

STANDING COMMITTEE REPORT NO. 14-45

RE: P.C. NO. 13-315 W&M

SUBJECT: FY 2006 BUDGET

SEPTEMBER 20, 2005

The Honorable Peter M. Christian
Speaker, Fourteenth Congress
Federated States of Micronesia
Second Regular Session, 2005

Dear Mr. Speaker:

Your Committee on Ways and Means, to which was jointly referred Presidential Communication No. 13-315 which transmitted the National Government's proposed FY 2006 budget, begs leave to report as follows:

Undefined capitalized terms have the meaning ascribed to them in the Financial Management Act.

The President's Recommended Budget for FY 2006 was transmitted by the Executive on March 30, 2005 in a book format titled National Government Fiscal Year 2006 Proposed Budget (the "proposed budget book"). Pursuant to Rule 7, section 1(b) of the Official Rules of Procedure of the Fourteenth Congress of the Federated States of Micronesia, your committee has limited its review of the proposed budget to departments and offices falling within its jurisdiction. These include the Office of the President, the Department of Finance and Administration, the Office of Compact Management, the Legislative Branch and the Public Auditor's Office. In addition, your committee reviewed the proposed appropriations for the National Staff Upgrading Program, which is administered by the Department of Finance and Administration.

On May 18, 20 and 21, 2005, your committee conducted public hearings with representatives of the above offices and, in some instances, has followed-up with additional communications. This Standing Committee Report reflects the recommendations of your Committee on Ways and Means regarding the proposed FY 2006 Budget, as follows:

The Budget Book

Your committee understands that the preparation of the Budget Book is a long and meticulous process. It also understands that human errors will be made. Generally, the committee is happy with the book itself but has several suggestions for improving the readability of the document.

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1. The entire book should be presented in the easy to read format of the summary spreadsheets inserted in the financial information portion of the book. The Budget Book is unnecessarily long and cumbersome. Information is too hard to locate within its many pages. Much of the information in the Budget Book is repeated at several instances and could be severely condensed if presented in a simple spreadsheet format.
2. Prior year information should be provided for every line item and not just the items under the Personnel category.
3. Reference should be made to the specific project in which the funding is requested.
4. All expenditures related to all sources of revenue should be included not just expenditures related to domestic revenue and Compact grants.
5. Greater care should be taken to avoid typographical and arithmetic mistakes. Also, several line items were inadvertently deleted.

Witnesses at the Public Hearings

Your committee wishes to note that it is disappointed with the outcome of its public hearings. The Public Hearing is an integral part of the budget process and greatly assists the committee in determining priorities for funding. Public Hearings afford the committee the opportunity to talk to our employees and learn how Congress can best aid in the achievement of our goals. In order to make the right decisions the committee needs its witnesses to be prepared and forthright.

Generally, the committee fears that witnesses approach Public Hearings not with the intent of co-operating with the committee but rather with the intent of saying as little as possible. The committee wishes to emphasize the importance it places on its Public Hearings and that a lack of preparedness or candor on the part of the witnesses merely serves to create an air of uncertainty amongst the members.

President's Recommended Budget does not meet the requirements of the Financial Management Act.

Your committee notes that the President's Recommended Budget is not in conformity with Section 103 of the Financial Management Act. Specifically, the committee notes that the following information was not submitted along with the President's Recommended Budget:

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1. the proposed budgets of the executive departments;
2. a development budget;
3. planned expenditures for funds from sources other than domestic unrestricted revenues and the Compact, with the exception of the U.S. federal programs that were presented in the Department of Health, Education and Social Affairs;
4. planned development expenditures;
5. relating all development programs and projects to goals and objectives in the Development Plan;
6. supporting economic financial, statistical and program performance information;
7. proposed revenue from fines, interest income, US Federal program assistance, foreign financial and technical assistance, reimbursements and loans;
8. statements of the balance of the General Fund and any special funds of the National Treasury;
9. actual revenues received to date, by source;
10. an analysis of the major trends over the three years budgeted; and
11. a plan for the ensuing fiscal year, including identification of strategic goals and planned accomplishments in numerical form.

Your committee understands that this is the first budget submission since Public Law No. 13-63 was enacted. Your committee notes the many comments it heard during its Public Hearings like "you removed the requirement for the performance based budgeting" or "this is what a line item budget is". Your committee wishes to emphasize that the intent of that Public Law was to simplify the budget preparation and submission process by removing the requirements of "performance based budgeting" and instead requiring the submission of information readily available, in its current format.

Executive Department Proposed Budgets

Your committee notes that the President has submitted a bill to amend this section of the Financial Management Act for the Congress' review. The intent of the bill is to delete the requirement that the budget submissions to the President of each executive department be transmitted to the Congress. Your committee applauds the Presidents initiative for proposing the amendments and it looks forward to working with the President in improving the budget preparation and submission process. However, your committee notes that until the law

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is amended this requirement is still in force and Congress should have been informed of these budget submissions.

Revenue from Sources other than Domestic Revenues and the Compact

The committee was informed during a hearing that planned expenditures from revenue sources other than domestic revenues and the Compact was specifically omitted. Congress requires this information so that it can have a complete picture of the National Government's finances and operations. Without this information Congress can not make an informed decision on the priority of budget requests.

The Development Budget and Development Plan

There was no evidence in the President's Recommended Budget of the existence of the Development Plan or any development budget. The Secretary of Finance and Administration testified at a hearing that little attempt had been made to pursue the Development Plan due to a lack of available resources. It is this lack of resources that places such importance on the need for a viable development budget and plan.

Supporting Economic Financial Information

Your committee wants to emphasize that when departments, offices and agencies submit budget requests to the Congress that they are competing against one another for their share of the available resources. When the committee sees that there are several requests for the same dollar, it is going to recommend the funding request in which it has the most confidence. The committee gains that confidence by the supporting information. The more supporting information provided to the committee, the easier it is for the committee to recommend funding.

Revenue Projections

Upon a review of the revenue projections provided to the Congress, your committee noticed two trends. The first is that the revenue projections are the same as last year. Seemingly, no attempt has been made to factor in the increase in import taxes passed by the Thirteenth Congress despite evidence from Customs and Taxation that revenues from this source have more than doubled.

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The second trend is that revenue projections are consistently very low. When this trend was raised at a committee hearing the Secretary of Finance and Administration stated that it is his policy to be conservative in preparation of revenue estimates. While your committee sees value in this policy, when, as in FY2005, revenue projections are estimated at approximately 20% below actual revenues, this policy misleads the Congress. As mentioned earlier, it is very important for the Congress to have an accurate and complete picture of the financial status of the country when making its appropriation decisions. Overly conservative revenue projections deny the Congress the ability to fund certain projects and act as an usurpation of Congress' authority to appropriate funds. By raising revenue projections and then requesting supplemental appropriations, the Department of Finance and Administration is essentially manipulating the Congress' ability to appropriate funds. Your committee insists that all future revenue projections reflect as accurately as possible the financial picture of the nation.

Strategic Goals and Planned Achievements in Numerical Form

One of the committee's greatest concerns was the absence of strategic goals or planned achievements in the President's Recommended Budget. Your committee learned during one of its hearings that this portion of the budget was not prepared by the Secretaries of the departments or someone within those departments but rather by the Assistant Secretary to the Budget Division. Knowing this, your committee is not surprised that the strategic goals and program achievements provided are merely a list of the departments' responsibilities. This information is not helpful to the committee. What the committee desires to see is a plan for the delivery of service to the people of the nation and the intended quality of that service. For example, in the Department of Finance and Administration's list of program achievements is "issue account receivable bills"; a strategic goal or a program achievement would be to "collect 10% more receivables than in the previous year" or "to issue all account receivable bills within 30 days of the receivable coming due". It is much easier for the committee to recommend funding for the collection of 10% more receivables than it is for issuing account receivable bills. It is also much easier for the President and the Secretaries to evaluate their departments' progress when they state specifically what they intend to accomplish.

Your committee wants to assist and work with all branches of the National Government to improve the quality of services that they

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provide but none of the budget requests referenced a single improvement of service or the provision of a new service. Your committee urges the secretaries, the heads of the offices and the directors of government agencies to think of ways to improve the service they provide and to submit to Congress a request for funding to implement that improved service. Your committee wants to be able to applaud the achievements of the government but it can not if no one tells them what they hope to accomplish and what they are accomplishing.

Delivering Services to the People

Your committee spent several hours deliberating on where economic efficiencies can be gained so that more resources can be directed towards delivering services, like improved medical care and education, to the people. Two of the many areas discussed for gaining efficiency were travel budgets and representation funds. The committee's recommendations reflect a desire to slowly decrease the amount funds spent on travel and representation. The committee acknowledges that while further decreases would be appreciated, they can not be done at this time because of the demands placed on the President and Members for representation and other monies. The committee asks for the understanding of the public so that as the demands for these monies decrease, more funds can be directed towards services for the benefit of all Micronesians.

Your committee will now address the proposed budgets for each of the departments and programs within its jurisdiction.

OFFICE OF THE PRESIDENT - OVERVIEW

The following is a consolidated summary of the line item budgets of the three divisions under the Office of the President and your committee's comments:

	FY2005 Appropriated	FY2006 Request	Committee Recommends
Personnel	\$ 282,604	\$ 301,405	\$ 287,235
Travel	160,960	163,964	76,678
Contractual Svc.	115,000	130,000	115,000
Other Current	92,300	86,300	86,300
Fixed Assets	<u>20,000</u>	<u>15,000</u>	<u>15,000</u>

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Total: \$ 670,864 \$ 696,669 \$ 580,213

Number of Employees 16 17 16

The Committee believes that it is appropriate that none of the budgeted funds are drawn from Compact sectors.

Office of the President - President's Office

1. Personnel

President recommends 9 at a total of \$193,468
Committee recommends 9 at a total of \$193,468

Your committee approves of the personnel request for 9 positions.

2. Travel

President recommends \$142,035
Committee recommends \$ 63,632

Your committee recommends approval of \$63,632 requested for travel for fiscal year 2006. The President's office was not able to justify the multiple international trips suggested in the budget for the President or Vice-President. Unless, specific benefits can be shown, your committee can not recommend approval of trips to the ACP Summit, Conference on Climate Change, PIDP meeting or World Summit on Info. Society. Your committee also sees no need for the President or Vice President to attend the United Nations General Assembly considering the government has emissaries that serve that purpose, however, the committee will leave the sum of \$15,981 in the President's travel budget to cover any overages and to encourage the President or Vice-President to focus more on domestic as opposed to international travel.

3. Contract Services

President recommends \$123,000
Committee recommends \$108,000

The President's recommendation includes an increase of \$5,000 for Official Expense Allowance and \$10,000 for Official Representation Fund. For the reasons stated in the paragraph above entitled "Delivering Services to the People", the committee does not feel that

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an increase in these monies is warranted at this time. Also, the committee would like to specify that of the \$35,000 for Official Expense Allowance, \$20,000 should be available for the President and \$15,000 for the Vice President. Likewise, the committee wishes to specify that of the \$65,000 for Representation Funds that \$40,000 be available for the President and \$25,000 for the Vice-President.

4. Other Current Expenses

President recommends	\$54,500
Committee recommends	\$54,500

Your committee recommends approval of the President's proposal, which is an increase of \$1,000 from FY 2005.

5. Fixed Assets

President recommends	\$15,000
Committee recommends	\$15,000

In the category of Fixed assets, the President's office has requested a digital copier for \$15,000. This is an increase of \$5,000 from FY 2005. Your committee recommends approval.

Your committee therefore recommends approval of the proposed budget of **\$434,600** for the President's Office.

Office of the President - Office of Public Information

1. Personnel

President recommends	6 at a total of \$73,325
Committee recommends	5 at a total of \$59,155

The President requested that a new position of news writer be funded. The justification given for the new position was that the President was intending on preparing and disseminating a newsletter. Your committee believes that is a good example of a new service that the President intends to provide that should have been reflected in the President's program achievements. While the committee approves of the program, it feels that the Public Information Office is sufficiently staffed to add this responsibility without increasing the number of positions. If the President believes that none of the current staff

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has the skills to perform this task, your committee suggests that the President propose a plan to reorganize the office.

2. Travel

President recommends	\$15,453
Committee recommends	\$ 6,570

Your committee does not see the value of sending staff to the Pacific Islands Forum and Presidential Summit for tape recording, which service the host nation already provides. Therefore your committee only recommends approval of \$6,570 of the travel request.

3. Contract Services

President recommends	\$7,000
Committee recommends	\$7,000

Your committee gives its endorsement of the full amount requested for Contract Services, which is the same amount requested for fiscal year 2005.

4. Other Current Expenses

President recommends	\$31,800
Committee recommends	\$31,800

The President's proposal is for \$7,000 less than FY 2005. The decrease is a reduction of printing and reproduction costs by 50% from \$10,000 to \$5,000 and a reduction of supplies and materials from \$14,000 to \$12,000. Your committee finds the reductions puzzling considering that the President's intention to produce a regular newsletter. Nevertheless, the committee recommends approval of the President's request.

5. Fixed Assets

President recommends	\$0,000
Committee recommends	\$0,000

The President is recommending that no money be spent on fixed assets. The committee recommends approval.

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Your committee is, therefore, recommending **\$104,525** for the Office of Public Information.

Office of the President - Office of Disaster Control

Your committee again reminds the Office of Disaster Control that, especially in light of the uncertainty concerning the extent of FEMA assistance in the future, it should identify possible disaster scenarios and develop specific plans to respond to each scenario. The better the office is able to anticipate the type of disasters that the FSM may encounter, the better equipped it will be to react quickly and effectively to limit the adverse consequences of the disaster.

1. Personnel

President recommends	2 at a total of \$34,612
Committee recommends	2 at a total of \$34,612

Your committee recommends the full amount requested for Personnel, however, your committee is quite confused about the staffing of this office. At the hearing, it was testified that the budget book is not accurate in that Oleen Poll is no longer paid by the office but rather she is now paid directly by FEMA and that the second position in the office is now occupied by Tony Neth, who previously worked for the Department on Transportation, Communication and Infrastructure. While your committee sees Tony Neth as a necessary and wise addition to the office, it does not understand why Ms. Poll is funded by FEMA and what the consequences will be when FEMA assistance is cut. Your committee sees Ms. Poll as an integral part of that office and is troubled by the change of her status.

2. Travel

President recommends	\$6,476
Committee recommends	\$6,476

This request is lower than the amount approved in FY 2005. The committee recommends approval.

3. Contract Services

President recommends	\$-0-
Committee recommends	\$-0-

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No funds were requested by this division for Contract Services and none would be recommended by your committee.

4. Other Current Expenses

Department requests	\$-0-
President recommends	\$-0-
Committee recommends	\$-0-

No funds were requested by this division for Contract Services and none would be recommended by your committee.

5. Fixed Assets

President recommends	\$0,000
Committee recommends	\$0,000

Your committee is, therefore, recommending **\$41,088** for this office.

DEPARTMENT OF FINANCE AND ADMINISTRATION - OVERVIEW

"Your committee is particularly disappointed by the budget submitted for the Department of Finance and Administration. Congress has experienced recurrent problems with the accuracy and timeliness of information provided by the Department. The committee understands that other parts of the National Government have experienced similar problems with data from this Department. Both the operations and the credibility of the National Government are adversely affected by the poor quality of information issuing from the Department. This problem has been raised with the Executive Branch on a number of occasions. Still, the Department's FY 2006 budget neither acknowledges the need for improvements nor proposes any actions to remedy the problem. Your committee urges the Secretary to immediately begin the process of developing a plan to improve the quality and timeliness of information generated by his Department. An important ingredient of that plan should be the development of metrics relating to data accuracy and the measurement of performance against those metrics.

In general, the Department's budget appears to omit any meaningful program for change. Targets are stated primarily in terms of the number of transactions processed or the number of meetings attended. Many of those targets are unchanged from the FY 2005 budget. There is

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little evidence that Department personnel are being challenged to improve quality, reduce costs or otherwise improve performance."

The above two paragraphs are taken from the committee's report on the FY 2005 Budget. Your committee sees no need to amend them and reiterates the urgency and the need for the Department to improve its performance. Your committee further expresses its dismay that, despite many offers to provide help and one year later, not one proposal has been submitted to the Congress requesting assistance in this matter or even suggesting that the Department is trying to find ways to improve.

The following is a consolidated summary of the proposed line item budgets of the six divisions under the Department of Finance and Administration and your committee's comments:

	FY2005 Appropriated	FY2006 Request	Committee Recommends
Personnel	\$1,142,095	\$1,276,461	\$1,286,249
Travel	185,250	204,316	
204,316			
Contractual Svc.	712,027	646,138	
622,027			
Other Expenses	731,660	287,679	287,679
Fixed Assets	34,900	76,867	45,367
Total:	<u>\$2,805,932</u>	<u>\$2,491,461</u>	<u> </u>
\$2,445,638			

Number of Employees	84	92	93
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Your committee is recommending approval of the proposed increase in the total number of positions from 84 to 92, recognizing that additional personnel is required by the Department to improve customs and tax collection.

The committee recommends approval of the President's proposed FY 2006 budget for the Department with the exceptions specifically identified below.

Department of Finance and Administration - Office of the Secretary

1. Personnel

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President recommends	3 at a total of \$57,003
Committee recommends	3 at a total of \$57,003

Your committee approves of the personnel request for 3 positions.

2. Travel

President recommends	\$24,500
Committee recommends	\$24,500

The President's proposal is approximately \$10,000 more than the amount approved in FY 2005. \$4,000 of the increase is to attend a JEMCO meeting. New trips are visits to the states for \$3,500 and the IMF/World Bank Meeting for \$5,000. The committee recommends approval of this amount.

3. Contract Services

President recommends	\$ 1,000
Committee recommends	\$ 1,000

This is the same amount appropriated for FY 2005. The committee recommends approval.

4. Other Current Expenses

President recommends	\$29,970
Committee recommends	\$29,970

The requested amount is \$4,687 more than the FY 2005 appropriation. \$3,000 of the increase is for supplies and materials. Your committee approves this amount.

5. Fixed Assets

President recommends	\$4,512
Committee recommends	\$3,012

The Secretary's Office is requesting \$4,512 for office equipment. \$2,900 for fixed assets were appropriated for FY 2005. One of the requests is \$1,500 for a typewriter. Since that amount that seems high and the purchase of a typewriter was included in last year's budget

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request, the committee does not recommend that this request be approved. The committee recommends \$3,012 of the amount requested.

Your committee is, therefore, recommending a total of **\$115,485** for the Office of the Secretary for FY 2006.

Department of Finance and Administration - National Treasury

1. Personnel

President recommends	27 at a total of \$365,301
Committee recommends	27 at a total of \$365,472

The majority of the difference between the FY 2006 request and the FY 2005 appropriation is the addition of three Computer Operator positions at a total cost of approximately \$75,000 to the division. These Computer Operators were previously funded under contract services and do not represent a change in the overall budget of the Division.

In prior years the Congress has approved the addition of accounting personnel to the Department to improve performance. At the time, the committee felt that this was a poor substitution for a plan for improved performance. Since one of the accountant positions is vacant and since no plan has been forthcoming for improving the Department, Your committee recommends deleting the vacant Accountant I position.

In Presidential Communication No. 13-334, Congress was notified that one accountant position, which is currently filled was inadvertently omitted from the budget submission. Your committee has added this position to the total.

Since the National office routinely overrides the assessments of field offices in Chuuk, Yap and Kosrae in regards to the availability of public project funds, it seems that these field offices do not serve their intended purpose. Your committee wonders about the desirability of maintaining these field offices, when the National office can not agree with their conclusions.

2. Travel

President recommends	\$21,156
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Committee recommends	\$21,156
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The proposed travel budget for this office is lower than the FY 2005 budget. Your committee recommends approval.

3. Contract Services

President recommends	\$26,800
Committee recommends	\$26,800

The President's proposal is approximately \$70,000 lower than the amount approved for FY 2005, however this amount has been shifted to Personnel. The rental cost of leasing space has jumped from \$15,000 in FY 2005 to \$23,400 in FY 2006. This is due to the absorption by the Department of an office in Chuuk that was previously charged to the Customs and Taxation Division. The committee recommends approval of the amount requested.

4. Other Current Expenses

President recommends	\$82,977
Committee recommends	\$82,977

The increase of \$5,000 from FY 2005 is attributable to an increase in utilities, which is a result of the absorption of the office in Chuuk. Your committee recommends approval of the amount requested.

5. Fixed Assets

President recommends	\$22,000
Committee recommends	\$22,000

The department requests \$22,000 to purchase a pick-up truck with weight lift to replace the older truck currently used. The committee approves of the request but reiterates that funds from the sale of the old truck must be remitted to the general fund.

Therefore, your committee approves a total of **\$518,405** for the National Treasury Division.

Department of Finance and Administration - Division of Customs and Tax Administration

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Your committee believes that it is vital that the collection of unpaid taxes and customs be drastically improved and is glad to see that progress is being made in this area. The committee approves of the addition of four new positions to assist this effort. Your committee looks forward to seeing a marked improvement in the division's next performance report.

1. Personnel

President recommends	44 at a total of \$562,179
Committee recommends	45 at a total of \$571,635

This division's personnel request is \$66,193 more than the amount approved for fiscal year 2005. The increase is attributable to the addition of a tax collection specialist, new customs inspector in Pohnpei and a new custom officer and customs inspector in Chuuk as requested in Presidential Communication No. 13-334. Your committee hopes that the cost of the increase in personnel may be offset by a reduction of overtime incurred by customs officials.

2. Travel

President recommends	\$23,759
Committee recommends	\$23,759

The \$10,000 increase in travel is to perform audits of taxpayers in the States. Your committee recommends approval of the President's request.

3. Contract Services

President recommends	\$66,588
Committee recommends	\$66,588

The amount requested is \$8,400 less than FY 2005 due to the transfer of an office in Chuuk to the National Treasury. Your committee recommends approval of this amount.

4. Other Current Expenses

President recommends	\$75,000
Committee recommends	\$75,000

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This amount is virtually the same as last year. Your committee recommends approval of the amount requested.

5. Fixed Assets

President recommends	\$38,000
Committee recommends	\$ 8,000

The Committee approves the amount to be appropriated to purchase computers. The committee notes that \$16,000 was appropriated for this purpose in FY 2005. Your committee does not support the request for the purchase of two vehicles at a cost of \$30,000. This government will be acquiring several vehicles, especially in light of the recently approved grant from China for the purchase of \$300,000 of cars for the Department of Foreign Affairs, and therefore your committee believes that the President can reallocate some vehicles for this Division's use. Your committee supports approval of \$8,000.

In summary, your committee recommends appropriation of **\$744,982** for the Custom & Tax Administration.

Department of Finance and Administration - Division of Budget

1. Personnel

President recommends	8 at a total of \$123,697
Committee recommends	8 at a total of \$123,697

This amount is slightly less than in FY 2005 and therefore your committees approves of the amount.

2. Travel

President recommends	\$11,752
Committee recommends	\$11,752

The requested amount is virtually the same as the FY 2005 appropriation. The committee recommends approval.

3. Contract Services

President recommends	\$2,000
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Committee recommends	\$2,000
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Your committee approves of the full amount requested for Contract Services, which represents no increase over FY 2005.

4. Other Current Expenses

President recommends	\$25,496
Committee recommends	\$25,496

Your committee approves of the full amount requested for Other Current Expenses, which represents no increase over FY 2005.

5. Fixed Assets

President recommends	\$0
Committee recommends	\$0

Your committee approves the amount requested for Fixed Assets.

Your committee recommends a total appropriation of **\$162,945** for the Division of Budget.

Department of Finance and Administration - Division of Personnel

1. Personnel

President recommends	4 at a total of \$58,679
Committee recommends	4 at a total of \$58,840

Your committee approves the amount requested for Personnel including the correction to the salary of Laura Abraham as requested in Presidential Communication No. 13-334.

2. Travel

President recommends	\$110,830
Committee recommends	\$110,830

Your committee notes that the amount proposed for Travel is a 12% increase from fiscal year 2005. At the Public Hearing, it was testified that these funds are available for all Departments and Offices, including the Public Auditor, whose request for recruitment

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and repatriation expenses was denied in the President's recommendation. The committee recommends approval of this amount for recruitment and repatriation.

3. Contract Services

President recommends	\$547,750
Committee recommends	\$523,639

Your committee approves of the amount requested by the Personnel division for Contract Services less the increase of \$24,111 over last year for housing allowance.

4. Other Current Expenses

President recommends	\$52,236
Committee recommends	\$52,236

This amount is the same as last year except that it includes the \$43,000 contribution of the FSM Government to the FSM Group Life Insurance policy. Your committee recommends approval of the amount requested.

5. Fixed Assets

President recommends	\$9,855
Committee recommends	\$9,855

Your committee recommends providing funding for the \$9,855 copier proposed by the Personnel division under the Fixed Assets category.

Your committee, therefore, approves a total proposed budget of **\$755,400** for the Division of Personnel.

Department of Finance and Administration - Division of Investment and International Finance

1. Personnel

President recommends	6 at a total of \$109,602
Committee recommends	6 at a total of \$109,602

Your committee approves this amount.

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2. Travel

President recommends	\$12,319
Committee recommends	\$12,319

This amount is \$10,000 less than FY 2005. The committee recommends approval of the full amount requested.

3. Contract Services

President recommends	\$2,000
Committee recommends	\$2,000

Your committee approves of the amount requested by the Division of Investment and International Finance for Contract Services.

4. Other Current Expenses

President recommends	\$ 22,000
Committee recommends	\$ 22,000

The committee recommends approval of this amount, which is unchanged from Fiscal Year 2005.

5. Fixed Assets

President recommends	\$2,500
Committee recommends	\$2,500

Your committee recommends providing funding for the \$2,500 to be used to buy a copier for this division.

Your committee, therefore, approves a total proposed budget of **\$148,421** for the Division of Investment and International Finance.

Office of Compact Management

The budget for FY 2006 was submitted for the Office of Compact Management was not submitted to Congress until September 12, 2005 in Presidential Communication No. 14-55. Given the lateness of the submission and the lack of a breakdown of the expenses, the committee is unable to comment on this request at this time. The committee will

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consider their budget submission on the floor, when the floor amendment attached to Presidential Communication No. 14-55 gets introduced.

LEGISLATIVE BRANCH - OVERVIEW

Your committee's general comments above apply equally to the Legislative Branch, which failed to submit any kind of strategic goals, program achievements or other data, which would be helpful to the committee. The Director of Administration and Budget indicated at the public hearing that he is aware of the deficiency and that such information would be submitted shortly.

There are many discrepancies between the budget proposed by the Legislative Branch and the one contained in the Budget Book. Your committee can not tell which one is more accurate because it sees errors in both. As a result, it is difficult to make meaningful comparisons between the Legislative Branch's recommendations and the budget book data. For the FY 2005 appropriation figures, your committee refers to Public Law No. 13-46 and 13-68, as amended, and the committee reports applicable thereto. For the Legislative Branch's proposal, your committee refers to the actual request of the Legislative Branch.

For FY 2005, your committee originally recommended a Legislative Branch budget of \$2,788,077. The total appropriation ultimately increased to \$3,383,077 due, primarily, to increases in Member's representation fund and travel expenses. The Legislative Branch believes that these are recurring expenses and its budget submission reflects the supplementally appropriated amount and a desire to avoid supplemental appropriations in the future. While the committee agrees with the process, it also feels that the Legislative Branch should lead by example by focussing on more operational efficiency and cost reduction. Therefore, your committee recommends significant reductions for Member and staff travel and elimination of all vacant staff positions.

Your committee hopes that the Speaker and Director of Administration and Budget impose upon the Members and staff, respectively, the discipline required to follow this budget and do not request for any supplemental appropriations.

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The following is a summary of the line item budget of the Legislative Branch and your committee's recommendations:

	FY 2005 Appropriated	FY 2006 Congress Request	FY 2006 President Recommends	Committee Recommends
Personnel	\$1,121,510	\$1,220,488	\$1,177,977	\$1,119,314
Travel	709,267	767,900	639,267	534,252
Contract. Svc	723,300	694,100	703,300	676,100
Other Cur Exp	850,300	625,500	604,140	589,340
Fixed Assets	<u>30,700</u>	<u>26,220</u>	<u>46,960</u>	<u>26,220</u>
Total	\$3,433,077	\$3,334,208	\$3,171,644	\$2,948,226
No. of Employees	58 55	59		58

Congress - Speaker and Members

1. Personnel

Department requests	14 at a total of \$415,290
President recommends	14 at a total of \$415,290
Committee recommends	14 at a total of \$415,290

Your committee recommends approval of the full amount requested for Personnel, which represents no increase over FY 2005.

2. Travel

Department requests	\$573,624
President recommends	\$508,767
Committee recommends	\$424,881

The budget proposed by the Legislative Branch is slightly reduced from the amount appropriated for FY 2005. The President recommends a 13% reduction. Your committee recommends a further 15% reduction and summarizes the line items as follows: \$152,043 for Members to attend the 3 regular sessions in Pohnpei, \$82,838 for Members to attend 2 special sessions and \$190,00 for domestic and international travel, or \$10,000 per Member plus an additional \$10,000 for the Speaker and

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\$5,000 for each of the Vice Speaker, Floor Leader and six committee chairmen. Your committee hopes the addition of a third regular session will limit the need to have more than 2 special sessions and also suggests that Congress sit for the 20 days of a regular session and attempt to complete as much business as possible within those 20 days to avoid the need for special sessions altogether. Your committee also hopes that as travel costs escalate, Members will restrict their travel for trips that will produce the most benefit. Your committee also recommends that Members file a report on their travel with the Chief Clerk to be distributed to the other Members detailing the benefits gained from the travel and the information learned.

3. Contract Services

Department requests	\$507,600
President recommends	\$560,800
Committee recommends	\$507,600

In FY 2005, representation funds equaled \$35,000 per Member. The President's recommended includes a raise of the requested level of the representation funds by another \$3,800 per Member. Given our comments in the paragraph entitled "Delivering Services to the People", your committee recommends that Members representation funds be limited to \$30,000 per Member.

4. Other Current Expenses

Department requests	\$50,000
President recommends	\$54,800
Committee recommends	\$50,000

This amount is the same amount as appropriated for FY 2005. Your committee believes that the President recommended a further \$4,800 for FPOC fees, which are now budgeted from Contract Services. Your committee recommends \$50,000 for Contract Services.

5. Fixed Assets

Department requests	\$-0-
President recommends	\$-0-
Committee recommends	\$-0-

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No funds were requested for Fixed Assets and none would be recommended by your committee.

Your committee recommends a total of **\$1,397,771** for the Speaker and Members of Congress.

Congress - Staff Offices

1. Personnel

Department requests	46 at a total of \$749,979
President recommends	45 at a total of \$762,687
Committee recommends	41 at a total of \$704,024

Your committee recommends that the proposed amount of \$19,620 be appropriated for the Secretary to the Vice Speaker. Your committee agrees with the President that a new position is not required for the Deputy Chief Clerk. Your committee recommends that one of the current staff members be promoted to fill that role. Your committee believes that Pages and Custodians should be budgeted as Contract Services and recommends that this expense be transferred to that line category. As requested by the Administrator during the public hearing your committee recommends that the amount for Chief Clerk should be \$27,750 and the amount for the Assistant Budget Officer should be \$17,731. Your committee recommends deleting the currently vacant positions of budget office secretary and proofreader, as it feels the current staff of the Congress can efficiently absorb these positions. Your committee notes that it believes that the vacant custodian position is currently filled by Liperson Seles and that Wayner Louis occupies the Sergeant-at-arms position.

2. Travel

Department requests	\$180,537
President recommends	\$130,500
Committee recommends	\$109,371

The amount requested represents a 38% increase over the \$130,500 appropriated for FY 2005. The President recommends a reduction in recruitment and repatriations and travel by legal staff in connection with committee hearings. Your committee submits that a better approach would be to eliminate the much costlier international travel of staff. To further contain costs your committee suggests that delegation staff

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travel come out of delegation funds instead of the staff travel budget. On the other hand, funds need to be available to ensure that the members and your committees receive adequate staff support when working outside of Pohnpei, especially considering the Congress' desire to hold a Special Session in Kosrae. Therefore, your committee recommends that the staff travel budget be only reduced to \$109,371.

3. Contract Services

Department requests	\$186,500
President recommends	\$142,500
Committee recommends	\$168,500

The numbers above do not include funding for the Congressional pages and custodians, which the President included under Personnel but which your committee recommends should be transferred to Contract Services. The President recommends reductions for the journal clerk, on leased housing and staff training. Your committee agrees with these recommendations except the journal clerk, and further recommends elimination of the Congress Directory and the FSM Code on CDs project.

4. Other Current Expenses

Department requests	\$155,500
President recommends	\$129,340
Committee recommends	\$122,340

Your committee agrees with the reductions recommended by the President. It also suggests that the Books and Library Materials line item be deleted since the Congress library is hardly used and that POL be increased to \$15,000 as requested by the Administrator during the public hearing.

5. Fixed Assets

Department requests	\$26,220
President recommends	\$46,960
Committee recommends	\$26,220

Your committee assumes that the \$20,740 surplus recommended by the President is a typographical error and recommends approval of the amount requested by the Legislative Branch.

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Your committee recommends a total of **\$1,105,096** for the Staff Offices of Congress, for FY 2006.

Congress - Delegation Offices

Other Current Expenses

Department requests	\$420,000
President recommends	\$420,000
Committee recommends	\$420,000

Your committee approves funding the current expenses for the Delegation Offices in the following amounts: Chuuk - \$180,000; Kosrae - \$60,000; Pohnpei - \$120,000; Yap - \$60,000.

Your committee recommends a total of **\$420,000** for the Delegation Offices of Congress.

PUBLIC AUDITOR'S OFFICE - OVERVIEW

Your committee notes that FY 2006 budget for the Public Auditor's Office is to come from domestic revenues as opposed to the capacity building sector funds under the Compact. The reason for this change is that the Public Auditor's Office is an integral part of the National Government and should not be subject to a potential apprehension of bias, which may result if continually funded under the Compact. Your committee agrees with this reason and recommends that the Public Auditor's Office be funded from domestic revenues.

The following is a summary of the line item budget for the Public Auditor's Office and your committee's recommendations:

	FY 2005 Appropriated	FY 2006 Auditor's Ofc Request	FY 2006 President Recommends	Committee Recommends
Personnel	\$331,209	\$372,130	\$354,176	\$354,176
Travel	126,659	204,133	126,659	126,659
Contract Svc	152,000	227,200	52,200	123,060
Other Cur Exp	51,160	62,800	62,800	51,800
Fixed Assets	<u>9,000</u>	<u>21,000</u>	<u>12,000</u>	<u>12,000</u>
Total	\$669,848	\$887,263	\$607,835	\$667,895

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committee recommends elimination of \$5,000 requested for computer maintenance, especially considering that \$15,000 was requested for IT Services.

Your committee recommends that a further \$11,000 be reduced from the Other Current Expenses to return those expenses to the FY 2005 level. Your committee has no suggestions as to which line items should be reduced and leaves that decision to the discretion of the Public Auditor.

Your committee approves of the President's recommendations in regards to Fixed Assets.

Your committee again urges the Office to focus on operating as independently as possible from the other governmental offices and agencies.

SPECIAL PROGRAMS

Compact Implementation Task Force Secretariat

President recommends	65,835
Committee recommends	0

Agreeing with Presidential Communication No. 14-55, your committee does not recommend any funding for the Compact Implementation Task Force Secretariat because all of its functions are to be undertaken by the Office of Compact Management.

CAPITAL AND HUMAN RESOURCE DEVELOPMENT PROJECTS

National Staff Upgrading

Department requests	\$50,000
President recommends	50,000
Committee recommends	50,000

Your committee recommends **\$50,000** for National Staff Upgrading for fiscal year 2006, which is the same amount appropriated for fiscal year 2005.

CONCLUSION

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Your Committee on Ways and Means has reviewed the proposed FY 2006 Budget and carefully scrutinized all of the information provided by the Office of the President, the Department of Finance and Administration, the Legislative Branch, the Public Auditor's Office, including the information regarding the National Authorizing Committee, and National Staff Upgrading program, which are within your committee's jurisdiction. Based upon that information and its deliberations, your committee recommends each of the sums set forth above in the "Committee recommends" lines.

Respectfully submitted,

Isaac V. Figir, chairman

Roosevelt D. Kansou, vice
chairman

Simiram Sipenuk, member

Peter M. Christian, member

Manny Mori, member

Dohsis Halbert, member

Claude H. Phillip, member