

STANDING COMMITTEE REPORT NO. 15-34

RE: P.C. NO. 14-389 and P.C. NO. 15-55/W&M

SUBJECT: FY 2008 BUDGET

SEPTEMBER 21, 2007

The Honorable Isaac Figir  
Speaker, Fifteenth Congress  
Federated States of Micronesia  
First Regular Session, 2007

Dear Mr. Speaker:

Your Committee on Ways and Means, to which was jointly referred Presidential Communication No. 14-389 transmitting the National Government's proposed FY 2008 budget, and Presidential Communication No. 15-55 transmitting the revised national budget for the reorganized Executive, begs leave to report as follows:

Presidential Communication No. 14-389 concerned the National Government's proposed budget for fiscal year 2008 as set forth in a publication entitled National Government Fiscal Year 2008 Proposed Budget ("original Budget Book"). Presidential Communication No. 15-55 concerned the National Government's proposed budget for fiscal year 2008 after the passage of Public Law 15-09, the Executive reorganization, as set forth in a publication entitled Revised National Government Fiscal Year 2008 Proposed Budget ("Revised Budget Book"). Pursuant to rule 7, section 1(b), of the Official Rules of Procedure of the Fifteenth Congress of the Federated States of Micronesia, and your recent assignment of the new Offices in the Reorganization in accordance with this rule, your Committee has limited its review to those portions of the budget relating to matters under its jurisdiction. These are:

Operations Budget

- (a) Office of the President
- (b) Department of Finance
- (c) Congress
- (d) Public Auditor
- (e) Office of SBOC

Grants, subsidies and contributions

- (f) National Authorizing Committee (ACP/EU)
- (g) Contonou membership fee
- (h) OCO membership
- (i) Financial system maintenance
- (j) FY 2008 Single Audit
- (k) MLFC Loan Payment
- (l) FIMS Project

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Capital and human resource development  
(m) National staff upgrading  
(n) Public Auditor Office Extension  
(o) Trust Fund  
(p) President's Conference Room  
(q) Contingency Fund

This report, and all previous and subsequent reports by this Committee, should be treated as policy for this Nation, as defined by the Congress. It is your Committee's intent that any commentary found in this report should be treated as policy for the guidance of the relevant departments, agencies and offices.

During May and September 2007, your Committee conducted public hearings with representatives of the relevant departments, agencies and offices and, in some instances, followed up with additional communications. This Standing Committee Report reflects the recommendations of your Committee on Ways and Means regarding the proposed FY 2008 budget based on the consultations outlined above. Your Committee's findings and recommendations follow.

#### **INTRODUCTORY COMMENTS**

##### *Budget Book formatting*

As your Committee noted last year, and the year before, the format of the Budget Book is somewhat cumbersome, and does not facilitate Congressional review. The failure to provide a complete revised budget book (instead of just for the reorganized parts) is particularly awkward and inconvenient. Also, recent revision of the Congress sitting calendar means that the Compact and domestic revenue portions of the budget must be considered separately, a failure to identify funding sources for specific line items makes the job of the various Committees much more difficult when considering the proposed Compact budget.

##### **Understanding of Budgets**

Your Committee noted with some alarm that most witnesses did not know the actual amounts appropriated for their Departments in FY07. The Budget book figures are predominantly incorrect, and appear to have been taken directly from last year's budget book. This does not account for the recommendations of your Committee last year, the actual amounts appropriated by Congress for each Department in the initial Budget Act or any supplemental appropriations. You Committee goes to great lengths to produce Committee Reports that clearly detail any deviation from the President's recommended budget, the reasons why, and the correct amount appropriated. Each supplemental

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appropriation Committee Report is just as clear. There is no excuse for Staff to be ignorant of their budgets.

Your Committee recognises the errors in the Budget Book are misleading, but encourages Staff to be proactive in determining their appropriated amounts.

**Presidential Recommendations**

Your Committee heard with disappointment many Staff Members testifying at hearings of the budget they had proposed, not the budget recommended by the External Budget Review Committee (ERBC) or by the President. Your Committee understands that staff may be disappointed if a reduction in funding is recommended, however the consideration for your Committee and for Congress regarding the Executive is the Budget recommended by the President. A great deal of hearing time was spent hearing testimony on budgets that were not recommended by the President. This is inefficient and leads to confusion between witnesses and the Committee.

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**MEETING COMPACT REQUIREMENTS**

In general, your Committee notes its disappointment that the proposed budget does not appear to have been formulated with the requirements of the Compact in mind.

There still appears to have been little or no attempt to integrate the objectives set out in the Strategic Development Plan into the budgeting process as required under the amended Compact.

Your Committee will monitor the new Office of Statistics, Budget and Planning, Overseas Development Assistance and Compact Management to determine if its creation assists in improving the FSM's capacity to comply with amended Compact reporting and other requirements.

Your Committee is concerned that until a way is found to achieve a more integrated approach to budget preparation the FSM will continue to experience difficulties in meeting its obligations under the amended Compact.

**Travel**

Once again, your Committee observed a large amount of duplication in requested travel appropriations. Such duplication is a drain on the FSM's limited resources without a commensurate benefit. Your Committee urges the Executive to work together to ensure that only essential staff attend overseas events and that careful consideration is given in each instance to the value of the proposed trip before an appropriation is requested.

Your Committee is highly sceptical of the costing of travel, especially international travel. There appears to be no adherence to set formulae for the calculation of per diem and airfares. It is your Committee's request that all international travel as detailed in the budget book (for all Departments and Offices) be used only for that purpose, instead of redistributed to other travel opportunities.

**Use of amended Compact funds**

Your Committee urges the Executive to continue to seek ways to use amended Compact funds for appropriations where possible and to utilize existing carryover funds from previous years.

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**National Government car policy**

In the FY 2008 Budget Book there are requests for appropriations for new vehicles. Your Committee has had an opportunity to review the FSM National Government Vehicle Policy (policy no. 32.5) and we believe it is a clear step in the right direction. Nevertheless, the scope of the policy should be expanded to encompass additional issues such as:

- Tighter restrictions regarding when a car may be purchased
- A default position whereby all new cars purchased are sedans unless there is a demonstrated need to purchase a more expensive pick-up or SUV
- The purchase of cars that run on diesel fuel, to enable them to be run on coconut oil.

The existing policy effectively addresses the issue of when a National Government vehicle may be used, however, anecdotally, it appears that the policy is not routinely enforced.

**Budget Laws and Supplemental Appropriations: An overview to FY2007**

Public Law 14-80 is the initial budget act. It appropriated money only for the first 2 quarters of FY07. PL 14-99 appropriated the remaining 2 quarters' funding.

Many supplemental requests were made in FY 07. These are reflected in Public Laws 14-95, 14-100, 14-104, 15-01 and 15-04. The 14-100 appropriations were not in the usual form of an amending act to PL 14-80. These appropriations are not reflected in the totals for all subsequent amending budget acts, but have been taken into account for preparing this Committee report.

**OFFICE OF THE PRESIDENT**

The following is an overview of proposed funding for the Office of the President in FY 2008. The figures for the FY 07 appropriations reflect only the figures for the President's Office and the Public Information Office, as the Disaster Control Office has been moved to the Office of Disaster, Emergency and Environmental Management (assigned to your Committee on Resources and Development) in the reorganization of the Executive (PL15-09).

Overview

	<b>FY07 App.</b>	<b>FY08 proposed</b>	<b>Committee rec.</b>
Personnel	232,729	254,566	232,766

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Travel	91,176	101,148	101,148
Contract serv.	165,000	137,000	137,000
OCE	134,000	67,707	67,707
Fixed ass.	25,000	12,000	12,000
<b>Total</b>	<b>647,905</b>	<b>572,421</b>	<b>550,621</b>
<b>Employees</b>	<b>14</b>	<b>14</b>	<b>13</b>

A detailed discussion of each of the divisions of the Office of the President follows.

**Office of the President - President's Office**

	<b>FY07 App.</b>	<b>FY08 proposed</b>	<b>Committee rec.</b>
Personnel	173,468	195,304	173,504
Travel	81,176	85,381	85,381
Contract serv.	158,000	134,000	134,000
OCE	106,500	39,107	39,107
Fixed ass.	15,000	5,000	5,000
<b>Total</b>	<b>534,144</b>	<b>458,792</b>	<b>436,992</b>
<b>Employees</b>	<b>9</b>	<b>9</b>	<b>8</b>

The Personnel line item had \$20,000 removed and reallocated by Congress in FY07 at the request of the President. Your Committee has received no evidence that this surplus \$20,000 is needed in FY08. There is a vacant SAP/State Affairs position for \$21,800 in the revised budget book, which your Committee recommends removing to bring the Personnel expenditure in line with FY07.

There is a request for \$18,379 to attend the Parties on Climate Change conference in FY 08 (down from \$21,637 in the original budget book), as well as the Climate change Summit travel for \$9,450. For FY 07, the W&M Committee expressed concern at the amount of travel for the President's Office, especially to Climate Change conferences. Following communication from the President, in which the importance of Climate Change participation was stressed, the W&M Committee approved travel to the Parties on Climate Change Conference for \$18,331.

However, then W&M Committee then learnt that no one from the President's Office would be attending. \$18,331 was removed from the proposed appropriation. The President's Office was asked at the FY08 hearing if there would be attendance at the Climate Change conference, and advised that the President/ Vice-President would be attending the

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climate change trip. It was revealed, however, that the Department of Foreign affairs are also attending the conference. They will fund their own way, however your Committee is concerned about the waste of valuable FSM resources on doubling up at international conference. Your Committee recommends the climate change travel for this financial year, but requests a report on the benefits to the FSM of the attendance at the conferences in question.

There is also a request for Pacific Islands Forum Travel - it is now for \$13,614, but in the original budget book it was budgeted at \$26,652. \$12,018 was appropriated last year.

Your Committee Your Committee recommends approval of the proposed FY 2007 budget for the President's Office, except for the Personnel line item. Your Committee recommends the removal of the SAP/State Affairs Position for \$21,800.

**Office of the President - Public Information Office**

	<b>FY07 App.</b>	<b>FY08 proposed</b>	<b>Committee rec.</b>
Personnel	59,261	59,262	59,262
Travel	10,000	15,767	15,767
Contract serv.	7,000	3,000	3,000
OCE	27,500	28,600	28,600
Fixed ass.	10,000	7,000	7,000
<b>Total</b>	<b>113,761</b>	<b>113,629</b>	<b>113,629</b>
<b>Employees</b>	<b>5</b>	<b>5</b>	<b>5</b>

There is a proposed increase in Travel for the Public Information Office, to include \$5,767 for media coverage for the Presidential Summit.

The Public Information Office testified that the Public Information Office was paying broadcasting fees of approximately \$4,500 but were advised to get the National Government to pay these. This is why there is a reduction in FY08 budget request. These amounts now appear in "Grants and Subsidies".

Your Committee recommends approval of the proposed FY 2008 budget for the President's Public Information Office.

**DEPARTMENT OF FINANCE AND ADMINISTRATION**

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An overview of proposed funding for the Department of Finance and Administration follows. The Department of Finance is also subject to the Presidential re-organization of the Executive, and has lost the Budget Branch and the position of Grant Writer (proposed for FY08 only) of the Investment and International Finance Branch.

**Overview**

	<b>FY07 App.</b>	<b>FY08 proposed</b>	<b>Committee rec.</b>
Personnel	1,196,040	1,216,139	1,170,913
Travel	255,175	171,722	171,722
Contract serv.	650,088	1,082,088	1,082,088
OCE	306,334	259,007	259,007
Fixed ass.	41,200	44,750	44,750
<b>Total</b>	<b>2,447,837</b>	<b>2,773,706</b>	<b>2,728,480</b>
<b>Employees</b>	<b>88</b>	<b>91</b>	<b>87</b>

There are gross errors in the "domestic unrestricted" and "capacity sector funding" amounts for the Department of Finance. The original budget book stated that only domestic unrestricted funding would be the source for the Department, but the Division of Personnel requested (and had approved by Congress) a Capacity Sector Grant of \$399,800. The revised budget book now states that there are FY04 Carryover funds as a revenue source for the Department in the amount of \$156,682. This does not appear in any line items, and only the \$399,800 is from revenue sources other than Domestic Unrestricted.

A detailed discussion of each division of the Department is set out below.

**Department of Finance - Office of the Secretary**

	<b>FY07 App.</b>	<b>FY08 proposed</b>	<b>Committee rec.</b>
Personnel	57,001	57,001	57,001
Travel	13,800	20,128	20,128
Contract serv.	500	1,500	1,500
OCE	43,100	40,484	40,484
Fixed ass.	24,000	15,350	15,350
<b>Total</b>	<b>138,401</b>	<b>134,463</b>	<b>134,463</b>
<b>Employees</b>	<b>3</b>	<b>3</b>	<b>3</b>



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Due to concern regarding the number of unnecessary international trips for the Secretary in FY 07, the W&M Committee declined the request for funding to attend the ADB meeting of \$7,500. The current year proposal is for \$3,249. Your Committee recommends this figure.

Travel for the Office of the Secretary includes a \$3,748 increase (up from \$1,300 to \$5,048) in field office travel and a new amount on FY07 travel of \$5,989 for the IMF meeting. The JEMCO meeting travel is not proposed to be funded this year.

Your Committee recommends approval of the FY 08 budget for the Office of the Secretary as set out above.

**Department of Finance - Treasury**  
**(National plus State Offices)**

	<b>FY07 App.</b>	<b>FY08 proposed</b>	<b>Committee rec.</b>
Personnel	381,490	374,822	374,822
Travel	32,000	19,037	19,037
Contract serv.	26,800	26,800	26,800
OCE	83,000	84,000	84,000
Fixed ass.	2,000	14,000	14,000
<b>Total</b>	<b>525,288</b>	<b>518,659</b>	<b>518,659</b>
<b>Employees</b>	<b>28</b>	<b>28</b>	<b>28</b>

**National Treasury.**

The National Treasury proposes to purchase a vehicle for \$8,000 and a computer for \$6,000.

The vehicle is for Kosrae, and the 'computer' is a disc drive for Chuuk and Kosrae. Your Committee commends the testimony of the witness at the hearing that stated the proposal is to purchase a second hand car, and recommends it be a diesel vehicle to be run on coconut oil (when resources permit).

There is a change to the "travel" section for the Division. The summary states that \$19,307 is recommended, however the line items total only \$16,449. As the total amount requested for the National Treasury includes the \$19,307, your Committee has decided to fund the higher amount.

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A thorough review of all salary line items in the initial budget book was provided by Treasury after the hearing, as the original budget book was riddled with errors, however these do not change the amounts appropriated for each section. Your Committee strongly urges the new Division of Budget and Economic Planning to undertake to provide an accurate budget book for FY09.

In all respects, your Committee recommends approval of the President's proposed FY 2008 budget for Treasury.

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

	<b>FY07 App.</b>	<b>FY08 proposed</b>	<b>Committee rec.</b>
Personnel	571,664	616,890	571,664
Travel	30,000	21,383	21,383
Contract serv.	66,588	66,588	66,588
OCE	106,000	67,391	67,391
Fixed ass.	10,000	10,000	10,000
<b>Total</b>	<b>784,252</b>	<b>782,252</b>	<b>737,026</b>
<b>Employees</b>	<b>45</b>	<b>49</b>	<b>45</b>

**Customs and Tax Administration**

The FSM Customs and Tax Administration proposes to add four positions to the Central Office in FY08 - three Revenue Agent II positions (\$38,433 in total) and one computer system manager (\$15,056). Testimony was heard that the office needs auditors for enforcement of other programs. The requested IT staff member is intended to be used for troubleshooting and fixing computers and data. It was advised that when on-site audits are strengthened, it greatly deters non-compliance. The office has not been active in the last few years, but would like to resume this compliance activity. Your Committee is not convinced that there will be higher rates of tax collection with more agents, and does not recommend funding the three Revenue Agent II positions.

Further, your Committee notes there are already IT specialists in the Department of Finance, and the Department should be encouraged to work collectively and pool IT resources. Accordingly, your Committee does not recommend the Computer system manager position.

The travel for the division has been redistributed, resulting in 12 trips instead of 7, totalling the same amount. Your Committee repeats

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its scepticism of travel budgeting and encourages the Executive to provide accurate travel estimates.

Your Committee recommends approval of the other Customs and Tax Administration line items as set out above, with the exception of the 4 additional positions.

**Department of Finance - Personnel**

	<b>FY07 App.</b>	<b>FY08 proposed</b>	<b>Committee rec.</b>
Personnel	76,205	79,219	79,219
Travel	164,375	99,749	99,749
Contract serv.	554,200	985,200	985,200
OCE	52,234	52,234	52,234
Fixed ass.	1,200	2,400	2,400
<b>Total</b>	<b>848,214</b>	<b>1,218,802</b>	<b>1,218,802</b>
<b>Employees</b>	<b>5</b>	<b>5</b>	<b>5</b>

The Personnel office proposes to add \$432,000 to it's contract services, using a **Capacity Sector grant** of \$399,800. The request was formulated by a training needs analysis (by the ADB) which identified this figure. It is to address the needs of the National Government. The three areas it will address are Finance, Economic Planning and Statistics.

An inquiry was made as to wether this would address the needs of the States - it was revealed that this request only covers the national government, but the States are being encouraged to come up with their own funding proposal. The rough estimate made by the Personnel office/ADB was that \$900,000 would be required to meet the training needs of the States and the National Government.

Your Committee recommends approval of the Personnel FY 2008 budget as set out above.

**Department of Finance - Investment and International Finance**

	<b>FY07 App.</b>	<b>FY08 proposed</b>	<b>Committee rec.</b>
Personnel	109,682	88,207	88,207
Travel	15,000	11,425	11,425
Contract serv.	2,000	2,000	2,000

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OCE	22,000	14,898	14,898
Fixed ass.	3,000	3,000	3,000
<b>Total</b>	<b>151,682</b>	<b>119,530</b>	<b>119,530</b>
<b>Employees</b>	<b>7</b>	<b>6</b>	<b>6</b>

Investment and International Finance has had a Grant writer position moved to the new SBOC Office. Your Committee believes the "Grant Analyst" position, still with Investment and International Finance, also be moved to the Office of SBOC, but defers to the President's vision for FY08.

\$94,567 of Investment and International Finance budget last year was reprogrammed for the ADB loan.

The Legislative Counsel asked at the hearing if there was enough money for travel. Ms. Nakanaga said that this was the amount approved by the EBRC, although she constantly has to borrow within the Department, ask other Departments to pay/contribute to travel. The funding her branch has been recommended only pays for the International Finance section only. Ms. Nakanaga's proposal is to change a travel line item in the budget - to exchange the ADB meeting for another one. Your Committee notes that, unfortunately, once the budget is passed such "travel substitutions" occur regularly.

In all respects, your Committee recommends approval of the Investment and International Finance FY 2008 budget.

**CONGRESS**

The table below contains an overview of Congress' proposed FY 2007 budget.

**Overview**

	<b>FY07 App.</b>	<b>FY08 proposed</b>	<b>Committee rec.</b>
Personnel	1,238,252	1,186,949	1,185,424
Travel	599,252	645,236	549,627
Contract serv.	781,100	631,100	631,100
OCE	712,340	597,000	617,000
Fixed ass.	26,220	47,000	27,000
<b>Total</b>	<b>3,357,164</b>	<b>3,107,285</b>	<b>3,010,151</b>

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<b>Employees</b>	<b>59</b>	<b>59</b>	<b>60</b>
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A discussion of funding for each separate area of operations is set out below.

**Congress - Speaker and Members**

	<b>FY07 App.</b>	<b>FY08 proposed</b>	<b>Committee rec.</b>
Personnel	415,290	415,290	415,290
Travel	464,881	535,490	439,881
Contract serv.	612,600	507,600	507,600
OCE	50,000	0	0
Fixed ass.	0	0	0
<b>Total</b>	<b>1,542,771</b>	<b>1,508,380</b>	<b>1,362,771</b>
<b>Employees</b>	<b>14</b>	<b>14</b>	<b>14</b>

The FY 08 recommendation is for an extra \$70,609 for Travel for the Speaker and Members, but a reduction of \$105,000 for Contract Services.

An appropriation in the 6<sup>th</sup> Special Session for Speaker and Members provided an extra \$25,000 for new members travel, \$10,000 for the Speaker's representation fund, \$25,000 for the "new members" representation fund and \$35,000 for the members representation funds.

Your Committee recommends appropriating the original FY07 levels for Travel, a reduction from the recommended \$535,490 to \$439,881.

In a letter from the Director of Administration dated 22 August 2007, there are additional requests for the FY08 Budget for Congress. For the Speaker and Members, the additional request is for the Speakers Residence in the amount of \$6,000. Your Committee does not recommend this, and is of the opinion that it should be sourced from the OCE line item.

Your Committee recommends the approval of all other line items detailed above.

**Congress - Staff Offices**

	<b>FY07 App.</b>	<b>FY08 proposed</b>	<b>Committee rec.</b>
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Personnel	822,962	771,659	770,134
Travel	134,371	109,746	109,746
Contract serv.	168,500	123,500	123,500
OCE	122,340	127,000	127,000
Fixed ass.	26,220	47,000	27,000
<b>Total</b>	<b>1,274,393</b>	<b>1,178,905</b>	<b>1,157,380</b>
<b>Employees</b>	<b>43</b>	<b>43</b>	<b>44</b>

The Staff Offices have been recommend for a \$51,303 reduction for personnel from FY 07 funding, as no overtime is to be paid this year. The President also removed the proposed new positions for FY08 of Deputy Chief Clerk, Journal Clerk, and did not recommend the pay rises proposed for many staff members.

The W&M Committee recommends removing the position still budgeted for as Marcus Rosario, Director, at \$37,040.

In a letter from the Director of Administration dated 22 August 2007, there are additional requests for the FY08 Budget for Congress. They are:

- (a) Salary increases for:
  - Chief Clerk \$28,340
  - Budget Officer \$28,340

Your Committee does not recommend pay increases for certain members of staff, despite of individual merit, being acutely aware of the issues facing the National Government with respect to salary increases.

- (b) Permanent position for
  - Journal Clerk \$19,620

Your Committee recommends this new position, despite the President's removal of the request in the budget book.

- (c) Contractual janitorial positions to be converted to the public service system:

- Rerad Warren 15/4
- Irene Nashon 11/4
- Justina Roby 11/4

Your Committee recommends this, and the amount of \$20,000 for all positions is already included in the personnel line item.

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The letter also requests the Public Information Officer position be converted to an exempt position with a salary of \$23,980. Your Committee does not oppose this, but requests that a bill is put before Congress. Once passed, a supplemental appropriation may be requested.

A request dated 6 September 2006 was received from the Director of Administration for the Assistant information Specialist in the Pohnpei Delegation Office to be added to regular personnel listing. The position is already staffed: \$15,895. Your Committee recommends this.

Your Committee recommends approval of the proposed Staff Offices' budget for FY 2008 as set out in the table above, with the inclusion of the Journal clerk and Pohnpei delegation staff member as detailed above.

**Congress - Delegation Offices**

	<b>FY07 App.</b>	<b>FY08 proposed</b>	<b>Committee rec.</b>
Kosrae	80,000	60,000	70,000
Pohnpei	160,000	120,000	140,000
Chuuk	240,000	180,000	210,000
Yap	80,000	60,000	70,000
<b>Total</b>	<b>560,000</b>	<b>420,000</b>	<b>490,000</b>

The delegation offices have been recommended to receive \$120,000 less than was appropriated in FY 08, including the \$50,000 supplemental appropriation in March and a \$20,000 supplemental in May.

Your Committee recommends approval of a higher than recommended budget for FY08, but one that is lower than the FY07 level.

**PUBLIC AUDITOR**

The table below contains an overview of Office of the Public Auditor's proposed FY 2007 budget.

**Overview**

	<b>FY07 App.</b>	<b>FY08 proposed</b>	<b>Committee rec.</b>
Personnel	451,476	520,656	575,156
Travel	175,000	182,027	182,027

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Contract serv.	258,884	120,400	120,400
OCE	85,050	90,000	91,000
Fixed ass.	37,100	7,500	7,500
<b>Total</b>	<b>1,007,510</b>	<b>920,583</b>	<b>976,083</b>
<b>Employees</b>	<b>24</b>	<b>24</b>	<b>25</b>

The Chuuk Public Auditors office was established in FY07 funded by a compact grant of \$261,284. This year, the recommended funding is \$174,357 from a **capacity building grant**, which has already been approved.

The witness, Mr. Hainrick, testified that they are requesting a "Chief Investigator" position, although this is actually an existing position that has been funded under 'contractual services' previously. ERBC suggested moving the line item to Personnel, then did not recommend funding for it. He continued that the large salary is necessary for the position (\$54,500) as someone with strong skills and knowledge in investigations is required. Your Committee supports the work of the Public Auditor's Office, and recommends reinstating the funding for the position under the Personnel line item.

He then proceeded to go through a long list of changes to the budget book. A thorough review of all salary line items in the initial budget book was provided, however these do not change the amounts appropriated for each section. Your Committee strongly urges the new Division of Budget and Economic Planning to undertake to provide an accurate budget book for FY09.

Several positions have been reclassified and upgraded, based on performance. This was done through Personnel. This amounts to \$28,965.

Mr. Hainrick provided a detailed letter after the hearing, dated 26 May 2007, with corrections to the budget book and additional requests. The additional requests are for:

Lease housing was \$8,400, request for \$12,000 as there are now 2 staff members who require housing. Your Committee notes this is included in the budget book.

Increase POL from \$1,000 to \$2,000 to pay for fuel for the new generator in the field office. Your Committee notes this should have been included in the compact funding for the Chuuk Office, but



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recognises the need for the generator to function in Chuuk. Your Committee recommends this request.

Single Audit Fee: This has been included in "Grants and Subsidies"

**Public Auditor - National Office**

	<b>FY06 App.</b>	<b>FY07 proposed</b>	<b>Committee rec.</b>
Personnel	348,236	413,899	468,399
Travel	140,000	162,027	162,027
Contract serv.	201,900	95,000	95,000
OCE	52,000	67,800	67,800
Fixed ass.	4,000	7,500	7,500
<b>Total</b>	<b>746,226</b>	<b>746,226</b>	<b>800,726</b>
<b>Employees</b>	<b>19</b>	<b>19</b>	<b>20</b>

Your Committee recommends approval of the FY 2008 budget of National Office of the Public Auditor's as set out in the table above, including \$54,500 for the Chief Investigator.

**Public Auditor - Chuuk Office**

	<b>FY07 App.</b>	<b>FY08 proposed</b>	<b>Committee rec.</b>
Personnel	103,150	106,757	106,757
Travel	35,000	20,000	20,000
Contract serv.	56,984	25,400	25,400
OCE	33,050	22,200	23,200
Fixed ass.	33,100	0	0
<b>Total</b>	<b>261,284</b>	<b>174,357</b>	<b>175,357</b>
<b>Employees</b>	<b>5</b>	<b>5</b>	<b>5</b>

Your Committee recommends approval of the FY 2008 budget of the Chuuk Office of the Public Auditor's as set out in the table above, including \$1,000 extra for fuel.

NEW

**OFFICE OF STATISTICS, BUDGET AND ECONOMIC MANAGEMENT, OVERSEAS  
DEVELOPMENT ASSISTANCE AND COMPACT MANAGEMENT**

**Summary**

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	<b>FY07 App.</b>	<b>FY08 proposed</b>	<b>Committee rec.</b>
Personnel		604,011	604,011
Travel		114,781	114,781
Contract serv.		252,000	252,000
OCE		124,059	124,059
Fixed ass.		13,500	13,500
<b>Total</b>		<b>1,108,351</b>	<b>1,108,351</b>
<b>Employees</b>		<b>39</b>	<b>39</b>

This new Office combines the 'old' Divisions from Finance and Administration, Economic Affairs and the Office of Compact Management.

**Division of Statistics**

	<b>FY07 App.</b>	<b>FY08 proposed</b>	<b>Committee rec.</b>
Personnel		247,908	247,908
Travel		7,686	7,686
Contract serv.		0	0
OCE		67,000	67,000
Fixed ass.		13,500	13,500
<b>Total</b>		<b>336,094</b>	<b>336,094</b>
<b>Employees</b>		<b>21</b>	<b>21</b>

The new Division of Statistics combines the Office of Statistics and the Office of the Assistant Secretary of the Department of Economic Affairs Divisions of Economic Planning and Statistics. When combined, there is no increase from the initial proposed FY08 Budget and the re-organization budget.

Your Committee recommends approval of this division's FY 2008 budget as set out above.

**Division of Budget and Economic Management**

	<b>FY07 App.</b>	<b>FY08 proposed</b>	<b>Committee rec.</b>
Personnel		187,583	187,583
Travel		22,425	22,425
Contract serv.		2,000	2,000

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OCE		23,059	23,059
Fixed ass.		0	0
<b>Total</b>		<b>235,067</b>	<b>235,067</b>
<b>Employees</b>		<b>11</b>	<b>11</b>

The new Division of Budget and Economic Management combines the former Division of Budget from the Department of Finance and Administration, and the Economic Planning Unit from the Department of Economic Affairs Economic Planning and Statistics Division.

Once combined, there is no change in the proposed funding from the initial FY08 budget and the re-organization budget.

There is a request for one extra position from FY07. An Analyst was moved to OCM in 2007, now they want it back on 2008. This was actually due to a mistake, the position was inadvertently left in the OCM budget for 2007.

Your Committee recommends approval of this division's FY 2008 budget as set out above.

#### **Division of Overseas Development Assistance**

	<b>FY07 App.</b>	<b>FY08 proposed</b>	<b>Committee rec.</b>
Personnel		34,989	34,989
Travel		0	0
Contract serv.		0	0
OCE		0	0
Fixed ass.		0	0
<b>Total</b>		<b>34,989</b>	<b>34,989</b>
<b>Employees</b>		<b>1</b>	<b>1</b>

This "Division" contains only one staff member, a Grant Writer transferred from the Department of Finance and Administration's Division of Investment and International Finance.

Whilst your Committee has reservations about the effectiveness and necessity of a Division staffed by only one member, it will defer to the President's vision and recommends approval of this division's FY 2008 budget as set out above.

#### **Division of Compact Management**

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	<b>FY07 App.</b>	<b>FY08 proposed</b>	<b>Committee rec.</b>
Personnel	97,247	133,531	133,531
Travel	70,000	84,670	84,670
Contract serv.	602,800	250,000	250,000
OCE	34,000	34,000	34,000
Fixed ass.	18,000	0	0
<b>Total</b>	<b>822,047</b>	<b>502,201</b>	<b>415,348</b>
<b>Employees</b>	<b>5</b>	<b>6</b>	<b>6</b>

Your Committee notes with disappointment that the Division of Compact Management has exactly the same budget as the initial proposed FY 08 Budget. It was hoped that the re-organization plan would make the Compact Management process more effective and more streamlined, however nothing has changed. It is hoped that after the first year, the Division of Compact Management will be revitalised and streamlined to perform optimally.

The OCM proposed to remove a Budget analyst IV position (at \$13,514) and install 2 new positions - a health Services Specialist and an Educations Specialist, both at \$23,399 per annum for each position. **A capacity building grant** of \$46,798 has been approved for this. Your Committee is wary of creating new positions in the newly created Office of SBOC, and would prefer waiting to see if the reorganization of SBOC enables the Division of Compact Management to interact more closely with specialists without hiring new staff members.

However, given the funds are from the grant, is recommends the funding of these positions for one year only, and then the necessity of the positions will be reviewed.

In deference to the President, with the exception of the Personnel line item, your Committee recommends approval of this division's FY 2008 budget as set out above.

**GRANTS SUBSIDIES AND CONTRIBUTIONS**

	<b>FY07 App.</b>	<b>FY08 proposed</b>	<b>Committee rec.</b>
National Authorizing Committee	40,000	10,000	10,000

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ACP/EU			
Contonou Membership fee	0	10,000	10,000
OCO Membership	2,000	4,000	4,000
<b>Financial Management System - Maintenance fee</b>	60,000	60,000	60,000
<b>Asia Pacific Inst. Broadcasting Development (AIBD)</b>	0	4,500	4,500
<b>Asia Pacific Broadcasting Union</b>	0	800	800
<b>Pacific Island News Association</b>	0	350	350
Single Audit Fee (National Government and States)	0	329,250	329,250
Payment of ADB Fisheries loan	90,000	196,000	196,000
<b>Total</b>	<b>192,000</b>	<b>614,850</b>	<b>614,900</b>

Your Committee recommends approval of funding for the grants, subsidies and contributions in the amounts set out in the table above.

**CAPITAL AND HUMAN RESOURCE DEVELOPMENT**

	<b>FY07 App.</b>	<b>FY08 proposed</b>	<b>Committee rec.</b>
National staff upgrading	50,000	50,000	50,000
Public	0	50,000	0

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Auditor Office Extension			
Trust Fund	1,000,000	2,011,000	1,000,000
Contingency Fund	0	500,000	0
President's Conference Room	0	50,000	0
Total	1,050,000	2,661,000	1,050,000

Your Committee recommends approval of funding for only the Capital and Human Resource Development line items in the amounts set out above in the column "Committee Rec".

**CONCLUSION**

Your Committee on Ways and Means has reviewed the proposed FY 2008 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 and its deliberations, your Committee recommends appropriation of each of the sums set forth above in the column entitled "Committee rec".

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Respectfully submitted,

/s/ Dohsis Halbert  
Dohsis Halbert, chairman

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

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

/s/ Claude H. Phillip  
Claude H. Phillip, member

/s/ Fredrico O. Primo  
Fredrico O. Primo, member

/s/ Peter Sitan  
Peter Sitan, member

/s/ Joseph J. Urusemal  
Joseph J. Urusemal, member