

STANDING COMMITTEE REPORT NO. _____

RE: P.C. NO. 17-379/W&M

SUBJECT: FY 2014 BUDGET

SEPTEMBER ____, 2013

The Honorable Dohsis Halbert
Speaker, Eighteenth Congress
Federated States of Micronesia
Second Regular Session, 2013

Dear Mr. Speaker:

Your Committee on Ways and Means, to which was jointly referred Presidential Communication No. 17-379 transmitting the National Government's proposed FY 2014 budget, begs leave to report as follows:

Presidential Communication No. 17-379 was transmitted to Congress with the *National Government Fiscal Year 2014 Recommended Budget* ("Budget Book"). Pursuant to rule 7, section 1(b), of the Official Rules of Procedure of the Eighteenth 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 and Administration
- (c) Office of SBOC
- (d) Congress
- (e) Office of the Public Auditor

Grants, Subsidies and Contributions

Office of the President

- (f) Asia Pacific Broadcasting Development (AIBD)

STANDING COMMITTEE REPORT NO. _____

RE: P.C. NO. 17-379/W&M

SUBJECT: FY 2014 BUDGET

SEPTEMBER ____, 2013

(g) Asia Pacific Broadcasting Union

(h) Pacific Island News Association

(i) National Prayer Day

(j) Former President's allowance

Department of Finance and Administration

(k) OCO Membership

(l) Financial Management System - Maintenance fee

(m) FSM Group Life Insurance

Office of SBOC

(n) Asia Pacific Investment

Congress

(o) IPU Conference

(p) Climate Change Conferences

(q) Confolens Festival

Resources: Other Grants, Subsidies and Contributions

(r) MLFC Loan Payment

(s) Single Audit Fee

(t) Staff Housing

(u) Recruitment and Repatriation

Investment: Capital and Human Resource Development

Department of Finance and Administration

(v) Tax Reform

(w) Financial Advisor

(x) Tax Accounting Advisor

President's Office

(y) FSM Trust Fund

(z) National Staff Upgrading

(aa) Capacity Building Road/Staff Upgrade

(bb) 2023 Set-Aside

Office of SBOC

(cc) Monitoring and Reconciliation-States

(dd) 2023 Committee

(ee) Compact Review Committee

(ff) 2014 Development Partners Meeting

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.

STANDING COMMITTEE REPORT NO. _____

RE: P.C. NO. 17-379/W&M

SUBJECT: FY 2014 BUDGET

SEPTEMBER ____, 2013

During May and September 2013, your Committee conducted public hearings regarding the FY 2014 budget and deliberated upon the findings and all other information gathered. This Standing Committee Report reflects the recommendations of your Committee on Ways and Means regarding the proposed FY 2014 budget under its jurisdiction. Your Committee worked diligently to maintain the overall budget for each Department/Office at or below FY 2013 appropriations; a few exceptions were made when testimony and materials provided to the Committee were extraordinary and the Committee was convinced of the need for the increase funding. Overall, your Committee is confident that the funding for each Branch of the National Government, when totalled, will be very near FY 2013 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 2014. The funding source is domestic revenue.

Overview - Total Operations

	FY13 Original Appropriation	FY13 Supplement	FY14 EBRC Recommend	FY14 Committee Recommend
Personnel	340,826	0	312,956	312,956
Travel	143,324	33,355	174,454	143,324
Contract services	146,000	30,000	146,000	146,000

STANDING COMMITTEE REPORT NO. _____

RE: P.C. NO. 17-379/W&M

SUBJECT: FY 2014 BUDGET

SEPTEMBER ____, 2013

OCE	90,564	0	101,100	85,284
Fixed assets	9,000	0	10,000	8,500
Total	729,714	63,355	744,510	696,064
Employees	18		16	16

Testimony at the hearing indicated that the President's directive was to contain operating costs to no more than a 4% increase from FY13 levels. As previously mentioned in the report, your Committee worked diligently to keep operating costs for each Department at or below FY13 levels when possible. A detailed discussion of each of the divisions of the Office of the President follows.

Office of the President - President's Office

	FY13 Original Appropriation	FY13 Supplement	FY14 EBRC Recommend	FY14 Committee Recommend
Personnel	205,551	0	187,236	187,236
Travel	100,354	33,355	126,309	100,354
Contract services	144,000	30,000	144,000	144,000
OCE	45,000	0	45,000	40,000
Fixed assets	1,000	0	1,000	0
Total	495,905	63,355	503,545	471,590
Employees	9		8	8

The EBRC Recommended Budget for the President's office exceeds FY13 Original Appropriations by \$7,640. Your Committee appreciates that while the Office requested additional travel budget, the Office partially offset that increase by decreasing the personnel line item.

Your Committee agrees with the EBRC recommendation for personnel, including the deletion of one position within the office, and the small increase for the Chief of Staff, reflecting his increased job duties and responsibilities in light of deleting a position within the Office. Your Committee notes that, in accordance with recent budget years, step and pay increases will generally not be granted; however, when an office is able to reduce their overall personnel budget by eliminating positions and redistributing the responsibilities of those eliminated positions, pay increases will be given due consideration.

Office of the President - Public Information Office

STANDING COMMITTEE REPORT NO. _____

RE: P.C. NO. 17-379/W&M

SUBJECT: FY 2014 BUDGET

SEPTEMBER ____, 2013

	FY13 Original Appropriation	FY14 EBRC Recommend	FY14 Committee Recommend
Personnel	54,349	44,795	44,795
Travel	29,602	32,749	29,602
Contract services	2,000	2,000	2,000
OCE	30,280	30,100	30,000
Fixed assets	8,000	7,500	7,000
Total	124,231	117,144	113,397
Employees	4	3	3

Your Committee agrees with the EBRC recommendation to eliminate the vacant position of Secretary within the Public Information Office.

Office of the President - Personnel Office

	FY13 Original Appropriation	FY14 EBRC Recommend	FY14 Committee Recommend
Personnel	80,926	80,925	80,925
Travel	13,368	15,396	13,368
Contract services	0	0	0
OCE	15,284	26,000	15,284
Fixed assets	0	1,500	1,500
Total	109,578	132,498	111,077
Employees	5	5	5

Testimony at the hearing with the Personnel Office indicated that, after the Budget Book was finalized, the Office requested a new position of Personnel Specialist. EBRC also recommended an increase in OCE for printing of the Classification Manual and new Public Service System Regulations. Your Committee will consider funding the additional OCE request once the ADB report is submitted.

(b) Department of Finance and Administration

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

Overview - Total Operations

	FY13	FY14 EBRC	FY14 Committee
--	-------------	------------------	-----------------------

STANDING COMMITTEE REPORT NO. _____

RE: P.C. NO. 17-379/W&M

SUBJECT: FY 2014 BUDGET

SEPTEMBER ____, 2013

	Appropriated	Recommend	Recommend
Personnel	1,106,718	1,156,923	1,104,622
Travel	169,450	230,020	193,772
Contract services	322,906	173,456	162,456
OCE	212,398	296,500	231,500
Fixed assets	3,000	26,000	26,000
Total	1,814,472	1,989,776	1,718,350
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

	FY13 Appropriated	FY14 EBRC Recommend	FY14 Committee Recommend
Personnel	61,705	64,569	61,705
Travel	52,907	63,936	52,907
Contract services	19,500	19,500	19,500
OCE	29,000	30,500	30,500
Fixed assets	0	0	0
Total	163,112	178,505	164,612
Employees	3	3	3

A small increase in personnel was requested to reclassify one position within the Office of the Secretary. As mentioned previously in this report, your Committee will not consider any reclassification of current personnel absent a correlating reduction in personnel elsewhere within an office. Your Committee recommends maintaining FY13 levels except will allow a small increase in OCE for increased fuel expenses.

Department of Finance - Treasury (National plus State Offices)

	FY13 Appropriated	FY14 EBRC Recommend	FY14 Committee Recommend
Personnel	386,282	420,223	409,024
Travel	28,619	48,756	38,000
Contract services	159,650	53,000	53,000
OCE	90,000	106,000	106,000
Fixed assets	0	10,000	10,000

STANDING COMMITTEE REPORT NO. _____

RE: P.C. NO. 17-379/W&M

SUBJECT: FY 2014 BUDGET

SEPTEMBER ____, 2013

Total	664,551	637,979	616,024
Employees	28	28	28

The division is requesting a significant increase in personnel, including nine reclassifications and \$20,000 for overtime not funded in FY 2013. Testimony at the hearing indicated that overtime is currently being paid from excess personnel budgets from other divisions due to vacancies. Your Committee recommends funding the \$20,000 in overtime, and a small increase of \$2742 for the IT Specialist. Your Committee has been surprised to learn of the different salaries for IT Specialists throughout the National Government, and hopes to make these salaries more uniform among the various Departments and Branches of the National Government. Your Committee would like the National Government to consider undertaking a study to determine whether centralizing all of the IT personnel would be more efficient and cost-effective.

Based on testimony at the hearings, your Committee is convinced of the need to increase the travel budget of this Division in order to attend additional conferences. While it would appear that the Division decreased contractual services, in actuality two Financial Advisors paid out of ERA Sector were removed from the operations budget of Finance and can be found under Grants & Subsidies; these positions will be discussed later in this report. Your Committee recommends funding contractual services at the same level as FY13, adjusted by (\$103,650) for the Financial Advisors. Your Committee recognizes that OCE expenses for this Division have increased, and recommends \$10,000 in fixed assets for purchasing a needed high-speed scanner.

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

	FY13 Appropriated	FY14 EBRC Recommend	FY14 Committee Recommend
Personnel	559,112	586,173	559,112
Travel	54,150	69,091	69,091
Contract services	141,756	98,956	87,956
OCE	80,000	131,000	80,000
Fixed assets	0	13,000	13,000
Total	835,018	898,220	809,159
Employees	45	47	45

STANDING COMMITTEE REPORT NO. _____

RE: P.C. NO. 17-379/W&M

SUBJECT: FY 2014 BUDGET

SEPTEMBER ____, 2013

Your Committee does not recommend funding any new positions or reclassifications under this Division; your Committee requests that the Division submit a transition plan for the URA prior to any further requests for new positions within the Division of Customs and Tax Administration.

Based on testimony provided at the hearing, your Committee understands that an increase in travel is needed for audit and technical assistance in the State offices. Your Committee recommends funding the increase, but also expects to see an increase in tax collection in FY14. Absent an increase in collections, your Committee will recommend a decrease in travel for FY15.

Your Committee notes that while it appears that the Division requested a decrease in contractual services, the decrease is due to the Tax Accounting Advisor paid out of ERA Sector being moved from the operations budget of the Department of Finance to Grants & Subsidies; this position will be discussed later in this report. Your Committee recommends funding contractual services at the same level as FY13, adjusted by (\$53,800) for the Tax Accounting Advisor.

Your Committee recommends funding \$13,000 in fixed assets for air conditioners and computers in the State Offices.

Department of Finance - Investment and International Finance

	FY13 Appropriated	FY14 EBRC Recommend	FY14 Committee Recommend
Personnel	99,619	99,345	74,781
Travel	33,774	48,237	33,774
Contract services	2,000	2,000	2,000
OCE	13,398	29,000	15,000
Fixed assets	3,000	3,000	3,000
Total	151,791	181,582	128,555
Employees	6	6	6

Your Committee understands that the Assistant Secretary of the Division is on leave for a temporary position at World Bank; testimony indicated that the Assistant Secretary's job duties are being handled by other staff within the Department during her absence. Your

STANDING COMMITTEE REPORT NO. _____

RE: P.C. NO. 17-379/W&M

SUBJECT: FY 2014 BUDGET

SEPTEMBER ____, 2013

Committee recommends decreasing personnel to reflect her temporary absence, but will resume funding the position once she resumes her job duties at the Department.

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

Your Committee notes that the EBRC Recommended Budget for the Office of SBOC for FY14 is \$1,201,870, a 23% increase from FY13 appropriations. Your Committee would like to remind the Executive that when the National Government was re-organized in 2007, including the formation of SBOC, the Executive plan included reigning in the cost of running the National Government. Your Committee would like to emphasize that National Government must be more effective at reigning in operational costs, especially in light of the decrease in funding sources expected in 2023; your Committee urges the Executive to accelerate planning for 2023.

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

Overview - Total Operations SBOC

	FY13 Original Appropriation	FY13 Supplement	FY14 EBRC Recommend	FY14 Committee Recommend
Personnel	568,563	0	646,333	565,722
Travel	97,747	0	158,197	122,455
Contract services	205,000	10,000	240,000	238,000
OCE	98,340	0	127,340	127,340
Fixed assets	9,100	0	30,000	30,000
Total	978,750	10,000	1,201,870	1,083,517
Employees	34		37	34

SBOC recognized at the hearing that their requested FY14 budget represented a 23% increase from FY13 appropriations, but noted that most of the items requested in the increase are items that the Office has asked for in prior budget years that have not been granted. Additionally, SBOC emphasized that no reclassifications were

STANDING COMMITTEE REPORT NO. _____

RE: P.C. NO. 17-379/W&M

SUBJECT: FY 2014 BUDGET

SEPTEMBER ____, 2013

requested, but the Office did request three new much-needed positions. A detailed discussion of each of the Divisions of SBOC follows.

Office of SBOC - Office of the Director (Administration)

	FY13 Appropriated	FY14 EBRC Recommend	FY14 Committee Recommend
Personnel	53,579	53,579	53,579
Travel	3,873	18,849	15,000
Contract services	0	0	0
OCE	0	15,000	15,000
Fixed assets	0	20,000	20,000
Total	57,452	107,428	103,579
Employees	3	3	3

The Office of the Director has requested an increase in travel for domestic and one new international trip for the Forum Economic Ministerial Meeting. Your Committee recommends partially funding the increase in travel. Testimony indicated that the effectiveness of the Office is compromised due to the lack of any OCE budget for supplies, communications and POL; your Committee recommends funding the requested OCE. Currently the Director of SBOC drives a vehicle originally purchased for the Census and the Office would now like to use that vehicle in completing the year-long HIES. Your Committee notes that a vehicle has never been purchased for the Director of SBOC, and sincerely appreciates that the request is for a reasonable \$20,000 vehicle and not a luxury SUV. Your Committee recommends funding fixed assets for \$20,000 in order to purchase a vehicle for the Director.

Office of SBOC - Division of Statistics

	FY13 Appropriated	FY14 EBRC Recommend	FY14 Committee Recommend
Personnel	256,754	253,913	253,913
Travel	6,495	6,536	6,536
Contract services	0	30,000	28,000
OCE	61,000	61,000	61,000
Fixed assets	0	0	0
Total	324,249	351,449	349,449
Employees	19	19	19

STANDING COMMITTEE REPORT NO. _____

RE: P.C. NO. 17-379/W&M

SUBJECT: FY 2014 BUDGET

SEPTEMBER ____, 2013

Your Committee recommends funding personnel, travel and OCE at the EBRC recommended levels. SBOC testified that the \$30,000 requested under contractual services is for an IT Consultant. The Consultant is currently in the Office and being paid out of project funding sources. SBOC does not wish to be dependent on project money to fund the position, as the Division of Statistics has high IT demands, and needs a consultant with the right skill set and expertise. Your Committee recommends funding \$28,000 of the requested amount. As mentioned previously in this report, your Committee has learned through hearings with various departments and branches of the government that the IT pay levels are very inconsistent throughout the National Government. \$28,000 will be more in line with other IT salaries as it is the intent of your Committee to make these salaries as uniform as possible throughout the National Government.

Office of SBOC - Division of Budget and Economic Management

	FY13 Original Appropriation	FY13 Supplement	FY14 EBRC Recommend	FY14 Committee Recommend
Personnel	189,488	0	226,471	189,488
Travel	11,695	0	25,235	25,235
Contract services	5,000	10,000	5,000	5,000
OCE	16,340	0	26,340	26,340
Fixed assets	9,100	0	10,000	10,000
Total	231,623	10,000	293,046	256,063
Employees	9		10	9

The Division of Budget and Economic Management has requested an increase in personnel to hire a new Senior Economist; testimony indicated that the Division has a potential local applicant in mind. The intent is that the local hire could work under an experienced Macroeconomist and be brought up to a Senior Economist level with training and development. Your Committee does not recommend funding the additional position at this time. Your Committee does recognize the need for the Office to have an experienced Ph.D level Economist to assist with 2023 planning. When Congress appropriated \$150,000 in January 2013 for the 2023 Committee, the directive in Standing Committee Report No. 17-172 was that part of those funds be used to hire a Macroeconomist. In May 2013 Supplemental Budget hearings, SBOC indicated that the \$150,000 was already earmarked for other needs of

STANDING COMMITTEE REPORT NO. _____

RE: P.C. NO. 17-379/W&M

SUBJECT: FY 2014 BUDGET

SEPTEMBER ____, 2013

the 2023 Committee, and requested \$75,000 for an ADB Macroeconomist that was going to be arriving shortly on island; the \$75,000 was not approved. Your Committee has recently learned that the 2023 Committee has met just once, and presumes there is plenty of available funding left from the \$150,000 appropriation to bring a Macroeconomist on board at SBOC. Your Committee considers this a priority of the Office.

Your Committee recommends funding the increase in travel in order for the Division to join the budget consultations at the state level. Your Committee recommends funding the OCE and fixed assets at the EBRC recommended amounts to increase the quality of the budget book and for a new copier/printer.

Office of SBOC - Division of Overseas Development Assistance

	FY13 Appropriated	FY14 EBRC Recommend	FY14 Committee Recommend
Personnel	24,838	48,383	24,838
Travel	10,000	29,528	10,000
Contract services	20,000	25,000	25,000
OCE	0	4,000	4,000
Fixed assets	0	0	0
Total	54,838	106,911	63,838
Employees	1	2	1

The Division of Overseas Development Assistance is requesting a new position of Grant Specialist. Testimony from the Division indicated that a system and personnel are needed to track ODA, and that right now the Division does not have a good handle on ODA procedures; the process needs to be improved and streamlined, and ODA will increase if a better process is in place. Your Committee does not recommend funding the position, but does recommend funding the increase in contract services for the PACTAM ODA Specialist and the increase in OCE.

Office of SBOC - Division of Compact Management

	FY13 Appropriated	FY14 EBRC Recommend	FY14 Committee Recommend
Personnel	43,904	63,987	43,904
Travel	65,684	78,049	65,684

STANDING COMMITTEE REPORT NO. _____

RE: P.C. NO. 17-379/W&M

SUBJECT: FY 2014 BUDGET

SEPTEMBER ____, 2013

Contract services	180,000	180,000	180,000
OCE	21,000	21,000	21,000
Fixed assets	0	0	0
Total	310,588	343,036	310,588
Employees	2	3	2

The Division of Compact Management is requesting a new position of Health Sector Specialist. Your Committee recommends maintaining FY13 funding levels.

(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

	FY13 Original Appropriate	FY13 Supplement	FY14 EBRC Recommend	FY14 Committee Recommend
Personnel	1,247,995	0	1,280,204	1,240,349
Travel	674,133	90,000	800,133	716,133
Contract services	1,048,100	210,000	1,053,100	1,048,746
OCE	282,000	0	240,000	217,000
Fixed assets	53,000	0	171,500	83,000
Total	3,305,228	300,000	3,544,937	3,305,228
Employees	60		59	58

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

Congress - Speaker and Members

	FY13 Original Appropriate	FY13 Supplement	FY14 EBRC Recommend	FY14 Committee Recommend
Personnel	423,290	0	423,290	423,290
Travel	524,881	55,000	622,381	594,881
Contract services	507,600	210,000	507,600	520,600
OCE	70,000	0	0	0
Fixed assets	0	0	0	0

STANDING COMMITTEE REPORT NO. _____

RE: P.C. NO. 17-379/W&M

SUBJECT: FY 2014 BUDGET

SEPTEMBER ____, 2013

Total	1,525,771	265,000	1,553,271	1,538,771
Employees	14		14	14

Your Committee recommends funding an increase of travel to reflect that each Committee Chairman is allotted \$20,000 for travel, and non-Chairmen allotted \$15,000 for travel; this increase is offset by reducing OCE to 0. Your Committee notes that the entire \$70,000 appropriated for OCE in FY13 was reprogrammed. Your Committee recommends increasing contractual services by a small amount to reflect that each Committee's Official Representation Fund is \$7,000.

Congress - Staff Offices

	FY13 Original Appropriate	FY13 Supplement	FY14 EBRC Recommend	FY14 Committee Recommend
Personnel	824,705	0	856,914	817,059
Travel	93,252	35,000	141,752	85,252
Contract services	210,500	0	235,500	218,146
OCE	127,000	0	145,000	122,000
Fixed assets	34,000	0	122,500	34,000
Total	1,289,457	35,000	1,501,666	1,276,457
Employees	46		45	44

Your Committee notes the following changes to personnel: decrease of \$15,000 to reflect moving the Pages to contractual services; increase of \$6,303 to bring IT salary closer to other IT salaries in the National Government - all other reclassifications are denied; decrease of \$11,798 to reflect that the Legislative Counsel Office will be short one staff-attorney the first fiscal quarter of FY14; and decrease of \$16,877 to reflect the removal of one long-vacant position from the Pohnpei Delegation Office. Finally, your Committee notes that while the personnel level was not decreased for FY13, two positions were inadvertently unfunded in the Administrative Services division; your Committee resumes funding for one position and deletes one position. Salary and positions of the Staff Offices are reflected in the following table:

STANDING COMMITTEE REPORT NO. _____

RE: P.C. NO. 17-379/W&M

SUBJECT: FY 2014 BUDGET

SEPTEMBER ____, 2013

Division/Office	Funding	Positions
Speaker's Office	21,645	1
Vice Speaker	19,980	1
Office of Clerk	89,633	5
PIO	48,820	2
Budget	53,698	2
Legislative Counsel	274,133	8
Admin Services	125,577	11
Kosrae Delegation	45,652	4
Pohnpei Delegation	30,698	2
Chuuk Delegation	58,533	5
Yap Delegation	48,690	3
TOTAL	817,059	44

Your Committee recommends reducing Staff travel in order to maintain overall Congressional appropriations at FY13 levels. Additionally, your Committee would like Administration to find a way to bring Delegation Staff to Palikir during Congress Sessions.

Your Committee recommends a small overall increase in contractual services in part to reflect that the Pages have been moved from personnel to contract. Your Committee directs that the recommended amount include \$20,000 for Pages, \$10,000 for a Proofreader to continue working on the backlog of Journals, a housing allowance or lease for the Vice Speaker to stay in Pohnpei, and \$8,160 for medical bills incurred while on official travel; the remaining amount shall be used to fund the same items as FY13; however, your Committee does not recommend funding for the Congress Directory, the Transformer Building, or the proposed Carport. An architectural drawing of the Carport would need to be submitted to your Committee before funding would be seriously considered.

STANDING COMMITTEE REPORT NO. _____

RE: P.C. NO. 17-379/W&M

SUBJECT: FY 2014 BUDGET

SEPTEMBER ____, 2013

Your Committee recommends a decrease on OCE from FY13 to reflect that no additional purchase of books or materials shall be made for the Library; furthermore, your Committee directs the Office of the Legislative Counsel to conduct a review of the current usage of the Library, and make a recommendation to your Committee as to whether the library could be absorbed/combined with Judicial Library or FSM-COM. Your Committee believes the Legislative Library to be woefully underutilized, and has expressed doubts as to its necessity. Your Committee recommends funding fixed assets at the same level of FY13, and hopes this year that a copier will be purchased rather than reprogramming the funds as happened in FY13. Your Committee also directs that a computer owed to the Yap Delegation be purchased from these funds. Your Committee insists that no vehicles be purchased from these funds.

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

STANDING COMMITTEE REPORT NO. _____

RE: P.C. NO. 17-379/W&M

SUBJECT: FY 2014 BUDGET

SEPTEMBER ____, 2013

KOSRAE DELEGATION	FY13 Appropriated	FY14 EBRC Recommend	FY14 Committee Recommend
Travel	0	10,000	10,000
Contract services	50,000	20,000	20,000
OCE	20,000	20,000	20,000
Fixed assets	0	20,000	20,000
Total	70,000	70,000	70,000

POHNPEI DELEGATION	FY13 Appropriated	FY14 EBRC Recommend	FY14 Committee Recommend
Travel	10,000	10,000	10,000
Contract services	100,000	100,000	100,000
OCE	30,000	30,000	30,000
Fixed assets		0	0
Total	140,000	140,000	140,000

CHUUK DELEGATION	FY13 Appropriated	FY14 EBRC Recommend	FY14 Committee Recommend
Travel	36,000	6,000	6,000
Contract services	150,000	160,000	160,000
OCE	10,000	20,000	20,000
Fixed assets	14,000	24,000	24,000
Total	210,000	210,000	210,000

YAP DELEGATION	FY13 Appropriated	FY14 EBRC Recommend	FY14 Committee Recommend
Travel	10,000	10,000	10,000
Contract services	30,000	30,000	30,000
OCE	25,000	25,000	25,000
Fixed assets	5,000	5,000	5,000
Total	70,000	70,000	70,000

STANDING COMMITTEE REPORT NO. _____

RE: P.C. NO. 17-379/W&M

SUBJECT: FY 2014 BUDGET

SEPTEMBER ____, 2013

(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

	FY13 Appropriated	FY14 EBRC Recommend	FY14 Committee Recommend
Personnel	441,792	441,942	408,397
Travel	135,951	135,952	135,952
Contract services	86,000	86,000	86,000
OCE	52,500	55,500	55,500
Fixed assets	0	16,000	16,000
Total	716,243	735,394	701,849
Employees	25	22	20

Your Committee has concerns with current staffing level and salaries at the Office of the Public Auditor (OPA). FY12 was the last year that the Chuuk Office was funded by the National Government; in FY12 there were 20 employees at the National Office and 5 employees stationed at the Chuuk Office. For FY13, the Chuuk Office was transferred to the State, which should have left 20 employees at the National Office. Testimony at the hearing with OPA indicated that at the beginning of FY13, there were 23 employees in the National Office. For FY14, OPA is requesting 22 positions; 14 of those positions have already been reallocated or are in the process of reallocations. Funds were available for the reallocations under the current FY13 personnel level, as most of the high-paying expat positions have been eliminated. There are currently 2 vacant positions at the Auditor I to III level.

Since over the half of the staff at OPA has been reallocated to higher positions and/or given significant raises, your Committee assumes that these employees have completed additional training and are capable of an expanded workload and increased responsibilities. Therefore, your Committee recommends deleting the 2 vacant positions as the positions should no longer be needed.

STANDING COMMITTEE REPORT NO. _____

RE: P.C. NO. 17-379/W&M

SUBJECT: FY 2014 BUDGET

SEPTEMBER ____, 2013

Your Committee notes that there is only one CPA currently employed at the OPA. Testimony indicated that performance audits can be completed by non-CPAs who have the right experience, and that CPAs are required only for financial audits. Your Committee has concerns with the validity of audit reports completed by non-CPAs.

Your Committee recommends the increase in OCE and fixed assets.

STANDING COMMITTEE REPORT NO. _____

RE: P.C. NO. 17-379/W&M

SUBJECT: FY 2014 BUDGET

SEPTEMBER ____, 2013

(f) - (u) GRANTS SUBSIDIES AND CONTRIBUTIONS

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

	FY13 Appropriated	FY14 EBRC Recommend	FY14 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	15,000	0
Former Presidents' Allowance	50,000	50,000	50,000
Department Of Finance			
OCO Membership	4,000	9,000	9,000
Financial Management System - Maintenance fee	30,000	55,000	55,000
FSM Group Life	43,000	0	0
SBOC			
Asia Pacific Investment	250	250	250
Congress			
IPU Conference	0	0	20,000
Climate Change Conferences	0	0	20,000
Cofolens Festival	0	0	50,000
RESOURCES: Other Grants			
MLFC Loan Payment	200,000	200,000	200,000
Single Audit Fee	329,250	329,250	329,250
Staff Housing	510,000	592,000	510,000
Recruitment and Repatriation	233,218	253,218	233,218
Total	1,329,368	1,509,368	1,392,368

STANDING COMMITTEE REPORT NO. _____

RE: P.C. NO. 17-379/W&M

SUBJECT: FY 2014 BUDGET

SEPTEMBER ____, 2013

Your Committee recommends funding Grants, Subsidies and Contributions in the amounts listed in the Table above.

Your Committee makes special note of the FSM Group Life line item. Your Committee was assured by the Division of Personnel that this amount is not part of the 11% fringe benefit added to each salary in the budget book, and that the additional appropriation is no longer necessary. Your Committee was assured that there will be no extra cost passed on to the employees of the National Government.

(v) - (ff) INVESTMENT

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

INVESTMENT: Capital and Human Resources Development	FY13 Appropriated	FY14 EBRC Recommend	FY14 Committee Recommend
Department of Finance			
Tax Reform	189,000	600,000	0
Financial Advisor	103,650	103,650	51,825
Tax Accounting Advisor	53,800	53,800	26,900
President's Office			
FSM Trust Fund	1,000,000	3,000,000	5,000,000
Staff Upgrading	50,000	50,000	100,000
Capacity Building Road Map	115,000	110,000	0
2023 Set Aside	0	10,054,941	0
Office of SBOC			
Monitoring and Reconciliation-States	65,000	65,000	32,500
Compact Review Committee	0	100,000	0
2014 Development Partners Mtg	0	100,000	0
2023 Committee	150,000	0	0
Total			

STANDING COMMITTEE REPORT NO. _____

RE: P.C. NO. 17-379/W&M

SUBJECT: FY 2014 BUDGET

SEPTEMBER ____, 2013

Your Committee recommends funding Investment in Capital and Human Resources Development in the amounts listed in the Table above.

Your Committee notes that Tax Reform is not ready to proceed, and the Compact Sector Capacity Grant will not be forthcoming before FY14 begins; therefore, your Committee does not recommend funding the requested \$600,000. Your Committee recommends funding the two Financial Advisor Positions and the one Tax Accounting Advisor position at 50% of the requested amount. The funding source of these three positions has historically been either Capacity or ERA Sector Grant. Your Committee has been informed that no Sector Grants will be forthcoming before the start of FY14; therefore, Your Committee recommends funding for half of the year from Domestic Revenues. Your Committee urges the Executive to resolve the outstanding issues regarding the Sector Grants, as your Committee will not fund these positions in the second half of FY14 from Domestic Revenues. In the same vein, your Committee recommends funding the Monitoring and Reconciliation Project under SBOC for the first two quarters of FY14; this project is typically funded from ERA Sector Grant. Again, your Committee will not recommend funding of the project for the second half of FY14 from Domestic Revenue.

Your Committee recommends funding the FSM Trust Fund in the amount of \$5,000,000; one million of this is for the National Government account, and one million for each State Government account.

Your Committee has combined the two line items of Staff Upgrading and Capacity Building Roadmap. These items began as distinct programs with different funding sources; they are now essentially identical and both sourced from Domestic Revenues. In prior years, Staff Upgrading has been funded at \$50,000, and Capacity Building Road Map at \$115,000, for a total of \$165,000. Your Committee recommends combining these programs under Staff Upgrading in a total of \$100,000, and directs that \$5,000 of this amount be earmarked to cover administrative related costs, such as refreshments and copying for workshops and training, and hosting consultants from abroad.

Finally, your Committee notes that no request was made for the 2023 Committee in FY14; your Committee had hoped that this was because the 2023 Committee had completed their tasks. Your Committee recently learned that the 2023 Committee has held only one meeting and has not

STANDING COMMITTEE REPORT NO. _____

RE: P.C. NO. 17-379/W&M

SUBJECT: FY 2014 BUDGET

SEPTEMBER ____, 2013

yet hired a Macroeconomist, your Committee is disappointed in light of the compelling testimony for the need of the 2023 Committee.

CONCLUSION

Your Committee on Ways and Means has reviewed the proposed fiscal year 2014 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 in the sums set forth above in the column entitled "FY14 Committee Recommend", subject to the availability of funds as determined by your Committee upon consolidation of all Committee recommendations.

STANDING COMMITTEE REPORT NO. _____

RE: P.C. NO. 17-379/W&M

SUBJECT: FY 2014 BUDGET

SEPTEMBER ____, 2013

Respectfully submitted,

Isaac V. Figir, chairman

Peter M. Christian, member

Yosiwo P. George, member

Tony H. Otto, member

Wesley W. Simina, member

David W. Panuelo, member

Joseph J. Urusemal, member