

STANDING COMMITTEE REPORT NO. 14-100

RE: C.B. NO. 14-91/JGO

SUBJECT: INCREASE IN PUBLIC SERVICE SALARIES

MAY 17, 2006

The Honorable Peter M. Christian
Speaker, Fourteenth Congress
Federated States of Micronesia
Fourth Regular Session, 2006

Dear Mr. Speaker:

Your Committee on Judiciary and Governmental Operations ("J&GO"), to which was referred C.B. No. 14-91 entitled:

"A BILL FOR AN ACT TO FURTHER AMEND TITLE 52 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS AMENDED, BY REPEALING SECTION 205 THEREOF AND ENACTING FOR THE PURPOSE OF A ONE-TIME INCREASE IN BASE SALARIES FOR CERTAIN PUBLIC SERVICE EMPLOYEES, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

The intent and purpose of the bill are expressed in its title.

The subject bill would amend the public service schedule of biweekly salaries to provide a one-time step increase to all National Government public servants earning less than \$20,000 annually. This would amount to a \$25 biweekly increase.

Your Committee held a public hearing on this issue on December 12, 2005 and heard testimony from Vice President Killion, in his capacity as the Chairman of the Tax Reform Task Force, as well as representatives from Budget, Personnel, the Office of the President, the Department of Justice and the Department of Economic Affairs.

No official costing of the proposal has been completed, however, it is anticipated it would increase National Government personnel costs by approximately \$300,000-\$500,000 annually. During the course of the hearing, your Committee was advised that funds to implement the step increase were not available in FY 2006, but that they would likely be available in FY 2007 in light of anticipated increases in tax revenues. Your Committee notes that the most recent revenue projection prepared by the Department of Finance for FY 2006 identifies almost \$3.5 million in unappropriated FY 2006 domestic revenues. In addition, your Committee notes that despite assurances something could be done to improve the position of public service

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employees in FY 2007 no provision for this has been made in the President's proposed FY 2007 budget.

During the course of the public hearing a number of different options for improving public service conditions were canvassed, including a cost of living allowance and a general overhaul of the public service classification system. The Division of Personnel undertook to review the various options and provide a recommendation to the Committee. To date this information has not been forthcoming.

Rising fuel prices and the resulting increases in the cost of living, have meant the real wages of public service system employees have decreased significantly in recent years. In light of the failure of the Executive to propose an alternative solution to the problem, your Committee believes that it is appropriate to take action on the bill currently before it.

Thus, your Committee on Judiciary and Governmental Operations is in accord with the intent and purpose of C.B. No. 14-91 and recommends its passage on First Reading, and that it be placed on the Calendar for Second and Final Reading.

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Respectfully submitted,

/s/ Dohsis Halbert
Dohsis Halbert, chairman

/s/ Roosevelt D. Kansou
Roosevelt D. Kansou, vice
chairman

Alik L. Alik, member

Tiwiter Aritos, member

Peter M. Christian, member

/s/ Moses A. Nelson
Moses A. Nelson, member

/s/ Ramon Peyal
Ramon Peyal, member