

STANDING COMMITTEE REPORT NO. 15-128

RE: C.B. NO. 15-89/JGO

SUBJECT: INCREASE IN PUBLIC SERVICE SALARY

MAY 29, 2008

The Honorable Isaac Figir
Speaker, Fifteenth Congress
Federated States of Micronesia
Fourth Regular Session, 2008

Dear Mr. Speaker:

Your Committee on Judiciary and Governmental Operations ("J&GO"), to which was referred C.B. No. 15-89 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 THE NATIONAL 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 (C.B. No. 15-89) would amend the public service schedule of biweekly salaries to provide a one-time step increase to all National Government public servants under the Public Service System. The proposed bill would exclude those under contractual services, exempt employees and those under Foreign Service premium. The increase would amount to \$35.00 biweekly increase.

Your Committee held a public hearing on this issue on May 13, 2008 with the key staff from the Executive, Legislative and Judiciary branches and other witnesses from Boards and Commissions from the National Government.

Your Committee noted that a similar bill was introduced during the Fourteenth Congress, but was vetoed by the President. At that time the proposed increase was \$25.00 bi-weekly for every employee that earned less than \$20,000.00 per year. The estimated cost for the proposed increase was about approximately \$300,000-\$500,000 annually. During the 14th Congress, witnesses from the Department of Finance & Administration testified that FSM National Government domestic revenues then could not able to accommodate the increase, but the Government would be able to sustain such an increase in the next subsequent year (FY2007). There is no increase in salary and we are about a quarter away from fiscal year 2008.

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During the course of the public hearing during the 14th Congress 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 Congress. To date this information has not been forthcoming.

Your Committee noted that during the State of the Nation address, by his Excellency, President Manny Mori, he informed Congress that he would ask Congress to address the issue of salary increase next year (FY 2009) given the increase cost of living in FSM as a result of the increasing oil prices.

Your Committee was advised that a Committee has been established by the President to address the issue and some analysis would be done to see the level of increase necessary, considering the changes in the cost of living since 1999. Your Committee requested that SBOC should provide some preliminary figures based on changes in the cost of living since 1999 and go back five years from today. The requested information has not been provided to date despite the assurance that they would be available a week after the public hearing on May 13, 2008.

Your Committee notes that the most recent revenue projection prepared by the Office of SBOC and the Department of Finance for FY 2008 and FY 2009 identified almost \$1.5 millions and over \$1.5 million in excess unappropriated funds respectively in domestic revenues. Such a projection of revenue is sufficient, therefore, something must be done to improve the salary of public service employees this fiscal year 2008. Apparently, there has not been any salary increase, since the freeze in salary eighteen years ago, and such request was absent in the President's proposed FY 2008 and 2009 budgets respectively.

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 that is currently assigned to your Committee. Two years ago, the gas prices at the gas stations average over \$3.00 a gallon, but today the price is over \$5.00 per gallon. The average oil price per barrel is over \$130 compared to \$70-80 two years ago. The common staple food in FSM is rice and the

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cost has increased from \$15.00/sack to close to \$30.00. The rising fuel prices had resulted in the increases of all commodities imported from the outside would and even domestic products. A news article in the PDN this month indicated that the average increase salary for employees in Guam has increased on an aggregate amount of roughly \$1.03/hour during the past three years. This increase, however, didn't reflect the higher cost of living, which showed a higher figure.

Your Committee is mindful of the impasse salary adjustments at the state governments and the private sectors, but salary adjustment at the National Government is a national issue to be considered and resolved. The Committee is also aware that Pohnpei State Government has made a salary adjust two years ago for an increase of \$30.00 bi-weekly across the board for all its employees. Your Committee understands that a further increase adjustment is currently being discussed among the State leaders. Your Committee appreciates the need to look at our sister states, but a large number of employees at the National Government come from the Yap, Chuuk and Kosrae. Unlike the state government employees, almost all their required food items must be purchase at the grocery stores.

Your Committee has analyzed the FY 2008 budget on Personnel, in absence of any analysis coming from the Executive branch and concluded that the number of National employees that are under the Public Service System is around 558 employees. From this number, certain employees are paid by U.S Federal fund, and this would be a saving on our local revenue. The average annual salary for the employees is about \$11,950. The National Government also employed about 132 other staff, both under profession premium, contract, exempt and under Foreign Service premium. These employees would not be eligible for the increase. Their current annual salary average is about \$35,106.

Your Committee notes that the President indicated that a \$35.00 increase in salary would be a sustainable amount with an estimated increase of about \$507,780.00 annually. Deducting employees that would be funded from the U.S federal funds, the domestic revenue would be about \$480,000 annually. This annual estimated cost includes the fringe benefit, which is about nine (9) percent of the total cost. If the Congress chooses to authorize a lower increase of \$30.00/bi-weekly, the annual cost to the Government would be about \$410,000.

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The Committee believes that the cost of living would continue to increase within the next 12 months and therefore, recommends that the salary adjustment should be \$35.00/bi-weekly instead of the proposed \$30.00. Therefore, your Committee recommends some amendments to C.B. No. 15-89 as follows:

1. Page 1, lines 9 to 19, Page 2, lines 1 to 25, and Page 3 lines 1 to 7, delete "the pay scale", and insert a new pay scale in lieu thereof.

Pay Level	Steps						
	1	2	3	4	5	6	7
1	\$132.46	\$136.46	\$140.46	\$144.46	\$149.26	\$154.06	\$158.86
2	136.46	140.46	144.46	149.26	154.06	158.86	164.46
3	140.46	144.46	149.26	154.06	158.86	164.46	170.06
4	144.46	149.26	154.06	158.86	164.46	170.06	176.46
5	149.26	154.06	158.86	164.46	170.06	176.46	182.86
6	154.06	158.86	164.46	170.06	176.46	182.86	190.06
7	158.86	164.46	170.06	176.46	182.86	190.06	197.26
8	164.46	170.06	176.46	182.86	190.06	197.26	205.26
9	170.06	176.46	182.86	190.06	197.26	205.26	213.26
10	176.46	182.86	190.06	197.26	205.26	213.26	222.06
11	182.86	190.06	197.26	205.26	213.26	222.06	231.66
12	190.06	197.26	205.26	213.26	222.06	231.66	241.26
13	197.26	205.26	213.26	222.06	231.66	241.26	251.66
14	205.26	213.26	222.06	231.66	241.26	251.66	262.86

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15	213.26	222.06	231.66	241.26	251.66	262.86	274.86
16	222.06	231.66	241.26	251.66	262.86	274.86	286.86
17	231.66	241.26	251.66	262.86	274.86	286.86	299.66
18	241.26	251.66	262.86	274.86	286.86	299.66	313.26
19	251.66	262.86	274.86	286.86	299.66	313.26	327.66
20	262.86	274.86	286.86	299.66	313.26	327.66	342.86
21	274.86	286.86	299.66	313.26	327.66	342.86	359.66
22	286.86	299.66	313.26	327.66	342.86	359.66	377.26
23	299.66	313.26	327.66	342.86	359.66	377.26	395.66
24	313.26	327.66	342.86	359.66	377.26	395.66	415.66
25	327.66	342.86	359.66	377.26	395.66	415.66	436.46
26	342.86	359.66	377.26	395.66	415.66	436.46	458.86
27	359.66	377.26	395.66	415.66	436.46	458.86	482.06
28	377.26	395.66	415.66	436.46	458.86	482.06	506.86
29	395.66	415.66	436.46	458.86	482.06	506.86	533.26
30	415.66	436.46	458.86	482.06	506.86	533.26	561.26
31	436.46	458.86	482.06	506.86	533.26	561.26	590.86
32	458.86	482.06	506.86	533.26	561.26	590.86	622.06
33	482.06	506.86	533.26	561.26	590.86	622.06	655.66
34	506.86	533.26	561.26	590.86	622.06	655.66	690.86
35	533.26	561.26	590.86	622.06	655.66	690.86	728.46

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36	561.26	590.86	622.06	655.66	690.86	728.46	768.46
37	590.86	622.06	655.66	690.86	728.46	768.46	810.86
38	622.06	655.66	690.86	728.46	768.46	810.86	855.66
39	655.66	690.86	728.46	768.46	810.86	855.66	
40	690.86	728.46	768.46	810.86	855.66		
41	728.46	768.46	810.86	855.66			
42	768.46	810.86	855.66				

"Section 205. Base Salary schedule of biweekly salary rate.

	<u>Steps</u>						
<u>Pay</u>							
<u>Level</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>
<u>1</u>	<u>\$137.46</u>	<u>\$141.46</u>	<u>\$145.46</u>	<u>\$149.46</u>	<u>\$154.26</u>	<u>\$159.06</u>	<u>\$163.86</u>
<u>2</u>	<u>141.46</u>	<u>145.46</u>	<u>149.46</u>	<u>154.26</u>	<u>159.06</u>	<u>163.86</u>	<u>169.46</u>
<u>3</u>	<u>145.46</u>	<u>149.46</u>	<u>154.26</u>	<u>159.06</u>	<u>163.86</u>	<u>169.46</u>	<u>175.06</u>
<u>4</u>	<u>149.46</u>	<u>154.26</u>	<u>159.06</u>	<u>163.86</u>	<u>169.46</u>	<u>175.06</u>	<u>181.46</u>
<u>5</u>	<u>154.26</u>	<u>159.06</u>	<u>163.86</u>	<u>169.46</u>	<u>175.06</u>	<u>181.46</u>	<u>187.86</u>
<u>6</u>	<u>159.06</u>	<u>163.86</u>	<u>169.46</u>	<u>175.06</u>	<u>181.46</u>	<u>187.86</u>	<u>195.06</u>
<u>7</u>	<u>163.86</u>	<u>169.46</u>	<u>175.06</u>	<u>181.46</u>	<u>187.86</u>	<u>195.06</u>	<u>202.26</u>
<u>8</u>	<u>169.46</u>	<u>175.06</u>	<u>181.46</u>	<u>187.86</u>	<u>195.06</u>	<u>202.26</u>	<u>210.26</u>

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<u>9</u>	<u>175.06</u>	<u>181.46</u>	<u>187.86</u>	<u>195.06</u>	<u>202.26</u>	<u>210.26</u>	<u>218.26</u>
<u>10</u>	<u>181.46</u>	<u>187.86</u>	<u>195.06</u>	<u>202.26</u>	<u>210.26</u>	<u>218.26</u>	<u>227.06</u>
<u>11</u>	<u>187.86</u>	<u>195.06</u>	<u>202.26</u>	<u>210.26</u>	<u>218.26</u>	<u>227.06</u>	<u>236.66</u>
<u>12</u>	<u>195.06</u>	<u>202.26</u>	<u>210.26</u>	<u>218.26</u>	<u>227.06</u>	<u>236.66</u>	<u>246.26</u>
<u>13</u>	<u>202.26</u>	<u>210.26</u>	<u>218.26</u>	<u>227.06</u>	<u>236.66</u>	<u>246.26</u>	<u>256.66</u>
<u>14</u>	<u>210.26</u>	<u>218.26</u>	<u>227.06</u>	<u>236.66</u>	<u>246.26</u>	<u>256.66</u>	<u>267.86</u>
<u>15</u>	<u>218.26</u>	<u>227.06</u>	<u>236.66</u>	<u>246.26</u>	<u>256.66</u>	<u>267.86</u>	<u>279.86</u>
<u>16</u>	<u>227.06</u>	<u>236.66</u>	<u>246.26</u>	<u>256.66</u>	<u>267.86</u>	<u>279.86</u>	<u>291.86</u>
<u>17</u>	<u>236.66</u>	<u>246.26</u>	<u>256.66</u>	<u>267.86</u>	<u>279.86</u>	<u>291.86</u>	<u>304.66</u>
<u>18</u>	<u>246.26</u>	<u>256.66</u>	<u>267.86</u>	<u>279.86</u>	<u>291.86</u>	<u>304.66</u>	<u>318.26</u>
<u>19</u>	<u>256.66</u>	<u>267.86</u>	<u>279.86</u>	<u>291.86</u>	<u>304.66</u>	<u>318.26</u>	<u>332.66</u>
<u>20</u>	<u>267.86</u>	<u>279.86</u>	<u>291.86</u>	<u>304.66</u>	<u>318.26</u>	<u>332.66</u>	<u>347.86</u>
<u>21</u>	<u>279.86</u>	<u>291.86</u>	<u>304.66</u>	<u>318.26</u>	<u>332.66</u>	<u>347.86</u>	<u>364.66</u>
<u>22</u>	<u>291.86</u>	<u>304.66</u>	<u>318.26</u>	<u>332.66</u>	<u>347.86</u>	<u>364.66</u>	<u>382.26</u>
<u>23</u>	<u>304.66</u>	<u>318.26</u>	<u>332.66</u>	<u>347.86</u>	<u>364.66</u>	<u>382.26</u>	<u>400.66</u>
<u>24</u>	<u>318.26</u>	<u>332.66</u>	<u>347.86</u>	<u>364.66</u>	<u>382.26</u>	<u>400.66</u>	<u>420.66</u>
<u>25</u>	<u>332.66</u>	<u>347.86</u>	<u>364.66</u>	<u>382.26</u>	<u>400.66</u>	<u>420.66</u>	<u>441.46</u>
<u>26</u>	<u>347.86</u>	<u>364.66</u>	<u>382.26</u>	<u>400.66</u>	<u>420.66</u>	<u>441.46</u>	<u>463.86</u>
<u>27</u>	<u>364.66</u>	<u>382.26</u>	<u>400.66</u>	<u>420.66</u>	<u>441.46</u>	<u>463.86</u>	<u>487.06</u>
<u>28</u>	<u>382.26</u>	<u>400.66</u>	<u>420.66</u>	<u>441.46</u>	<u>463.86</u>	<u>487.06</u>	<u>511.86</u>
<u>29</u>	<u>400.66</u>	<u>420.66</u>	<u>441.46</u>	<u>463.86</u>	<u>487.06</u>	<u>511.86</u>	<u>538.26</u>

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<u>30</u>	<u>420.66</u>	<u>441.46</u>	<u>463.86</u>	<u>487.06</u>	<u>511.86</u>	<u>538.26</u>	<u>566.26</u>
<u>31</u>	<u>441.46</u>	<u>463.86</u>	<u>487.06</u>	<u>511.86</u>	<u>538.26</u>	<u>566.26</u>	<u>595.86</u>
<u>32</u>	<u>463.86</u>	<u>487.06</u>	<u>511.86</u>	<u>538.26</u>	<u>566.26</u>	<u>595.86</u>	<u>627.06</u>
<u>33</u>	<u>487.06</u>	<u>511.86</u>	<u>538.26</u>	<u>566.26</u>	<u>595.86</u>	<u>627.06</u>	<u>660.66</u>
<u>34</u>	<u>511.86</u>	<u>538.26</u>	<u>566.26</u>	<u>595.86</u>	<u>627.06</u>	<u>660.66</u>	<u>695.86</u>
<u>35</u>	<u>538.26</u>	<u>566.26</u>	<u>595.86</u>	<u>627.06</u>	<u>660.66</u>	<u>695.86</u>	<u>733.46</u>
<u>36</u>	<u>566.26</u>	<u>595.86</u>	<u>627.06</u>	<u>660.66</u>	<u>695.86</u>	<u>733.46</u>	<u>773.46</u>
<u>37</u>	<u>595.86</u>	<u>627.06</u>	<u>660.66</u>	<u>695.86</u>	<u>733.46</u>	<u>773.46</u>	<u>815.86</u>
<u>38</u>	<u>627.06</u>	<u>660.66</u>	<u>695.86</u>	<u>733.46</u>	<u>773.46</u>	<u>815.86</u>	<u>860.66</u>
<u>39</u>	<u>660.66</u>	<u>695.86</u>	<u>733.46</u>	<u>773.46</u>	<u>815.86</u>	<u>860.66</u>	
<u>40</u>	<u>695.86</u>	<u>733.46</u>	<u>773.46</u>	<u>815.86</u>	<u>860.66</u>		
<u>41</u>	<u>733.46</u>	<u>773.46</u>	<u>815.86</u>	<u>860.66</u>			
<u>42</u>	<u>773.46</u>	<u>815.86</u>	<u>860.66</u>				

Page 3, line 16, delete "on October 1, 2008", and insert "in the last quarter for fiscal year 2008" in lieu thereof.

It is further recommended that the salary bill be in effect during the last quarter for FY 2008. The estimated cost would be \$102,000 or 120,000 depending on the by-weekly increase.

With these amendments, your Committee on Judiciary and Governmental Operations is in accord with the intent and purpose of C.B. No. 15-89 and recommends its passage on First Reading, and that it be placed on the Calendar for Second and Final Reading in the form attached hereto as C.B. No. 15-89, C.D.1.

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Respectfully submitted,

/s/ Peter Sitan
Peter Sitan, chairman

/s/ Fredrico O. Primo
Fredrico Primo vice chairman

Tiwiter Aritos, member

Isaac V. Figir, member

/s/ Dohsis Halbert
Dohsis Halbert, member

/s/ Moses A. Nelson
Moses A. Nelson

/s/ Paliknoa K. Welly
Paliknoa K. Welly