Republic of Palau
Office of the President

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Serial No. 16-3495

The Honorable Camsek E. Chin
President of the Senate
Ninth Olbiil Era Kelulau
P. O. Box 8
Ngerulmud, Republic of Palau 96939

Subject: Proposed FY 2016 Supplemental Budget Authorization and Appropriation

Dear Senate President Chin:

I hereby submit a Supplemental Budget Authorization and Appropriations Bill for Fiscal Year 2016. The supplemental budget bill proposes to appropriate an additional $3.4 million for recurring programs and activitiesincluding additional funding support to the Palau Public Utilities Corporation for water and wastewater operations as well as new funding authorization for the Belau Submarine Cable Corporation for their operations. Each pertinent item in the Supplemental Budget is briefly explained below with more detailed information attached for your reference. The supplemental budget is made possible through expected sustained growth in taxes and user fees and available Non-Compact Trust fund accounts residual earnings.

The supplemental funding proposed for Fiscal Year 2016 budget activities is as follows:

Section 2.Amendment – Executive Branch Operations

Section 2(3)(e) – Bureau of Public Service System
An additional sum of $61,000 is requested to cover additional staff and the hosting of the Pacific Public Service Commissioners Conference in July 2016.

Section 2(3)(f) – Workmen's Compensation
A budget increase of $8,000 is proposed for Workmen's Compensation to cover increased coverage for employees from work-related injury and medical expenses.

Section 2(4)(e) – ROP Embassy in Tokyo, Japan
Supplemental funding in the amount of $86,000 is requested for office renovations and related costs.

Section 2(4)(f) – ROP Embassy in Taipei, Taiwan
Increased funding in the amount of $14,000 is requested to cover the embassy's minimum operating expenses.

Section 2(6)(b) – School Books, Supplies & Instructional Equipments
Additional funding in the amount of $169,000 is requested to purchase new student desks and chairs combo.

Section 2(7)(b) – FAA, UNDP & Other Match
Additional funding in the amount of $150,000 is requested as initial matching fund towards the Palau State Governments Strengthening Projectadministered by the Bureau of Domestic Affairs and UNDP.

Section 2(8)(b) – Bureau of Immigration
An increase of $54,000 is requested to cover the cost of re-classification of the Bureau of Immigration personnel.

Section 2(8)(c) – Bureau of Public Safety
An increase of $396,000 is requested to cover the cost of re-classification of the Bureau of Public Safety personnel.

Section 2(8)(d) – Bureau of Labor & Human Resources
An increase of $24,000 is requested to cover the cost of re-classification of the Bureau of Labor & Human Resources personnel.

Section 2(8)(e) – Bureau of Marine Law Enforcement
An increase of $25,000 is requested to cover the cost of re-classification of the Bureau of Marine Law Enforcement personnel.

Section 2(9)(c) – Health Admin and Support Services – Health Administration
An additional $15,000 is proposed to cover repairs and improvements of the hospital wards.

Section 2(9)(c)(b) – Health Admin and Support Services –Manila Medical Referral
An additional $47,000 is proposed for the Manila Medical Referral to cover housing improvements.

Section 2(9)(c)(d)– Health Admin and Support Services –Taiwan Medical Referral

An additional $25,000 is requested to cover additional staff and housing to assist and accommodate medical referral patients.

Section 2(10)(b) – Bureau of Marine Resources

An increase of $75,000 is requested for the purpose of demolishing the old giant clam hatchery in preparation for a JICA technical cooperation project to make substantial improvements to the giant clam hatchery facilities of the Bureau of Marine Resources.

Section 3. Amendment – Boards, Commissions and Authorities

Section 5(5) – Palau Public Lands Authority

The sum of $20,000 is proposed toretain a dedicated legal counsel, additional staff and other operational costs including board compensation.

Section 5(9) – Financial Institutions Commission (FIC)

An additional amount of $16,000 is proposed for the hosting of the Association of Financial Supervisors of Pacific Countries (AFSPC) in June 2016.

Section 5(10) – Financial Investigation Unit (FIU)

The additional sum of $87,000 is proposed to recruit a Financial Intelligence Analyst, and an Investigator as well as to procure the necessary software and other technical means to enhance the FIU's data collection and analysis.

Section 4. Amendment – Independent Agencies

Section 7(5) – Palau Visitors Authority

An increase of $80,000 is requested for the printing and supply stock of arrival forms for fiscal year 2016.

Section 5. Amendment – Other Agencies and Activities

Section 8(8) – PNOC & Sports Organizations

An increase of $45,000 is proposed to provide funding support for the restoration of the Palau National Gym.

Section 6.Amendment - Subsidy to PPUC for Water & Sewer Operations
Supplemental funding totaling $1,650,000 is proposed toward site preparation works associated with the Japan ODA water improvement project, out-lying states' environmental compliance initiatives and streetlight repairs.An additional amount of $260,000 is requested as subsidy to PPUC to offset water and wastewater billings for allresidential customers for the month of March and April 2016, in light of extreme drought conditions and the resulting declared state of emergency.A provision is further included that restricts PPUC from billing Angaur State customers for water and wastewater services until water quality improves, retroactive to January 2016, and that related billings that have been paid shall be credited to the customers' future service billings.

Section 7.Belau Marine Submarine Cable Corporation
A supplemental budget of $302,000 is requested to fund BSCC operations.

Section 8.CNMI Palauan Community Typhoon Soudelor Assistance
An additional amount of $75,000 is requested to provide assistance to the Palauan community in CNMI affected by Typhoon Soudelor.

In light of our immediate funding requirements, I ask for your cooperation and timely action on the proposed Supplemental Budget in order for the National Government to meet its Fiscal Year 2016 obligations.

Sincerely,

Attachments

NINTH OLBIIL ERA KELULAU

_____ Session, _____ 2016 **_____BILL NO. _____**

A BILL FOR AN ACT

To authorize and appropriate additional sums from the National Treasury for general operations and capital improvements of the Republic of Palau for the fiscal year ending September 30, 2016, and for related purposes.

THE PEOPLE OF PALAU REPRESENTED IN THE OLBIIL ERA KELULAU DO ENACT AS FOLLOWS:

Section 1. Short Title. This Act may be cited as "The Fiscal Year 2016 Supplemental Budget Authorization and Appropriation Act".

Section 2. Amendment. Section 2 of RPPL No. 9-46, as amended, is hereby amended to read as follows:

"Section 2. Executive Branch Operations. The sum of ~~$40,894,825~~ $42,043,825 is authorized for appropriation and is hereby appropriated for expenditure and obligation for Fiscal Year 2016 for the purpose of covering the operational and contingent expenses of the Executive Branch. The total amount authorized to be appropriated shall be made up of the following available revenues: The amount of ~~$22,747,825~~ $23,426,825 shall come from local revenues; the amount of ~~$12,000,000~~ $13,147,000 shall come from anticipated USDOI-OIA Fiscal Year 2016 grant assistance provided to Palau; the amount of $5,000,000 shall come from Compact Section 211(f) Trust Fund investment account; and the amount of $470,000 shall come from COFA Non-Trust Fund. The total amount authorized for appropriation and that is hereby appropriated in this section shall be allocated according to the following schedule, respectively:

...

(3) Ministry of Finance

...

(e) Bureau of Public Service System ~~$177,500~~ $238,500

Of this sum, the amount of $61,000 or so much thereof as may be necessary, is hereby earmarked to cover additional staff and to host the 13th Annual Pacific Public Service Commissioners Conference in July 2016.

(f) Workmen's Compensation ~~$37,000~~ $45,000

Sub-Total ~~$3,558,500~~ $3,627,500

(4) Ministry of State

…

(e) ROP Embassy in Tokyo, Japan ~~$350,000~~ $436,000

Of this sum, the amount of $86,000 or so much thereof as may be necessary, is hereby earmarked for office renovations and related costs.

(f) ROP Embassy in Taipei, Taiwan ~~$148,000~~ $162,000

Of this sum, the amount of $14,000 or so much thereof as may be necessary, is hereby earmarked to cover the embassy's minimum operating expenses.

Sub-Total ~~$3,110,000~~ $3,210,000

…

(6) Ministry of Education

…

(b) School Books, Supplies & Inst. Equipments ~~$300,000~~ $469,000

Of these funds, $169,000or so much thereof as may be necessary, is earmarked for the purchase of student desks and chairs combo.

…

Sub-Total~~$8,432,200~~ $8,601,200

(7) Ministry of Public Infrastructure, Industries and Commerce

…

(b) FAA, UNDP & Other Match ~~$515,000~~ $665,000

Additional funding in the amount of $150,000 is requested as initial matching fund towards the Palau State Governments Strengthening Project administered by the Bureau of Domestic Affairs and UNDP.

Sub-Total ~~$6,519,000~~ $6,669,000

…

(8) Ministry of Justice

...

(b) Bureau of Immigration ~~$426,000~~ $480,000

Of these funds, $54,000 or so much thereof as may be necessary, is earmarked for the purpose of personnel reclassification.

(c) Bureau of Public Safety ~~$2,853,000~~ $3,249,000

Of these funds, $396,000 or so much thereof as may be necessary, is earmarked for the purpose of personnel reclassification.

(d) Bureau of Labor & Human Resources ~~$301,000~~ $325,000

Of these funds, $24,000 or so much thereof as may be necessary, is earmarked for the purpose of personnel reclassification.

(e) Bureau of Marine Law Enforcement ~~$662,000~~ $687,000

Of these funds, $25,000 or so much thereof as may be necessary, is earmarked for the purpose of personnel reclassification.

Sub-Total~~$5,072,000~~ $5,571,000

(9) Ministry of Health

...

(c) Health Admin and Support Services

Health Administration ~~$2,698,500~~ $2,713,500

Of these funds, $15,000 or so much thereof as may be necessary, is earmarked to cover repairs and improvements to the hospital wards.

Manila Medical Referral ~~$110,000~~ $157,000

Of these funds, $47,000 or so much thereof as may be necessary, is earmarked for Manila Medical Referral to cover housing improvements.

...

Taipei Medical Referral ~~$125,000~~ $150,000

Of these funds, $25,000 or so much thereof as may be necessary, is earmarked to cover additional staff and housing to assist and accommodate medical referral patients.

...

Sub-Total~~$9,714,500~~ $9,801,500

(10) Ministry of Natural Resources, Environment & Tourism

...

(b) Bureau of Marine Resources ~~$550,000~~ $625,000

Of these funds, $75,000 or so much thereof as may be necessary, is earmarked for the purpose of demolishing the old giant clam hatchery in preparation for a JICA technical cooperation project to make substantial improvements to the giant clam hatchery facilities of the Bureau of Marine Resources.

...

Sub-Total ~~$1,394,000~~ $1,469,000

Section 2 Total ~~$40,894,825~~ $42,043,825

..."

Section 3. Amendment. Section 5 of RPPL No. 9-46 is hereby amended to read as follows:

"Section 5. Boards, Commissions and Authorities. The sum of ~~$1,054,000~~$1,177,000 is authorized for appropriation and is hereby appropriated for expenditure and obligation for Fiscal Year 2016 for the purpose of funding the operational and contingent expenses of Boards, Commissions and Authorities. The entire amount of funds authorized and appropriated in this section shall come from local revenues. The total authorization and the total appropriation shall be allocated according to the following schedule, respectively:

...

(5) Palau Public Lands Authority $100,~~000~~ $120,000

Of this sum, the amount of $20,000, or so much thereof as may be necessary, shall be earmarked to retain a dedicated legal counsel, additional staff and other operational costs including board compensation.

...

(9) Financial Institutions Commission ~~$35,000~~ $51,000

Of this sum, the amount of $16,000, or so much thereof as may be necessary, shall be earmarked for the hosting of the Association of Financial Supervisors of Pacific Countries (AFSPC) in June 2016.

(10) Financial Investigation Unit ~~$100,000~~ $187,000

Of this sum, the amount of $87,000or so much thereof as may be necessary, shall be earmarked for the hiring of an intelligence analyst, an investigator and to cover operational costs.

...

Section 5 Total ~~$1,054,000~~ $1,177,000

..."

Section 4. Amendment. Section 7 of RPPL No. 9-46 is hereby amended to read as follows:

"Section 7. Independent Agencies. The sum of ~~$2,622,000~~ $2,702,000 is authorized for appropriation and is hereby appropriated for expenditure and obligation for Fiscal Year 2016 as operating grants or subsidies for independent agencies of the National Government. The entire amount of funds authorized and appropriated in this section shall come from local revenues. The total authorization and appropriation shall be allocated according to the following schedule, respectively:

...

(5) Palau Visitors Authority ~~$840,000~~ $920,000

Of this sum, the amount of $80,000, or so much thereof as may be necessary, shall be earmarked for the printing and supply stock of arrival forms for fiscal year 2016.

...

Section 7 Total ~~$2,622,000~~ $2,702,000

..."

Section 5. Amendment. Section 8 of RPPL No. 9-46 is hereby amended to read as follows:

"Section 8. Other Agencies and Activities The sum of ~~$1,808,000~~ $1,853,000 is authorized for appropriation and is hereby appropriated for expenditure or obligation for Fiscal Year 2016 as grants or subsidies for recurring programs and activities except as provided by law. The entire amount of funds authorized and appropriated in this section shall come from local revenues. The total authorization and appropriation shall be allocated according to the following schedule, respectively:

...

(8) PNOC & Sports Organizations ~~$177,000~~ $222,000

Of this sum, the amount of $45,000, or so much thereof as may be necessary, shall be earmarked to provide funding support for the restoration of the Palau National Gym.

...

Section 8 Total ~~$1,808,000~~ $1,853,000

..."

Section 6. Section 18 of RPPL 9-55 is hereby amended as follows:

"Section 18. Subsidy to PPUC for Water & Sewer Operations. The sum of $1,603,500 is authorized for appropriation and is hereby appropriated for expenditure in Fiscal Year 2016 to subsidize the power, water and sewer improvement operations of the Palau Public Utilities Corporation (PPUC), provided that the amount of $603,500, or so much thereof as may be necessary, shall be utilized by the PPUC to costs associated with migrating their SCADA system to a new bandwidth (radio frequency) and to establish and fund a permanent subsidy program for electrical power consumption for fixed or low income household customers. The Subsidy Program shall subsidize electrical power usage for only the life-line rate (0-150,~~000~~KwH) for eligible households. Eligibility criteria shall be based on the poverty threshold as defined in the *Analysis of the 2006 Household Income and Expenditure Survey*

Report and as updated. The PPUC and the Ministry of Finance shall work together to develop rules and regulations to implement this subsidy program effective October 1, 2016. The PPUC shall provide an annual report of the subsidy program to the President and the Olbiil Era Kelulau including but not limited to the number of eligible household customers, program and administrative cost. The entire amount authorized to be appropriated and appropriated in this section shall come from the 50 percent allocation of "Green Fee" collections for power, water and sewer improvements. Any unexpended or unobligated balance of the appropriation of this section shall not lapse at the end of the fiscal year. Additionally, the sum of $150,000 is authorized for appropriation and $150,000 is hereby appropriated to offset the AFPAC rate increase for residential customers using 500 kilowatts per hour or less per month and the funds shall come from local revenues. The sum of $1,390,000 is further authorized for appropriation and is hereby appropriated, of which the amount of $879,000 is for the purposes of JICA ODA Site Preparation; the amount of $448,000 for Outlying State Environmental Regulation Compliance; and the amount of $63,000 for repair Koror street lights. The amount of $260,000 is further authorized for appropriation and is hereby appropriated as subsidy to offset water and wastewater billings for PPUC customers for the month of March and April 2016 in light of the extreme drought conditions and the resulting declared state of emergency. The additional sums further authorized to be appropriated and are appropriated shall come from local revenues. Additionally, PPUC shall not bill Angaur state customers for Water and Wastewater services, retroactively to January 2016, until such time as water quality is improved, as confirmed by the EQPB, and that associated billings that have been paid shall be credited to the customers' future service billings."

Section 7. RPPL 9-46 is hereby amended to create a new Section 37 as follows;

"Section 37. Belau Submarine Cable Corporation (BSCC).The sum of $302,000 is authorized for appropriation and is hereby appropriated for expenditure or obligation for Fiscal Year 2016 for the purpose of funding BSCC's ongoing operations. The entire amount authorized to be appropriated and appropriated in this section shall come from local revenues."

Section 8.RPPL 9-46 is hereby amended to create a new Section 38 as follows;

"Section 38. CNMI Palauan Community Typhoon SoudelorAssistance.The sum of $75,000 is authorized for appropriation and is hereby appropriated for expenditure or obligation for Fiscal Year 2016 for the purpose of providing assistance for the CNMI Palauan Community affected by typhoon *Soudelor*. The entire amount authorized to be appropriated and appropriated in this section shall come from local revenues."

Section 9. Effective Date. This Act shall take effect upon its approval by the President of the Republic of Palau or upon becoming law without such approval, except as otherwise provided by law.

Date: 5/18/16

Introduced by: _____
Tommy E. Remengesau, Jr.
President, Republic of Palau