

STANDING COMMITTEE REPORT NO. 15-33

RE: P.C. NO. 14-389 & 15-55/HESA

SUBJECT: FY 2007 BUDGET

SEPTEMBER 19, 2007

The Honorable Isaac V. Figir
Speaker, Fifteenth Congress
Federated States of Micronesia
Second Regular Session, 2007

Dear Mr. Speaker:

Your Committee on Health, Education and Social Affairs, to which was jointly referred the National Government's proposed FY 2008 budget, begs leave to report as follows:

Presidential Communications No. 14-389 and 15-55 concern the National Government's proposed budget for fiscal year 2008 as set forth in two publications, each entitled *National Government Fiscal Year 2008 Proposed Budget* ("Budget Book"). Pursuant to rule 7, section 3(b), of the Official Rules of Procedure of the Fifteenth Congress of the Federated States of Micronesia, your committee has limited its review to those portions of the proposed budget relating to matters under its jurisdiction. These are:

1. Department of Health and Social Affairs;
2. Department of Education;
3. Office of Archives, Culture and Historic Preservation
4. Board of Regents of the College of Micronesia;
5. 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. South Pacific Region Environmental Program;
 - o. NCSHPO; and
 - p. PARBICA; and

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- q. PIALA; and
- r. WHC membership; and
- s. COM treaty obligations.

- 6. Capital & Human Resources Development:
 - a. College of Micronesia.

This report, and all previous and subsequent reports of your 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 notes that Presidential Communication 14-389 was submitted on April 1, 2007, as required by subsection 103(3) of Title 55. In May 2007, a new President was elected. The new administration submitted a bill for the reorganization of the executive departments and offices. A revised budget, Presidential Communication 15-55, was submitted to accompany this bill on September 6, 2007. The reorganization bill was passed by Congress and signed into law in September 2007 and became Public Law No. 15-09. As a result, your committee has based its budget hearings and review process on both Presidential Communications 14-389 and 15-55.

The impact of the reorganization of the executive departments and offices on your HESA committee is limited to the splitting of the previous Department of Health, Education and Social Affairs into two separate departments: the Department of Health and Social Affairs and the Department of Education. In addition, the national archive function has been removed from the Department of Health, Education and Social Affairs and established as a separate office, the Office of Archives, Culture and Historic Preservation.

Department of Health and Social Affairs

The division of the previous Department of HESA into two, the Department of Health and Social Affairs and the Department of Education, has been effected in order to increase efficiency and improve the quality of service provided by the departments. As a

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result, your committee expects to see quantifiable and qualitative improvements in service delivery, particularly in the area of health services. Toward this end, your committee asks the Department of Health and Social Affairs to consult and work closely with the states, and to focus on dispensaries and infrastructure, sanitation and food and water quality. Your committee also reminds the Department that its role is to monitor and coordinate only, as, under our Constitution, health is a state power. The role of the national government is restricted to the creation of standards.

Finally, your committee will require regular progress reports from both the Department of Health and Social Affairs and of Education on the use of their budgets after the first six months of FY 2008 and again in September 2008. Your committee will require that all tangible reports be quantified with the inclusion of relevant facts and figures.

Your committee cautions the Department against excessive travel and recommends that travel to our states take priority over international travel.

Department of Education

Your committee is prepared to work with the Department in order to improve the quality of, and access to, education. Your committee expects to see measurable and tangible improvements and intends to hold the Department to its goals and objectives, as set out in the Budget Book. The Department's performance will be reviewed on a periodic basis.

Furthermore, when your committee requests information from the Department, we hold the reasonable expectation of receiving the requested information in a timely manner. If this is not the case, your committee is prepared to take the necessary steps to require compliance with its requests.

Your committee reminds the Department to look at Title 40 of the FSM Code to ensure that the law is fully and properly implemented.

All of the above comments apply to the College of Micronesia, as well as the Department of Education.

The current level of student performance has been discouraging. The scores on entrance exams have been disappointing, although your

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committee notes some improvement in Kosrae and Pohnpei and hopes this will inspire students in Chuuk and Yap to follow.

As with the Department of Health and Social Affairs, your committee discourages excessive travel, particularly unnecessary international travel.

Your committee requests the Department to work with the states to successfully implement the certification program.

The national government share of Compact infrastructure sector grants have been mostly for the College of Micronesia-FSM. We would like to encourage the College to undertake improved implementation and completion of these projects and to locate a permanent site for the Chuuk State campus.

DISCUSSION OF THE FY 2008 BUDGET - SOURCES

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 2008 budget. This is because Congress has already provisionally accepted the portion of the FY 2008 budget that relates to Compact revenues by approving its submission to JEMCO.

The figures given for the Departments of Health and Social Affairs and of Education and other entities include the total amount of local revenues appropriated in FY 2007, along with any supplemental appropriations, the amount requested by each entity for FY 2008, as listed in the "2008 proposed" column in the Budget Book, and the total amount recommended by your Committee for FY 2008.

The Departments of Health and Social Affairs and of Education intend to fund the bulk of their 2008 budget with Compact sectoral grants. The Budget Book identifies domestic revenues as providing the whole of the 2008 funding request for the Division of Social Affairs in the amount of \$123,331, the Personnel budget for the new Department of Education in the amount of \$28,340, the whole of the Office of Archives, Culture and Historic Preservation budget in the amount of \$106,177, the COM Board of Regents in the amount of \$58,000 and Grants and Contributions in the amount of \$587,389. Domestic revenue provides a portion of the funding request for the College of Micronesia FSM in the amount of \$850,000.

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Domestic revenues are also requested to provide funding for part of the Department of Health and Social Affairs' Office of the Secretary. The Budget Book proposes that \$47,746 of the Office of the Secretary's 2008 budget come out of domestic revenues and the balance, \$123,392, come from the Compact Health Sector Grant. However, the Budget Book does not allow for an identification of the proposed source of funding for each line item. An update received from HESA after the Budget Book provides this information. Of the \$47,746 from domestic revenues requested for the Office of the Secretary, \$12,000 is requested for Personnel, to cover the salary of the Account Technician II, \$31,146 is requested for the Office's Travel budget and \$1,600 is requested for 40% of the Office's fuel budget under Other Current Expenses. In addition, \$3,000 in domestic revenue is proposed for the repair of office equipment under Contracts.

Accordingly, the total 2008 domestic revenue budget request for the Department of Health and Social Affairs is \$171,077.

Your committee notes that the Archives and Historic Preservation Unit, previously with the Division of Social Affairs, has now been established as an office in its own right, to be known as the Office of Archives, Culture and Historic Preservation. Its total budget request for FY 2008 is \$106,177. This office's budget request is also for domestic revenues and will be considered separately, below.

The entire FY 2008 HESA request for domestic funding, including its agencies and other entities (i.e. the College of Micronesia), is \$1,800,983.

Compared with \$1,010,282.01 for FY 2007, the FY 2008 HESA budget shows an increased request for domestic revenues in the amount of \$790,700.99. This can be attributed, in addition to the increased request from the Office of the Secretary, to a decreased request for Grants and Contributions in the amount of \$59,371 and a substantially increased request for the College of Micronesia in the amount of \$816,231.

**1. DEPARTMENT OF HEALTH AND SOCIAL AFFAIRS
Office of the Secretary (Domestic Revenue only)**

	FY 2007 Appropriations	FY 2008 Request	Committee Recommends
Total	\$49,399.01	\$47,746	\$47,746
Personnel	1,880.01	12,000	12,000

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Travel	46,577	31,146	31,146
Contract	0	3,000	3,000
OCE	942	1,600	1,600
Fixed Assets	0	0	0

Your committee recommends approval of the requested budget for the Department of Health and Social Affairs' Office of the Secretary.

Division of Social Affairs (all Domestic Revenue)

	FY 2007 Appropriations	FY 2008 Request	Committee Recommends
Total	\$247,354	\$123,331	\$123,331
Personnel	157,460	65,843	65,843
Travel	49,632	28,603	28,603
Contract	13,262	9,885	9,885
OCE	25,000	18,000	18,000
Fixed Assets	2,000	2,000	2,000

Your Committee has considered the proposed FY 2008 budget and recommends that domestic revenues in the amount of \$123,331 be made available to the Division of Social Affairs.

2. DEPARTMENT OF EDUCATION

Office of the Secretary (Domestic Revenue only)

	FY 2007 Appropriations	FY 2008 Request	Committee Recommends
Total	\$-	\$28,340	\$28,340
Personnel	-	28,340	28,340
Travel	-	-	-
Contract	-	-	-
OCE	-	-	-
Fixed Assets	-	-	-

The only request for domestic revenue for the Department of Education is for the Secretary's salary, at \$28,340. Your committee recommends approval of this request.

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3. OFFICE OF ARCHIVES, CULTURE AND HISTORIC PRESERVATION

	FY 2007 Appropriations	FY 2008 Request	Committee Recommends
Total	69,991	\$106,177	\$112,796
Personnel	50,022	84,796	84,796
Travel	4,507	3,381	10,000
Contract	8,462	0	0
OCE	7,000	10,000	10,000
Fixed Assets	0	8,000	8,000

Your committee notes that, in FY 2007, the Office had not been created and was a part of the Division of Social Affairs. Notwithstanding, it is useful to compare the FY 2007 budget with the FY 2008 request.

Your committee recommends the requested funds for personnel. Your committee also recommends additional funds for travel, bringing the total for travel to \$10,000. The amounts for OCE and fixed assets are also approved.

4. COLLEGE OF MICRONESIA BOARD OF REGENTS

FY 2007 Appropriations	FY 2008 Request	Committee Recommends
\$58,000	\$58,000	\$58,000

The COM Board of Regents is wholly funded with domestic revenues. The Committee notes that the 2008 proposed budget proposal shows no change in the Board of Regents recommended budget. The committee recommends approval of the requested amount, \$58,000.

5. GRANTS, SUBSIDIES AND CONTRIBUTIONS

FY 2007 Appropriations	FY 2008 Request	Committee Recommends
\$621,760	\$587,389	\$737,389

The proposed budget for FY 2008 represents an overall decrease of \$34,371 from FY 2007. This results from a significant decreased 2008 funding request for the World Health Organization (WHO) from \$41,385 in FY 2007 to \$4,000 in FY 2008. In addition, there are four new funding requests for a total of \$3,014.

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Your Committee notes that both the figures for the FY 2008 request and Committee recommendation in the table above include \$25,000 for COM treaty obligations.

Your Committee agrees with the proposed FY 2008 budget for Grants, Subsidies and Contributions, except that your committee also recommends approval of an additional \$150,000 for aid to non-public schools, bringing the total recommended for non-public schools to \$450,000 and the total recommended appropriation for grants and subsidies to \$737,389.

6. CAPITAL AND HUMAN RESOURCE DEVELOPMENT: COLLEGE OF MICRONESIA

FY 2007 Appropriations	FY 2008 Request	Committee Recommends
33,769	850,000	920,000

The 2008 request for domestic revenues shows an increase in the amount of \$816,231. This is largely due to the fact that, in FY 2007, the Fisheries and Maritime Institute was funded mostly with Compact Education sector grant funds. In FY 2008, the entire FMI funding request is for domestic revenues.

The Committee has considered, and agrees with, the local revenue funding proposal for the College of Micronesia for FY 2008. In addition, your committee recommends approval of an additional \$70,000 for student assistance/work study program, bringing the total recommended amount of domestic revenues for the College of Micronesia to \$920,000.

CONCLUSION

Your Committee on Health, Education and Social Affairs has reviewed the local revenue portion of the proposed FY 2008 budget and carefully reviewed 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 domestic revenue funding for the designated activity, program or project for all of FY 2008.

The entire FY 2008 HESA request for domestic funding, including its agencies and other entities (i.e. the College of Micronesia), is \$1,800,983. Your committee recommends approval of \$2,027,602. This includes the requested amounts as well as an additional \$6,619 for the

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travel budget of the Office of Archives, Culture and Historic Preservation, \$150,000 for aid to non-public schools and an additional \$70,000 for the College of Micronesia-FSM's work/study program.

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 domestic revenue amounts listed above.

Respectfully submitted,

/s/ Joseph J. Urusemal
Joseph J. Urusemal, chairman

Claude H. Phillip, vice chairman

/s/ Dohsis Halbert
Dohsis Halbert, member

/s/ Roosevelt D. Kansou
Roosevelt D. Kansou, member

Resio S. Moses, member

Setiro Paul, member

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