

STANDING COMMITTEE REPORT NO. 14-118

RE: P.C. NO. 14-181/HESA

SUBJECT: FY 2007 BUDGET

SEPTEMBER 18, 2006

The Honorable Peter M. Christian
Speaker, Fourteenth Congress
Federated States of Micronesia
Fifth Regular Session, 2006

Dear Mr. Speaker:

Your Committee on Health, Education and Social Affairs, to which was jointly referred the National Government's proposed FY 2007 budget, begs leave to report as follows:

Presidential Communication No. 14-181 concerns the National Government's proposed budget for Fiscal Year 2007 as set forth in a publication entitled *National Government Fiscal Year 2007 Proposed Budget* (the "Budget Book"). Pursuant to rule 7, section 3(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 declined to conduct a public hearing regarding the 2007 budget, for the reason that the 2007 Health, Education and Social Affairs budget request does not differ substantially from the 2006 2007 Health, Education and Social Affairs budget. Accordingly, the report and recommendations that follow are based upon a detailed comparative review by your Committee of the 2006 and proposed 2007 budgets.

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 reiterates its comment, also made last year, that it is appropriate to alter the format of the Budget Book to accommodate recent changes to the timing of the regular sessions of Congress. In accordance with Public Law 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 possible to identify the funding source of particular line items. Your Committee therefore repeats its request that, in the future, the Budget Book be set out so as to enable the identification of the funding source for each line item.

Your Committee also reiterates its caution, offered last year, that the Department and the entities under its jurisdiction 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, your Committee recommends that only one

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representative make the trip. This recommendation is addressed in detail below. Your Committee also reiterates its request, made last year, for follow-up reports that document the specific benefits to the country of those trips.

DISCUSSION OF THE FY 2007 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 2007 budget. This is because Congress has already provisionally accepted the portion of the FY 2007 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 2006, along with any supplemental appropriations, the amount requested by each entity for FY 2007, as listed in the "2007 proposed" column in the Budget Book, and the total amount recommended by your Committee for FY 2007.

The Department of Health, Education and Social Affairs intends to fund the bulk of its 2007 budget with Compact sectoral grants. The Budget Book identifies domestic revenues as providing the whole of Health, Education and Social Affairs' 2007 funding request for its Division of Social Affairs in the amount of \$256,221, the COM Board of Regents in the amount of \$58,000 and Health, Education and Social Affairs' Grants and Contributions in the amount of \$621,760. Domestic revenue provides a portion of the funding request for the College of Micronesia in the amount of \$33,769, as set out in the table on page xxiv of the Budget Book.

Domestic revenues are also requested to provide funding for part of Health, Education and Social Affairs' Office of the Secretary. The Budget Book proposes that \$74,805 of the Office of the Secretary's 2007 budget come out of domestic revenues and the balance, \$123,583, 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 Health, Education and Social Affairs after the Budget Book provides this information. Of the \$74,805 from domestic revenues requested for the Office of the Secretary, \$1,880.01 is requested for Personnel, toward the salary of the Office's Executive Secretary II, \$71,983 is requested for the

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whole of the Office's Travel budget and \$942 is requested for 62.8% of the Office's fuel budget under Other Current Expenses.

Accordingly, the 2007 domestic revenue budget request for the Department of Health, Education and Social Affairs is \$331,026.01 as identified on page 266 of the Budget Book. The comparable amount for 2006 is incorrectly identified on that same page, and should read \$334,152. This indicates a decrease of \$3,125.99 from 2006 in the 2007 proposed budget.

The entire FY 2007 Health, Education and Social Affairs request for domestic funding, including its agencies and other entities, is \$1,019,555.01. Compared with \$1,610,926 for FY06, the FY07 Health, Education and Social Affairs budget shows a decreased request for domestic revenues in the amount of \$591,370.99. This can be attributed, in addition to the decreased request from the Office of the Secretary, to a decreased request for the Board of Regents in the amount of \$18,014, a decreased request for Grants and Contributions in the amount of \$4,000 and a decreased request for the College of Micronesia in the amount of \$566,231.

1. DEPARTMENT OF HEALTH, EDUCATION AND SOCIAL AFFAIRS

FY 2006 Appropriations	FY 2007 Request	Committee Recommends
\$334,152	\$331,026.01	325,162.01

As noted above, your Committee takes the view that international travel must be limited to absolutely necessary activities. Further, where international travel to conferences does occur, your Committee recommends that only one representative make the trip.

Your Committee notes that the Department of Health, Education and Social Affairs requests funding for both its Secretary and Assistant Secretary to travel to Manila and Palau for, respectively, a World Health Organization meeting and a PIHOA bi-annual meeting. Funding for the Secretary's travel in both instances is requested from domestic revenues for the Office of the Secretary. Funding for the travel of the Assistant Secretary is requested from the Compact Health Sector Grant funds under the Division of Health's proposed travel budget. This has, therefore, already been accepted provisionally. As a result, your Committee does not approve the request for domestic funding for travel of the Secretary to the above-noted meetings, in the amounts of \$2,927 and \$2,937.

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Your Committee has considered the proposed FY 2007 budget and recommends that domestic revenues in the amount of \$325,162.01 be made available to the Department of 2007 Health, Education and Social Affairs.

2. COLLEGE OF MICRONESIA BOARD OF REGENTS

FY 2006 Appropriations	FY 2007 Request	Committee Recommends
\$76,014	\$58,000	\$58,000

The Committee notes that the 2007 proposed budget show a decreased request of \$18,014. This reflects decreased requests for Travel, Contract Services and Other Current Expenses. The Committee has considered and agrees with the proposed budget for FY 2007 for the Board of Regents.

3. GRANTS, SUBSIDIES AND CONTRIBUTIONS

FY 2006 Appropriations	FY 2007 Request	Committee Recommends
\$625,760	\$621,760	\$621,760

The proposed budget for FY 2007 represents an overall decrease of \$4,000 from FY 2006. This results from a decreased 2007 funding request for the National Board of Nursing from \$20,000 in FY 2006 to \$10,000 in FY 2007. In addition, the 2007 funding request for the FSM Red Cross is increased to \$70,000 from \$64,000 in 2006.

Your Committee notes that both the figures for the FY 2007 request and Committee recommendation in the table above include \$25,000 for COM treaty obligations, listed under "Other Grants, Subsidies and Contributions" at page 542 of the FY07 Budget Book.

Your Committee agrees with the proposed FY 2007 budget for Grants, Subsidies and Contributions.

4. CAPITAL AND HUMAN RESOURCE DEVELOPMENT: COLLEGE OF MICRONESIA

FY 2006 Appropriations	FY 2007 Request	Committee Recommends
600,000	33,769	33,769

The 2007 request for domestic revenues shows a decrease in the amount of \$566,231. This is due to an increased request for funding for the FSM Fisheries and Maritime Institute in Yap from \$600,000 in FY06 to

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\$650,000 in FY07. However, whereas in 2006 the Institute was wholly funded with domestic revenues, the 2007 request is for \$33,769 in domestic funding with the balance of \$616,231 to come from the Compact Education Sector Grant, as reflected on page xxiv of the Budget Book.

The Committee has considered, and agrees with, the local revenue funding proposal for the College of Micronesia for FY 2007.

CONCLUSION

Your Committee on Health, Education and Social Affairs has reviewed the local revenue portion of the proposed FY 2007 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 2007.

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,

/s/ Resio S. Moses
Resio S. Moses, chairman

/s/ Tiwiter Aritos
Tiwiter Aritos, vice chairman

/s/ Dohsis Halbert
Dohsis Halbert, member

Roosevelt D. Kansou, member

Manny Mori, member

Ramon Peyal, member

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