

STANDING COMMITTEE REPORT NO. 16-06

RE: P.C. NO. 15-374/T&C

SUBJECT: FY 2010 BUDGET

JUNE 03, 2009

The Honorable Isaac V. Figir  
Speaker, Sixteenth Congress  
Federated States of Micronesia  
First Regular Session, 2009

Dear Mr. Speaker:

Your Committee on Transportation and Communication, to which was jointly referred Presidential Communication No. 15-374 transmitting the National Government's proposed FY 2010 budget, begs leave to report as follows:

Presidential Communication No. 15-374 concerned the National Government's proposed budget for fiscal year 2010 as set forth in a publication entitled National Government Fiscal Year 2010 Proposed Budget ("Budget Book"). Pursuant to rule 7, section 6(b), of the Official Rules of Procedure of the Sixteenth Congress of the Federated States of Micronesia, your Committee has limited its review to those portions of the budget relating to matters under its jurisdiction. These are:

Operations Budget for the Department of Transportation, Communications & Infrastructure:

- (a) Office of the Secretary
- (b) Division of Marine Transportation
- (c) Division of Civil Aviation
- (d) Division of Communication
- (e) Division of Infrastructure

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Grants, subsidies and contributions

- (f) Asian Pacific Telecommunication
- (g) International Telecommunication Union
- (h) International Civil and Aviation Organization
- (i) Energy (FSM Utilities)

Capital and human resource development

- (j) FSM Capitol's Rehabilitation
- (k) MS. Caroline Voyager Dry-docking
- (l) FSM Capitol Road/Bridge & Drainage Improvement
- (m) President Office Renovation & Improvement
- (n) Infrastructure Maintenance Fund (IMF)

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.

#### INTRODUCTORY COMMENTS

Following the convening of Congress First Regular Session on May 11, 2009, your Committee conducted a series of hearings with representatives from the Department of Transportation, Communications & Infrastructure, Department of SBOC, Department of Finance & Administration, Department of Justice and the Project Management Unit (PMU). This Standing Committee Report reflects the recommendations of your Committee on Transportation and Communication regarding the proposed FY 2010 budget based on the consultations outlined above.

Your Committee notes that there are significant cuts in the Department's FY2010 budget request, particularly under the categories for Travel, Contractual Services and Other Current Expenses (OCE), and a total reduction on the category for Fixed Assets.

Your Committee recognised discrepancies in the Personnel category, especially the correct pay level and the appropriate amount equivalent to the pay level and requested more clarification. In addition, whether the amount requested for Personnel in the proposed FY2010 budget included the salary increase.

Your Committee was informed by the representatives from SBOC that these discrepancies in the Personnel Category are oversights. The Committee has directed the representatives from the Division of Personnel and Office of SBOC to be proactive in determining the correct pay levels and their appropriated amounts.

#### Presidential Recommendations

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Representatives from the Department testified at the budget hearings that the budget recommended by the Executive Budget Review Committee (ERBC) and transmitted by the President is not the budget they had proposed. 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 EBRC or President, unless Congress sees a justifiable reason that must defeat the recommendations by the EBRC or the President.

#### MEETING COMPACT REQUIREMENTS

Your Committee observed that the Department's budgeting process still lacks the integration of the objectives set out in the Strategic Development Plan as required under the amended Compact. Your Committee understands that this has been a challenge, and still a challenge face by other Departments.

#### Travel

The requested amount for travel under the FY2010 budget request (Budget Book page VI-99) reflects a significant reduction to be in line with the President's policy of 10% cut in travel. However, your Committee cannot figure out the 10% cut because the amounts shown in the travel category for the department as proposed is more than 10% cut. Your Committee urges the representatives from SBOC to work together with EBRC to review the budget, and that careful consideration is given in each instance to the value of the proposed trip before an appropriation is requested.

#### Use of amended Compact funds

The Committee notes that the request to use the infrastructure sector grants to fund the dry-docking of the Caroline Voyager was submitted to JEMCO and was disapproved. According to representative from SBOC, JEMCO usually reviewed Project Based Proposals that were submitted to JEMCO to be sourced from the six sectoral grants. Apparently, awarding of funding from the six sector grants are awarded based on Project Based Proposal that is in line with the objectives of the Strategic Development Plan.

Your Committee observed that the Department's proposed budget requests are sourced from the domestic unrestricted, and urges the Department to continue to seek ways to use amended Compact funds.

#### PMU Oversight

On May 23, 2009, your Committee conducted an oversight hearing with the Program Manager for Project Management Unit (PMU), Jack Yakana. Your Committee showed great disappointment with the President for failing to faithfully implement Public Law No. 15-74, which legally

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placed the PMU under the Department of Transportation, Communications and Infrastructure.

According to the Program Manager, the PMU has already placed certified engineers in each state. The Program Manager indicated that the state and the national governments have already received over \$130 million dollars from the infrastructure sector grants, which covers fiscal years 2004 to 2009. He further summarized the status of projects in each State. Your Committee wanted to know the procedures involved in the approval, design and implementation of projects. The procedure mentioned has not been provided to Congress or the Committee. According to Mr. Yakana, the plan is to conduct workshops in the states for the appropriate authorities to better understand the process.

Your Committee further inquired the funding source for the operation of the PMU, and learned that the funding source came from the \$3 million previously appropriated by Congress in Public Law No. 14-45. Your committee learned that an amount of \$2.5 million was allocated for the operation of the PMU. This \$2.5 million is different than the \$3 million already appropriated for PMU. The Committee has requested the Department and PMU to provide specific details on this \$2.5 million that has already been used without Congress blessing.

In addition, your Committee inquired whether the Secretary of the Department of TC&I has the authority to suballott the infrastructure sector grants. Secretary informed your Committee that he had written a letter to Secretary of the Department of Justice requesting for a legal opinion on the issue. He has not received any formal legal opinion on the issue. Your Committee also inquired the status of the bill that is proposed to delete the Infrastructure Maintenance Funding section in our law. Mr. Yakana indicated that the PMU is working to improve the bill and will transmit to Congress after its review of the bill. On the IMF share for the national government, your Committee wanted to know what the FSM National has used the IMF for. The Project Manager indicated that most of the national government's share of the IMF was given to COM-FSM for its infrastructure projects.

Your Committee is concerned on the list of priority projects that were submitted to PMU from the states. There were occurrences where the leaderships from the respective states were not aware that their priority projects, which they submitted to PMU were changed. Your Committee also questioned the responsible authority that dictates the use of the infrastructure sector grants, whether it is the President or Office of Insular Affairs or Department of Interior?

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An Overview of FY2010 Proposed Budget for the Department of  
Transportation, Communications & Infrastructure

The following is an overview of proposed funding for the Department of  
TC&I in FY 2010.

Overview

	FY09 App.	FY2010 proposed	Committee recommend
Personnel	471,762	497,251	505,886
Travel	108,097	71,462	77,958
Contract serv.	1,087,287	1,039,287	1,298,965
OCE	104,000	54,000	84,000
Fixed ass.	25,000	0	0
Total	1,796,146	1,662,000	1,966,809
Employees	28	27	28
Sources of Revenue	Domestic Unrestricted	Domestic Unrestricted	Domestic Unrestricted

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Office of the Secretary - DTC&I

	FY09 App.	FY2010 proposed	Committee recommends
Personnel	78,063	69,428	78,063
Travel	22,378	17,680	17,680
Contract serv.	4,000	4,000	4,000
OCE	60,000	40,000	40,000
Fixed ass.	4,000	0	0
Total	168,441	131,108	139,743
Employees	6	5	6

The secretary I position is being advertised, however, the EBRC cut the funding for the position. To prevent any potential lawsuit against the national government, the Committee recommends the funding for the secretary I position.

Secretary Itimai indicated that the \$20,000 reduction under OCE for the department will affect the operation of the department because the \$60,000 originally requested covers the entire needs of the divisions under the department. The Committee recommended \$40,000.

Division of Maritime Transportation

	FY09 App.	FY2010 proposed	Committee recommends
Personnel	99,551	119,217	119,217
Travel	24,732	9,303	15,000
Contract serv.	866,322	848,322	1,078,000
OCE	0	0	0
Fixed ass.	0	0	0
Total	990,565	976,842	1,212,217
Employees	5	5	5

Assistant Secretary Weiner Hadley indicated that the increase of \$19,666 is for an employee that is eligible for the professional premium. Mr. Leo Lokobwe obtained a engineering certificate in navigation.

For the reduction in the travel category, the ship operation manager may find other funding source to travel to the states to reconcile the accounts on the operation of the vessel with the agents in the states. The Committee has considered the value of the proposed travels and recommends the increases in travel for the Marine Division to allow this reconciliation of the vessel's operation account.

On the Contractual Services, the Committee recommended \$468,000 for the crews. Mr. Hadley informed the committee that the \$379,860

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recommended by the EBRC for fuelling the MS. Caroline Voyager is not enough. The committee recommended \$600,000 instead, increase another \$10,000 for staff training and the FMI program where cadets are placed on international shipping lines for their sea time.

The Committee urges the Assistant Secretary, Mr. Hadley to come up with a schedule for the vessel to include two runs of the vessel for each state. On such trips, Mr. Hadley to provide an estimate cost for each trip. During a subsequent hearing of the Committee, the Committee was satisfied on the breakdown of the POL for the vessel and also on the contractual services amount for the crew of the Caroline Voyager.

Division of Civil Aviation

	FY09 App.	FY2010 proposed	Committee recommends
Personnel	58,985	77,463	77,463
Travel	10,224	9,201	10,000
Contract serv.	0	0	0
OCE	0	0	0
Fixed ass.	0	0	0
Total	69,209	86,664	87,463
Employees	3	3	3

In the vacant position under the Division of Aviation, Assistant Secretary Waynold Yamaguchi indicated that the position was advertised and one person was shortlisted. Until now, the position has not been filled yet. Because the position is already advertised, your Committee recommends the funding for it this year.

On the travel category, your Committee understands that the technical staff under this division need to travel to the states and reinstates the travel amount requested by the Department.

Division of Communication

	FY09 App.	FY2010 proposed	Committee recommends
Personnel	43,114	43,114	43,114
Travel	15,763	14,186	14,186
Contract serv.	30,000	0	30,000
OCE	30,000	0	30,000
Fixed ass.	0	0	0
Total	118,877	57,300	117,300
Employees	2	2	2

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Your Committee is very concerned that the ongoing work for the telecom related activities, especially the fiber optic connectivity, is still ongoing, yet the funding for the needed consultant on telecommunication matters is not requested. The committee recommends the reinstatement of the \$30,000 for the needed consultant.

In addition, the equipment that is needed for the operation of frequencies and issuance of radio licensing is obsolete and will break down in the near future. The Committee recommends the \$30,000 under OCE to be used mainly for the purchase of this said equipment. The staff discussed the proposal to create a new position under this division for a new Information Technology (IT) person. The Committee indicated that condition upon the President formulation of the IT policy for the national government, the proposed position will be funded, but not part of this fiscal year 2010 budget.

Division of Infrastructure

	FY09 App.	FY2010 proposed	Committee recommends
Personnel	192,089	188,029	188,029
Travel	35,000	21,092	21,092
Contract serv.	186,965	186,965	186,965
OCE	14,000	14,000	14,000
Fixed ass.	21,000	0	0
Total	449,054	410,086	410,086
Employees	12	12	12

According to the staff, the Department plans to purchase a survey equipment. Since there is a certified surveyor now employed by the department, the government can utilize this certified surveyor. Therefore, the purchase of this survey equipment is really timely. The Committee denied the request for the \$21,000 under Fixed Asset.

The committee further requested that the Department includes the cleaning of the road to COM-FSM in the \$20,000 requested for road maintenance.

The committee recommended that for fiscal year 2011, the two vacant positions (plumber and water engineers) be consolidated as one position, and for the Department to put it under contractual services.

GRANTS SUBSIDIES AND CONTRIBUTIONS

	FY09 App.	FY2010 proposed	Committee recommends
Asian Pacific	7,640	7,640	7,640

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Telecommunity (APT)			
International Telecommunication Union (ITU)	55,000	55,000	55,000
International Civil Aviation Organization (ICAO)	28,050	28,050	28,050
Energy (FSM Utilities)	400,000	350,000	400,000
Total	490,690	480,690	490,690
Sources of Revenue	Domestic Unrestricted	Domestic Unrestricted	Domestic Unrestricted

Your Committee recommends an increase of \$50,000 to the \$350,000 requested by President for the Energy (FSM Utilities) because the staff indicated that the amount of money that Pohnpei Utility Corporation usually billed the National Government is way more than \$350,000 a year. The Committee is not satisfied with the \$350,000 as proposed by the President, and increase the figure to \$400,000.

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CAPITAL AND HUMAN RESOURCE DEVELOPMENT

	FY09 App.	FY2010 proposed	Committee recommends
FSM Capitol's Rehabilitation	0	200,000	0
MS. Caroline Voyager Dry-docking	0	865,000	865,000
FSM Capitol Road/Bridge & Drainage Improvement	0	0	0
President's Office Renovation & Improvement	0	100,000	0
Infrastructure Maintenance Fund (IMF)	121,694	243,388	0
Total	121,694	2,208,388	865,000
Sources of Revenue	Domestic Unrestricted	Domestic Unrestricted	Domestic Unrestricted

Your Committee recommends only the amount requested for the Dry-docking of the MS. Caroline Voyager under the Capital and Human Resource Development.

Your Committee is of the view that the other line items (FSM Capitol's Rehabilitation & President's Office Renovation and Improvement) are not urgent and can wait for next year appropriation.

For the IMF request, the Committee did not recommend the requested amount because the previous appropriations on this particular line item have been parked somewhere. Your Committee urges the representatives from SBOC and Finance to provide a report on the expenditures of the IMF, especially the national government's share to Congress. Based on this, the Committee decided not to approve the \$121,694 requested for IMF.

CONCLUSION

Your Committee on Transportation and Communication has reviewed the proposed FY 2010 budget and carefully scrutinized all the information provided by the Department of Transportation, Communication and Infrastructure, the Project Management Unit, 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

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column entitled "Committee recommends" with a total of \$1,966,809 for the Department's Operation, \$490,690 for Grants, Subsidies and Other Contributions and \$865,000 for Capital and Human Resource Development. The approved amount for the Department's budget for

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this fiscal year 2010 is **\$3,322,499**. This amount is from Domestic Unrestricted.

Respectfully submitted,

/s/ Dion G. Neth  
Dion G. Neth, chairman

/s/ Tony H. Otto  
Tony H. Otto, vice chairman

/s/ Tiwiter Aritos  
Tiwiter Aritos, member

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

Fredrico O. Primo, member

/s/ Joe N. Suka  
Joe N. Suka, member

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