefits increase. Several of the Personnel salary numbers are incorrect. Your Committee recommends funding the correct salaries plus fringe benefits. The total recommended for personnel is \$99,619.

The Division's travel budget is increased for 3 trips. Included is one domestic trip to attend a regional meeting, one international trip to attend a mid-year working group meeting, and one international trip to staff the Trust Fund Board. The division is requesting \$2,000 more in OCE for extra supplies and materials. The Division is requesting another \$5,000 for computers under fixed assets. For FY11 the Division received \$3,000 for computers. Your Committee recommends funding at FY11 levels for this Division except for personnel, which reflects a necessary increase.

**(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 revenues.

Overview - Total Operations SBOC

	FY11 Appropriated	FY12 President Recommend	Committee Recommend
Personnel	616,316	628,093	568,563
Travel	112,030	103,747	97,747
Contract services	215,000	220,000	205,000
OCE	95,340	98,340	98,340

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Fixed assets	0	9,100	9,100
Total	1,038,686	1,059,280	978,750
Employees	37	37	34

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

Office of SBOC - Office of the Director (Administration)

	FY11 Appropriated	FY12 President Recommend	Committee Recommend
Personnel	51,181	53,579	53,579
Travel	4,270	3,873	3,873
Contract services	0	0	0
OCE	0	0	0
Fixed assets	0	0	0
Total	55,451	57,452	57,452
Employees	3	3	3

Personnel for the Director's Office increased due to the fringe benefits increase. The amount for travel is for one domestic trip to visit the states. Your Committee recommends funding the Director's Office in the recommended amounts, reflected in the table above.

Office of SBOC - Division of Statistics

	FY11 Appropriated	FY12 President Recommend	Committee Recommend
Personnel	250,533	256,440	256,754
Travel	6,917	6,495	6,495
Contract services	0	0	0
OCE	61,000	61,000	61,000
Fixed assets	0	0	0
Total	318,450	323,935	324,249
Employees	19	19	19

The increase in personnel is due to the fringe benefits increase. A minor adjustment to the personnel figure is due to minor inaccuracies

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in the budget book. Your Committee recommends funding personnel in the amount of \$256,754.

Travel for the Division of Statistics is for one trip to the states to attend the Statistics Annual Meeting. The FY12 request for OCE is identical to the FY11 request. The Division is not requesting any fixed assets or contractual funding. Your Committee approves \$6,495 for travel and \$61,000 for OCE for the Division.

Office of SBOC - Division of Budget and Economic Management

	FY11 Appropriated	FY12 President Recommend	Committee Recommend
Personnel	213,648	219,234	189,488
Travel	12,394	11,695	11,695
Contract services	0	5,000	5,000
OCE	13,340	16,340	16,340
Fixed assets	0	9,100	9,100
Total	239,382	261,369	231,623
Employees	10	10	9

Again the increase in personnel is due to the fringe benefit increase. The personnel request includes \$10,000 for overtime; \$10,000 for overtime was approved FY11. Your Committee recommends funding overtime but notes this approval is for straight time payment for extra hours worked. As the Senior Economist position is now vacant, your Committee recommends removing the position. Your Committee notes it is willing to discuss and revisit this position with the Director at a later date. Your Committee recommends personnel funding of \$189,488 for FY12, this amount includes funding for nine employees only.

Travel for the Division has decreased slightly compared to FY11 and includes one trip to Honolulu to attend JEMCO and one trip to Kosrae to attend the CEC and SNLC. The travel budget of the Division for FY11 funded two domestic trips, including one to attend the CEC and SNLC. Your Committee recommends funding the travel amount requested.

Your Committee recommends approval of the request of \$5,000 for equipment repair under contract services. OCE has increased \$3,000. \$2,500 of the increase is for supplies and materials which was not recommended by EBRC for FY11, \$500 is for POL which was not requested for FY11. Your Committee approves the increase in OCE. The Division is requesting \$9,100 under fixed assets for one copier, one laptop,

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and one Air Conditioner. The Division made no request for fixed assets for FY11. Your Committee recommends funding the request for fixed assets.

Office of SBOC - Division of Overseas Development Assistance

	FY11 Appropriated	FY12 President Recommend	Committee Recommend
Personnel	34,989	35,870	24,838
Travel	16,000	16,000	10,000
Contract services	20,000	20,000	20,000
OCE	0	0	0
Fixed assets	0	0	0
Total	70,989	71,870	54,838
Employees	2	2	1

The recommended increase in personnel is due to the fringe benefits increase. Your Committee does not recommend continuing to fund the Grant Specialist position, as it has been vacant for some time. Your Committee recommends funding of \$24,838 for personnel, this amount includes funding for one position only.

Requested travel includes one domestic trip to visit the states regarding external assistance and one international trip to Europe to meet with donors. Your Committee does not approve the international trip. Your Committee approves \$10,000 for domestic travel. Your Committee intends this amount to fund two domestic trips to the states in order to assess the states' needs and assist with obtaining external aid.

The \$20,000 requested for contract services is for grant writers. The Division received \$20,000 for grant writers for FY11. Your Committee approves the requested contract services.

Office of SBOC - Division of Compact Management

	FY11 Appropriated	FY12 President Recommend	Committee Recommend
Personnel	65,965	62,970	43,904
Travel	72,449	65,684	65,684

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Contract services	195,000	195,000	180,000
OCE	21,000	21,000	21,000
Fixed assets	0	0	0
Total	354,414	344,654	310,588
Employees	3	3	2

Personnel has decreased due to the turnover of two of three staff in the division. One position has been filled but at a lower salary than the previous employee's. The other position remains vacant. Your Committee does not recommend continued funding for the vacant position of Compact Sector Health Specialist as listed in the Budget Book. Your Committee recognizes that specialized knowledge and preparation is important to proper Compact management but feels that funding a chronically vacant position is not a productive use of resources. Your Committee recommends \$43,904 for personnel for FY12, this amount is funding for two positions only.

Travel is reduced due to a decrease made by EBRC to the amount for the trip to San Francisco for JEMCO. Overall the travel amount includes four domestic trips and two international trips. Staff will travel to the states four times and to the United States twice, once for JEMCO and once for the Trust Fund Committee meeting. Your Committee recommends travel funding at the recommended amount of \$65,684.

Contractual services remains at FY11 levels. At the hearing your Committee was informed that \$15,000 in contractual funding was for supplementing the salary of the now vacant Senior Economist position. Your Committee, as stated above, has recommended removal of the Senior Economist position, therefore, your Committee recommends decreasing contract services by \$15,000. Your Committee recommends contractual services funding in the amount of \$180,000.

OCE remains at FY11 levels and has an identical breakdown to the FY11 OCE request. Your Committee recommends funding OCE of \$21,000.

(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 revenues.

Overview - Total Operations

	FY11 Appropriated	FY12 President	Committee Recommend
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		Recommend	
Personnel	1,259,480	1,297,960	1,267,995
Travel	668,133	618,133	654,133
Contract services	1,011,100	643,100	963,100
OCE	207,000	667,000	292,000
Fixed assets	60,000	80,000	83,000
Total	3,205,713	3,306,193	3,260,228
Employees	59	61	60

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

Congress - Speaker and Members

	FY11 Appropriated	FY12 President Recommend	Committee Recommend
Personnel	423,290	423,290	423,290
Travel	489,881	489,881	489,881
Contract services	507,600	507,600	507,600
OCE	0	50,000	70,000
Fixed assets	0	0	0
Total	1,420,771	1,470,771	1,490,771
Employees	14	14	14

Personnel for Speaker and members remains at FY11 levels. This is because the members' salaries were adjusted to take account of the fringe benefit increase in FY11. Travel is for various domestic and international trips and for members to attend regular and special sessions. Travel for members remains at FY11 levels. Contract services for members also remains at FY11 levels. Contractual services includes fees for international organizations and the members' Representation Funds. Your Committee recommends funding the above items at FY11 amounts.

Your Committee recommends approval of \$70,000 for OCE. This amount includes \$50,000 to fund the PLPG Conference to be hosted by Congress in November and \$20,000 to fund the MLC also hosted by Congress in November.

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Congress - Staff Offices

	FY11 Appropriated	FY12 President Recommend	Committee Recommend
Personnel	836,190	874,670	844,705
Travel	128,252	128,252	128,252
Contract services	163,500	135,500	145,500
OCE	127,000	127,000	127,000
Fixed assets	40,000	80,000	34,000
Total	1,294,942	1,345,422	1,279,457
Employees	46	47	46

Personnel for the Staff Offices includes a request for a new position of proofreader and is also increased slightly by the fringe benefit increase. The request also includes \$20,000 for overtime. Your Committee does not recommend funding overtime or the new position.

Your Committee recommends transferring the vacant position of Legal Secretary III from Administration to the Office of the Chief Clerk to fund an Assistant to the Chief Clerk. This is in response to testimony provided by the Chief Clerk regarding her workload with the increasing number of international organizations Congress is a member of. The work of reporting to these organizations alone might occupy one full-time employee. The Chief Clerk testified that this would not be the only work of the proposed assistant. The assistant, if hired, would assist the Chief Clerk with all duties and relieve some of the pressure on the Chief Clerk.

Requested staff travel remains at FY11 levels exclusive of supplemental funding. The request for staff travel includes staffing members of Congress on official trips as well as recruitment and repatriation of employees. Your Committee recommends maintaining staff travel at FY11 levels as requested. Your Committee recommends \$20,000 of staff travel be set aside for recruitment and repatriation of employees.

The requested contractual services budget has decreased because FY11 amounts included funding for the APPU held in Palikir and for updating the FSM Code; these items are not requested for FY12. The amount requested for maintenance of the Committee hearing room is reduced for FY12. The amount also includes the IPU membership fee of \$12,000, which is a new item for FY12. The amount requested for Legal and Journal Clerk and Fees increased from \$20,000 to \$50,000 for FY12.

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Your Committee further recommends that neither contract services nor travel be used for training of exempt employees.

Your Committee recommends that Congress begin funding its employees housing allowances itself. Therefore, your Committee recommends additional funding of \$10,000 in contractual services to cover the housing allowances of Congress employees as provided by law. This amount is based on an estimate received from the Personnel Office.

Congress originally requested a backup generator and PA system under fixed assets. Representatives from Congress testified that funding for a backup generator is not needed for FY12. Staff from Congress further testified that fixed assets needs are often unpredictable. The Congress requested \$34,000 for fixed assets and requested that use of this amount be left at the discretion of the Speaker. Your Committee recommends approval of \$34,000 for fixed assets at the discretion of the Speaker. Your Committee recommends funding OCE in the amount of \$127,000; this amount matches the amount appropriated for FY11. Your Committee wishes to state its intent that the use of funds for OCE also be at the Speaker's discretion.

Your Committee admonishes the Congress on the management of its resources and budget. Your Committee encourages the Congress to manage itself better to make the best use of limited resources. This admonishment applies to the Congress as well as the Congressional Delegation Offices.

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 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

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operational expenses of the office, such as POL, utilities and so forth.

The President's recommended budget placed all Delegation Office budgets under OCE; your Committee made appropriate adjustments to reflect the actual need of each Office per their request, but the funding level remains at the original FY11 appropriated amounts.

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	FY11 Appropriated	FY12 President Recommend	Committee Recommend
Personnel	0	0	0
Travel	0	0	10,000
Contract services	50,000	0	20,000
OCE	20,000	70,000	20,000
Fixed assets	0	0	20,000
Total	70,000	70,000	70,000

POHNPEI DELEGATION	FY11 Appropriated	FY12 President Recommend	Committee Recommend
Personnel	0	0	
Travel	10,000	0	10,000
Contract services	110,000	0	100,000
OCE	10,000	140,000	30,000
Fixed assets	10,000	0	
Total	140,000	140,000	140,000

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CHUUK DELEGATION	FY11 Appropriated	FY12 President Recommend	Committee Recommend
Personnel	0	0	0
Travel	30,000	0	6,000
Contract services	150,000	0	160,000
OCE	30,000	210,000	20,000
Fixed assets	0	0	24,000
Total	210,000	210,000	210,000

YAP DELEGATION	FY11 Appropriated	FY12 President Recommend	Committee Recommend
Personnel	0	0	0
Travel	10,000	0	10,000
Contract services	30,000	0	30,000
OCE	20,000	70,000	25,000
Fixed assets	10,000	0	5,000
Total	70,000	70,000	70,000

(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 in the amount of \$716,243; the funding source for the Chuuk Public Auditor Office is Capacity Building Sector Grant in the amount of \$167,148.

Overview - Total Operations

	FY11 Appropriated	FY12 President Recommend	Committee Recommend
Personnel	559,496	580,924	546,930
Travel	178,598	160,881	161,241
Contract services	145,320	100,520	100,520
OCE	74,700	74,700	74,700
Fixed assets	7,500	0	0
Total	965,614	917,025	883,391
Employees	25	27	25

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Public Auditor - National Office

	FY11 Appropriated	FY12 President Recommend	Committee Recommend
Personnel	451,152	471,130	441,792
Travel	150,557	135,951	135,951
Contract services	130,500	86,000	86,000
OCE	52,500	52,500	52,500
Fixed assets	7,500	0	0
Total	792,209	745,581	716,243
Employees	20	22	20

The National Office is requesting two new positions for FY12. The positions are Office Assistant and Information Technology Specialist. The Public Auditor also testified there are 7 vacancies as of May 2011, with some positions being vacant for over one year. The Public Auditor believes the vacant positions should be maintained until filled because they are needed to fulfil the goals set for 2012. When pressed on the issue the Public Auditor stated that the position of Office Assistant and Single Audit Specialist be eliminated if it is required to avoid the employee cap. Accordingly, your Committee recommends removing the proposed Office Assistant position and the currently vacant Single Audit Specialist position. Your Committee recommends funding the proposed new position of Information Technology Specialist. Your Committee recommends funding personnel in the amount of \$441,792.

The travel budget has decreased for the Public Auditor's Office. This was done by the EBRC in accordance with their policy of 10% cut to travel. OCE remains at FY11 levels and there is no request for Fixed Assets. Your Committee recommends funding these line items in the amounts recommended and listed in the table above.

Public Auditor - Chuuk Office

	FY11 Appropriated	FY12 President Recommend	Committee Recommend
Personnel	108,344	109,794	105,138

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Travel	28,041	25,290	25,290
Contract services	14,820	14,520	14,520
OCE	22,200	22,200	22,200
Fixed assets	0	0	0
Total	173,405	171,804	167,148
Employees	5	5	5

Requested Personnel has increased for FY12. This is due to the increase in fringe benefits. There are also many misstated salaries in the budget book. These have been corrected and your Committee recommends the corrected figure for funding Personnel. Your Committee recommends personnel funding of \$105,138 for the Chuuk Field Office.

Requested travel has decreased for FY12. This decrease is similar to the decrease for the National Office in that it is a cut to the total amount recommended by the EBRC, no line item is decreased. Contractual services has decreased by \$300; the requested amount for FY12 does not include the \$300 line item for Dues and Membership Fees. OCE remains at the FY11 level and there is no request for fixed assets. Your Committee recommends funding these line items in the amounts recommended.

The Public Auditor testified that the results of having an auditor's office in Chuuk have been positive. He stated the need for this office in Chuuk is still great and that benefits are being realized. The Public Auditor hopes the leadership will continue to support this office as it is good for Chuuk, the entire FSM, and our partners. The Office in Chuuk audits both National Government funds and State government funds. The Public Auditor agreed with some members' suggestions that the Office be funded by Chuuk's share of Compact grants. The Public Auditor stated the best thing would be for the office to be transferred to Chuuk. Your Committee, though funding operations for FY12, intends FY12 to be the final year of National government funding for the Chuuk Field Office. Your Committee recommends the National Public Auditor develop a plan to transfer operation of the Office to Chuuk State within fiscal year 2012.

(f) - (t) GRANTS SUBSIDIES AND CONTRIBUTIONS

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

	FY11 Appropriated	FY12 President Recommend	Committee Recommend

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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	0	10,000
25th Anniversary of Independence	0	300,000	100,000
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
Personnel Manual Development	34,870	0	0
SBOC			
Asia Pacific Investment	250	250	250
RESOURCES: Other Grants			
MLFC Loan Payment	100,000	200,000	200,000
FY10 Single Audit Fee	329,250	329,250	329,250
Compact Review Committee	153,689	100,000	0
Former President' Allowance	50,000	0	50,000
Staff Housing	585,000	585,000	575,000
Recruitment and Repatriation	176,411	233,218	233,218
Total	1,477,150	1,826,318	1,580,368

Your Committee recommends funding Grants, Subsidies and Contributions in the amounts listed in the Table above. Your Committee expresses its support for the 25th Independence Day Celebration but recommends funding at \$100,000 rather than \$300,000. Your Committee recommends funding staff housing in the amount of \$575,000. The decrease of \$10,000 is due to your Committee's recommendation to include \$10,000 for Congress housing allowances in the Congress budget.

(u) - (dd) Investment

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

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INVESTMENT: Capital and Human Resources Development	FY11 Appropriated	FY12 President Recommend	Committee Recommend
Department of Finance			
National staff upgrading	50,000	50,000	0
Tax Reform	117,000	117,000	117,000
Capacity Bldg Road Map/Staff Upgrading	115,000	115,500	0
Financial Advisors	81,500	0	0
President's Office			
Trust Fund/Emergency Reserve	1,000,000	2,000,000	1,000,000
Public Education/ Constitutional Amendment	100,000	0	
Staff Upgrading		50,000	50,000
Capacity Building Road Map	0	115,000	115,000
Office of SBOC			
Compact Review Committee	50,000	0	0
2011 Household income survey	165,345	0	0
Economic Symposium	150,000	0	0
Long Term Fiscal Framework	164,745	0	0
Total	1,893,590	2,282,500	1,282,000

Your Committee recommends funding Capital and Human Resources Development requests in the amounts listed in the table above. Your Committee notes that the line items for staff upgrading and Capacity Building Road Map were listed under both President's Office and Department of Finance. Because these are Personnel Office programs and the Personnel Office has moved into the President's Office your Committee recommends the funding under the President's Office. Your Committee recommends funding of \$50,000 for staff upgrading and \$115,000 for the Capacity Building Road Map project.

\$117,000 is requested for Tax Reform, the same level as FY12. The breakdown of the funds is: \$65,184 for Personnel, \$40,515 for Travel, \$7,200 for Contractual services, and \$4,100 for OCE. The Personnel amount includes salaries of two full time staff and a contribution toward the services of an AusAid funded advisor. The travel amount includes the public awareness trips to all the states plus the twice-yearly Executive Steering Committee meetings. The Contractual services amount covers the housing allowance given the advisor. OCE covers the standard expenses such as maintenance, POL, supplies, materials, printing and communications.

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CONCLUSION

Your Committee on Ways and Means has reviewed the proposed fiscal year 2012 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 of each of the 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.

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

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