

STANDING COMMITTEE REPORT NO. 14-43

RE: P.C. NO. 13-315/HESA

SUBJECT: FY 2006 BUDGET

SEPTEMBER 20, 2005

The Honorable Peter M. Christian
Speaker, Fourteenth Congress
Federated States of Micronesia
Second Regular Session, 2005

Dear Mr. Speaker:

Your Committee on Health, Education and Social Affairs, to which was jointly referred the National Government's proposed FY 2006 budget, begs leave to report as follows:

Presidential Communication No. 13-315 concerns the National Government's proposed budget for Fiscal Year 2006 as set forth in a publication entitled *National Government Fiscal Year 2006 Proposed Budget* (the "Budget Book"). Pursuant to rule 7, section 2(b), of the Official Rules of Procedure of the Fourteenth Congress of the Federated States of Micronesia, your Committee has limited its review to those portions of the proposed budget relating to matters within its jurisdiction. These are the budgets for:

1. Department of Health, Education and Social Affairs ("the Department");
2. Board of Regents of the College of Micronesia;
3. Grants, Subsidies and Contributions;
 - a. Aid to non-public schools;
 - b. Financial Assistance for Students studying at CMI and PCC;
 - c. National Board of Nursing;
 - d. National Close-up Local Program;
 - e. COM Annual Board Meeting;
 - f. FSM Red Cross;
 - g. School text book matching;
 - h. UN Fund for Population Activity;
 - i. World Health Organization;
 - j. FSM Amateur Sports Association;
 - k. Pacific Islands Health Officer Associations;
 - l. Association of Territorial Health Organization;
 - m. UNESCO membership fee;
 - n. COM treaty obligations;
 - o. South Pacific Region Environmental Program.
8. Capital & Human Resources Development:

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a. College of Micronesia.

Your committee conducted a public hearing following the convening of Congress on May 11, 2005. The report and recommendations that follow are based upon the information and input provided by the Secretary and staff of the Department, and staff from the various entities present during those hearings as well as the most recent National Government Expenditure and Performance Reports.

This report, and all previous and subsequent reports of this Committee, should be treated as reflecting policies of the Federated States of Micronesia, as defined by the Congress. It is the intent of your Committee that any commentary found in this report should be treated as policy for the guidance of the department, agencies and entities.

The findings and recommendations of your Committee follow.

INTRODUCTORY COMMENTS

Your Committee is disappointed that the Department's stated program objectives, contained in the Budget Book, fail to make reference to the goals set out in the Strategic Development Plan (the "SDP"). The SDP sets out an ambitious program of improvements in respect of the Health and Education sectors, however, these objectives cannot be met without reconciling the resource allocation decisions reflected in the budget with the SDP's stated goals. We note that the same problem arises in respect of the revised plan transmitted via Presidential Communication No. 14-6.

In addition, the Committee is of the opinion that the annual plan in the budget book for the Department fails to comply with the requirements of title 55, section 103 of the FSM Code. Section 103 requires that the annual plan identify the Department's expected accomplishments for the year. While the revised annual plan submitted by Presidential Communication No. 14-6 is a significant improvement, it seems that the revised plan is excessively focussed on quantitative measures. In general, there tends to be a focus on undertaking certain numbers of particular activities, rather than more useful benchmarks such as reducing cost or improving services. The Committee acknowledges that this is the first time the Departments have been required to report in this way, and hopes that these comments will assist in improving the planning process for future years.

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The Committee notes that it may be appropriate to alter the format of the Budget Book in light of recent changes to the timing of Congress' regular sessions. In accordance with P.L. No. 13-59 Congress now holds its regular sessions in January, May and September. This schedule necessitates separate consideration of the Compact portion of the budget in order to comply with the deadline for its submission to JEMCO in August. The current format of the Budget Book makes separate consideration of the Compact and local revenue portions of the budget extremely difficult, especially in the case of those departments or agencies where a significant portion of the budget is funded by sector grants. This is because, although funding sources are identified for each separate departmental division or agency, it is not always possible to identify the funding source of particular line items. Your Committee therefore requests that, in the future, the Budget Book is set out so as to enable the identification of the funding source for each line item.

The Committee reiterates its caution that the Department and the entities under its jurisdiction should limit international travel to absolutely necessary activities, and focus their resources on increasing collaboration with their appropriate counterparts among the states. Where international travel to conferences does occur, the Committee requests follow-up reports which document the specific benefits to the country of those trips.

DISCUSSION OF THE FY 2006 BUDGET

The appropriations discussed below are presented in the order in which they appear in the Budget Book.

This report relates only to the local revenue portion of the FY 2006 budget. This is because Congress has already provisionally accepted the portion of the FY 2006 budget that relates to Compact revenues by approving its submission to JEMCO. However, your Committee notes that, the proposed sector grant portion of the budget is yet to be given final congressional approval via the appropriation of the funds.

The figures given for the Department and other entities include the total amount of local revenues appropriated in FY 2005, including: any supplemental appropriations; the amount requested by each entity for FY 2006, as listed in the "2006 proposed" column in the Budget Book; and the total amount recommended by your Committee for FY 2006.

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Due to a number of discrepancies in the Budget Book, it is difficult to state with precision the overall change in proposed FY 2006 domestic revenue appropriations when compared with FY 2005. However, accounting for the discrepancies, we understand that overall the proposed FY 2006 budget is \$411,464 less than that for FY 2005. The decrease is primarily due to SEG funds being used to pay for the Student Assistance Program which was previously funded out of domestic revenues; a decrease in funding to the Fisheries and Marine Institute discussed in more detail below; and an error in the amount of domestic revenues requested to fund the Department in the line item portion of the Budget Book.

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1. DEPARTMENT OF HEALTH, EDUCATION AND SOCIAL AFFAIRS

| FY 2005 Appropriations | FY 2006 Request | Committee Recommends |
|------------------------|-----------------|----------------------|
| 126,953 | 129,165 | 353,615 |

The Committee notes the following discrepancies in the Budget Book in relation to the Department of HESA budget:

- Your Committee understands that the Executive proposes using \$97,394 of local revenues to fund the Office of the Secretary. However the funding source summaries for this Division contained in the FY 2006 Budget Book do not identify the use of any local funds for this purpose. The Department of HESA Expense Summary at page 187 of the Budget Book states that the local revenues to be appropriated to fund the Department of HESA as a whole amount to \$129,165. This figure is also incorrect. The Executive proposes local revenue appropriations of \$353,615 to fund the Department of HESA. This amount is correctly reflected in the table entitled "FY 2006 Proposed Budget Allocation by Fund Source" on page vi of the Budget Book.
- The funding source table for the Division of Social Affairs includes funds from the Environment Sector grant, which we understand may not be used for this purpose. See page 232 of the Budget Book.

It is intended that the bulk of the Department's FY 2006 budget will be funded using sectoral grants. However, the Executive is proposing appropriate \$353,615 in local revenues to fully fund the Division of Social Affairs (\$256,221) and partially fund the Office of the Secretary (\$97,394). As noted above, there are a number of discrepancies in the Budget Book in the funding source summaries set out in relation to the Department. However, we are advised that the correct figure for the full amount of local revenues recommended for appropriation by the Executive appears in the table entitled "FY 2006 Proposed Budget Allocation by Fund Source" on page vi of the Budget Book.

Your Committee notes that the Executive budget proposes a \$226,662 increase in local revenue appropriations for the Department for FY 2006. This increase is partially explained by a determination that \$127,056 from the Environment Sector Grant could no longer be used to fund the operations of the Department.

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Your Committee has considered the proposed FY 2006 budget and recommends that the local revenue amount requested in the line item portion of the Budget Book be increased to \$353,615, as indicated in the table above, to rectify the discrepancies set out above.

2. COLLEGE OF MICRONESIA BOARD OF REGENTS

| FY 2005 Appropriations | FY 2006 Request | Committee Recommends |
|------------------------|-----------------|----------------------|
| 84,460 | 84,460 | 84,460 |

The Committee notes that there is no proposed change to funding for the Board of Regents from FY 2005. The Committee has considered and agrees with the proposed budget for FY 2006 for the Board of Regents.

3. GRANTS, SUBSIDIES AND CONTRIBUTIONS

| FY 2005 Appropriations | FY 2006 Request | Committee Recommends |
|--|-----------------|----------------------|
| 703,701 <i>Includes \$50,000 suppl. app.</i> | 618,385 | 625,760 |

The proposed budget for FY 2006 represents an overall decrease of \$85,316 from FY 2005. The decrease arises because funding for the National Board of Nursing has been cut from \$38,000 in FY 2005 to \$20,000 for FY 2006; the UNESCO membership fee has decreased from \$13,941 in FY 2005 to \$4,000 in FY 2006; and \$50,000 that was appropriated via a supplemental appropriation in FY 2005 for the Basic Social Services Project does not recur in the FY 2006 budget.

The Committee notes that both the figures for the FY 2006 request and Committee recommendation in the table above include \$25,000 for COM treaty obligations.

The Committee further notes that an amount of \$7,375 for the South Pacific Region Environmental Program appears to have been omitted from the line item budget in the Budget Book, although the amount was included in the table entitled "FY 2006 Budget Allocations by Funding Source". The Committee's recommendation reflects the inclusion of this amount, which we are advised was inadvertently omitted.

With the above adjustment, the Committee agrees with the proposed budget for FY 2006 for Grants, Subsidies and Contributions.

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4. CAPITAL AND HUMAN RESOURCE DEVELOPMENT: COLLEGE OF MICRONESIA

| FY 2005 Appropriations | FY 2006 Request | Committee Recommends |
|---|-----------------|----------------------|
| 928,360 <i>Includes \$275,000 suppl. App.</i> | 600,000 | 600,000 |

There are two reasons for the \$328,360 decrease in proposed local revenue funding for the College of Micronesia in FY 2006. The first is that unlike in FY 2005, the Student Assistance Fund will now be funded by the SEG grant. The second reason is a proposed \$138,360 decrease in funding for the Fisheries and Maritime Institute in Yap when compared to FY 2005 levels.

The Committee has carefully considered, and agrees with, the local revenue funding proposal for the College of Micronesia for FY 2006.

CONCLUSION

Your Committee on Health, Education and Social Affairs has reviewed the local revenue portion of the proposed FY 2006 Budget and carefully scrutinized all of the information provided by the Executive and the entities within your Committee's jurisdiction. Each of the sums **"Recommended by Committee"** set forth above reflects local revenue funding for the designated activity, program or project for all of FY 2006.

Subject to the conditions and limitations set forth herein, and the availability of funds as determined by your Committee on Ways and Means, your Committee on Health, Education and Social Affairs recommends approval of the local revenue amounts listed above.

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Respectfully submitted,

Resio S. Moses, chairman

Tiwiter Aritos, vice chairman

Dohsis Halbert, member

Roosevelt D. Kansou, member

Manny Mori, member

Ramon Peyal, member

Claude H. Phillip, member