

STANDING COMMITTEE REPORT NO. 14-116

RE: P.C. NO. 14-190/R&D

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 Resources and Development, to which was jointly referred the National Government's proposed FY 2007 budget, begs leave to report as follows:

Presidential Communication No. 14-190 relates to 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 2(b), of the Official Rules of Procedure of the Fourteenth Congress of the Federated States of Micronesia, your Committee has confined its review to those portions of the proposed budget relating to matters within its jurisdiction. These are the budgets for:

1. Department of Economic Affairs;
2. National Oceanic Resource Management Authority;
3. Coconut Development Authority;
4. FSM Banking Board;
5. National Fisheries Corporation;
6. Aquaculture Center
7. Grants, subsidies and contributions:
  - a. Pacific Island Development Program (UNDP);
  - b. Forum Fisheries Agency (FFA);
  - c. Coordinating Committee for Offshore Mineral Prospecting;
  - d. Pacific Asian Travel Association (PATA);
  - e. United Nations Development Program (UNDP);
  - f. Seaframe Project;
  - g. Food Agriculture Organization (FAO);
  - h. Western Forestry Leader Coalition;
  - i. FAO/TCP Matching
  - j. National Environment Speech Contest;
  - k. United Nations Framework Convention Climate Change;
  - l. National Association of State Foresters;
  - m. Matching to South Pacific Commission Project;
  - n. Copra Subsidy;
  - o. Pilot Plant Projects;
  - p. Asia Pacific Coconut Community; and

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- q. National Maritime Boundary Delimitation
- 8. Capital & Human Resources Development:
  - a. FSM Tourism Promotion;
  - b. Crop Production Improvement Program;
  - c. FSM Trade & FDI Promotion Project; and
  - d. Diversification of Energy Resources.

Your Committee conducted a series of public hearings and committee meetings following the convening of Congress on May 11, 2006. The report and recommendations that follow are based upon the information and input provided by the Secretary, Assistant Secretaries, and staff of the various departments, agencies and entities during those hearings. Any commentary found in this report should be treated as policy for the guidance of the relevant departments, agencies and entities.

The findings and recommendations of your Committee are set out in detail below.

#### **INTRODUCTORY COMMENTS**

The Committee expresses its appreciation to the Secretary and his staff for their continued dedication and diligence in fulfilling their respective missions and also commented the Department for its timely submission of the National Statistic Yearbook.

The Committee is concerned that the lay out of the three Assistant Secretary Offices would create additional administrative works, and the Secretary may have less internal control of the Department.

Further, the Department's stated program objectives, contained in the Budget Book, lack a clear statement of strategic direction. The Department is required pursuant to Section 103 of Title 55 of the FSM Code to identify in its annual plan the expected accomplishments for the year. If possible, those planned accomplishments are to be expressed in a form that permits the measurement of actual performance against the plan. While there are some clearly quantified goals set out for the Department, for the most part, the Department's FY 2007 annual plan merely describes its day-to-day operations, and it is simply describing the overall responsibilities of the Department. Such statements give no indication of what will actually be accomplished during the coming year.

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The annual plan does identify a number of specific goals relating to the preparation of certain reports and conduct of a certain number of quarantine inspections. However, overall, the objectives are so general as to be meaningless and provide no basis for evaluation of the Department's performance.

The Department is responsible to accomplish the program objectives identified in the SDP (Strategic Development Plan), which include the following: to create a sound economic policy making environment to support export-oriented or private sector-led growth, to improve the competitiveness of the factors of production to promote private sector development, to improve the environment for direct investment and expand entrepreneurial and business development support services, to reduce the direct role of the government in the economy, to provide efficient and cost-effective economic infrastructure to support competitive private sector development, to make tourism a leading economic activity in the FSM, to integrate the tourism sector into national economic planning and development, to create an attractive and supportive environment for private sector tourism industry investors, to invest in tourism product development in order to diversify and expand the range of attractions and activities for visitors, to develop programs to reduce energy use and convert renewable energy resources, to establish effective biosecurity (border control, quarantine and eradication) programs to effectively protect the FSM's biodiversity from impacts of alien invasive species, to create sustainable financing mechanisms for environmental and sustainable resource initiatives and to enhance and employ-in-country technical capacity to support environmental programs. Your Committee believes that such program objectives cannot be achieved without careful planning and strategic direction.

The Committee notes that a number of position vacancies, including vacancies for positions that are critical for the effective operation of the Department, have been left vacant for more than a year and urges that they be filled as soon as qualified personnel are available. The Committee is disappointed and also concerned that funding for these vacancies are being used for other activities. Ultimately, if it is not possible for the Department to fill these positions, the Committee has no alternative but to eliminate these vacant positions.

The Committee reminds the Department and each of the entities under its jurisdiction to limit international travel to essential activities, and focus their resources in improving its developmental

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goals with their appropriate counterparts at the states. Travel of any kind should only be taken to further the objectives of the SDP and IDP and in any event, the Committee urges that international travel be coordinated within and among departments and agencies of the government. Where international travel to conferences does occur, follow-up reports should document the specific benefits of those conferences to the FSM.

The Committee is concerned that the National Government continues to subsidize unprofitable entities to such a significant extent and in many instances, these entities have little or no prospect of ever becoming financially viable and the benefit to the FSM in their continued operations is not apparent. Your Committee therefore recommends that subsidies to these entities be continued for FY 2007, but requests that careful consideration be given on a case by case basis to how National Government subsidies to these entities can be phased out. Possibilities for achieving this may include, preparing entities for financial self-sufficiency or transferring responsibility for particular concerns to the States. The Committee practically leaves the Department's budget intact because it was not satisfied with the Department's justification of its budget. Further, the Department fails to link its proposed FY07 budget with the program activities identified in the SDP.

**DISCUSSION OF THE FY 2007 BUDGET**

The appropriations discussed below are presented in the order in which they appear in the Budget Book. The figures given for each department or agency include the total amount appropriated in FY 2006, including 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.

**I. DEPARTMENT OF ECONOMIC AFFAIRS**

	FY 2006 Appropriations	FY 2007 Request	Committee Recommends
Personnel	830,535	806,075	806,075
Travel	120,670	135,000	135,000
Contractual Services	5,309	110,275	112,275
Other Current Expenses	121,599	138,000	138,000

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Fixed Assets	10,000	22,000	<b>22,000</b>
<b>Total</b>	<b>1,088,113</b>	<b>1,211,350</b>	<b>1,213,350</b>
No. of Employees	58	59	<b>59</b>

In the FY06 appropriation column, P.L. No. 14-70, which is a supplemental budget appropriation, increases an amount of \$25,000 in the level of funding for travel. In the FY2007 proposed budget, the Committee recommends a sum of \$2,000 in the contractual services category in the Agriculture Unit.

**1. Office of the Secretary**

	FY 2006 Appropriations	FY 2007 Request	<b>Committee Recommends</b>
Personnel	79,512	60,290	<b>60,290</b>
Travel	18,750	14,377	<b>14,377</b>
Contractual Services	153	150	<b>150</b>
Other Current Expenses	11,671	12,000	<b>12,000</b>
Fixed Assets	0	3,500	<b>3,500</b>
<b>Total</b>	<b>110,086</b>	<b>90,317</b>	<b>90,317</b>
No. of Employees	4	4	<b>4</b>

There are four employees in the Office of the Secretary with a proposed budget of \$60,290. The vacant position for the Deputy Secretary in the amount of \$27,250 is not requested this fiscal year. Your Committee notes with concern that the position is vacant and has been for some time and requests that the Secretary submits a report detailing how the \$54,570 that was appropriated for the Deputy Secretary's position in FY 2005 and FY006 was spent. This report should have been provided to the Chairman of this Committee. Nevertheless, the Department failed to provide this report.

Your Committee appropriated \$10,000 in FY 2006 for the Secretary or his designee to identify technologies for harnessing alternative energy sources that would be appropriate for FSM conditions. The Committee expected a report on the status of this project but the Secretary or his designee failed to submit their findings to the Committee.

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The Committee understands that the European Union has made certain funds available to the FSM to install and operate alternative energy systems. Therefore, it urges the Department to take every step necessary to make appropriate use of such available funding. Except for the items identified above, your Committee agrees with the proposed FY 2007 budget for the office of the Secretary.

**2. Division of Economic Planning & Statistics**

	FY 2006 Appropriations	FY 2007 Request	Committee Recommends
Personnel	300,710	323,999	323,999
Travel	21,704	40,384	40,384
Contractual Services	0	60,000	60,000
Other Current Expenses	50,500	67,000	67,000
Fixed Assets	7,500	13,500	13,500
<b>Total</b>	<b>380,414</b>	<b>504,883</b>	<b>504,883</b>
No. of Employees	23	23	23

With the new restructuring of the Department, the Division of Economic Planning & Statistics comprises of three Offices: (a) Office of the Assistant Secretary, (b) Economic Planning Unit, (c) Statistics Unit.

**2a. Office of the Assistant Secretary**

	FY 2006 Appropriations	FY 2007 Request	Committee Recommends
Personnel	0	29,998	29,998
Travel	0	40,384	40,384
Contractual Services	0	0	0
Other Current Expenses	0	50,000	50,000
Fixed Assets	0	0	0
<b>Total</b>	<b>0</b>	<b>120,382</b>	<b>120,382</b>
No. of Employees	0	2	2

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In the Office of the Assistant Secretary for the Division of Economic Planning & Statistics, Mr. Roger Mori becomes an Assistant Secretary and Mrs. Marina Ioanis becomes a Secretary.

**2b. Economic Planning Unit**

	FY 2006 Appropriations	FY 2007 Request	Committee Recommends
Personnel	73,840	76,091	76,091
Travel	12,000	0	0
Contractual Services	0	60,000	60,000
Other Current Expenses	8,000	0	0
Fixed Assets	0	10,000	10,000
<b>Total</b>	<b>93,840</b>	<b>146,091</b>	<b>146,091</b>
No. of Employees	4	2	2

The Economic Policy Unit is changed to Economic Planning Unit. There are four employees under this Unit. The two Economic Analyst positions are still vacant. Miss Evelyn Adolph is the Chief Economist with a proposed budget increase of \$27,250. The Committee is concerned that the Department continues to provide funding for Miss Evelyn Adolph, but she has been detailed to the Office of Compact Management (OCM). The Committee wishes to know whether Miss Adolph will assist the OCM temporarily or on a long-term basis. Miss Sancherina Salle is the other Economist.

The Committee is disappointed that two economist positions are still vacant and have been for some time. The Committee was advised at the Committee hearing during the May 2006 session that part of the reason for the vacancies has been the low salary level that attaches to the positions. On this basis, your Committee recommends that the funding for the two Economists (\$30,112 in total) be used to fund one Senior Economist. The Committee also requests a report detailing how the \$30,112 that was appropriated to pay the vacant Economic Analyst in FY 2006 was spent. Furthermore, \$60,000 is requested in the contractual service category to fund the Senior Economist.

Except for the line items identified above, your Committee agrees with the proposed budget for FY 2007 for the Economic Planning Unit.

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**2c. Statistics Unit**

	FY 2006 Appropriations	FY 2007 Request	Committee Recommends
Personnel	226,870	217,910	217,910
Travel	9,704	0	0
Contractual Services	0	0	0
Other Current Expenses	42,500	17,000	17,000
Fixed Assets	7,500	3,500	3,500
<b>Total</b>	<b>286,574</b>	<b>238,410</b>	<b>238,410</b>
No. of Employees	20	19	19

In the Statistics Unit, there are nineteen employees. The Secretary I position (Marina Ioanis) is reassigned to the Office of the Assistant Secretary for the Division of Economic Planning & Statistics. This is why the number of employees under this Unit is decreased from 20 to 19.

**3. Division of Trade & Commerce**

	FY 2006 Appropriations	FY 2007 Request	Committee Recommends
Personnel	99,362	96,728	96,728
Travel	20,068	30,239	30,239
Contractual Services	5,032	50,125	50,125
Other Current Expenses	12,400	14,050	14,050
Fixed Assets	2,500	3,500	3,500
<b>Total</b>	<b>139,362</b>	<b>194,642</b>	<b>194,642</b>
No. of Employees	13	6	6

The Division of Trade & Commerce comprises of four Offices: (a) Office of the Assistant Secretary, (b) Registry of Corporation Unit (c) Commerce Unit, (d) Trade Unit.



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**3a. Office of the Assistant Secretary**

	FY 2006 Appropriations	FY 2007 Request	Committee Recommends
Personnel	0	29,409	29,409
Travel	0	30,239	30,239
Contractual Services	0	50,125	50,125
Other Current Expenses	0	14,050	14,050
Fixed Assets	0	3,500	3,500
<b>Total</b>		<b>127,323</b>	<b>127,323</b>
No. of Employees	0	2	2

In the Office of the Assistant Secretary for the Division of Trade & Commerce, Mr. Maderson Ramon becomes an Assistant Secretary, and Miss Marsellie Obed becomes a Secretary.

**3b. Registry of Corporations Unit**

	FY 2006 Appropriations	FY 2007 Request	Committee Recommends
Personnel	99,362	28,660	28,660
Travel	13,000	0	0
Contractual Services	5,032	0	0
Other Current Expenses	10,400	0	0
Fixed Assets	2,500	0	0
<b>Total</b>	<b>130,294</b>	<b>28,660</b>	<b>28,660</b>
No. of Employees	7	2	2

In FY2006 appropriated budget, this Unit is formerly called the Trade & Investment Unit with seven employees. With the new restructuring, it is now changed to Registry of Corporations Unit with two employees. Mr. Valerio Hallens is still the Registrar of Corporation and Mr. Bert Edmond becomes an Assistant Registrar.

**3c. Commerce Unit**

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	FY 2006 Appropriations	FY 2007 Request	Committee Recommends
Personnel	0	17,731	17,731
Travel	0	0	0
Contractual Services	0	0	0
Other Current Expenses	0	0	0
Fixed Assets	0	0	0
<b>Total</b>	<b>0</b>	<b>17,731</b>	<b>17,731</b>
No. of Employees	0	1	1

In this Unit, Mr. William Ladore, Business Development Officer, is the only employee and his new title is changed to Deputy Assistant Secretary. In an informal interview with the Secretary, a consultant by the name of Mathew Ebel is assisting Mr. Ladore in this Unit; however, the Asian Development Bank (ADB) funds Mr. Ebel.

### 3d. Trade Unit

	FY 2006 Appropriations	FY 2007 Request	Committee Recommends
Personnel	0	20,928	20,928
Travel	7,068	0	0
Contractual Services	0	0	0
Other Current Expenses	2,000	0	0
Fixed Assets	0	0	0
<b>Total</b>	<b>9,068</b>	<b>20,928</b>	<b>20,928</b>
No. of Employees	7	1	1

The Public Enterprise Reform Unit is changed to Trade Unit. In FY06 appropriated budget, there were seven employees in the Public Enterprise Reform Unit. Mr. Jesse Giltamag will be the only employee. He was an Assistant Project Director for the Fisheries Unit under the

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Public Enterprise Reform Division. With the new restructuring, his title is changed to Deputy Assistant Secretary.

#### 4. Division of Resources Management & Development

	FY 2006 Appropriations	FY 2007 Request	Committee Recommends
Personnel	350,951	325,058	325,058
Travel	35,148	50,000	50,000
Contractual Services	124	0	2,000
Other Current Expenses	47,028	44,950	44,950
Fixed Assets	0	1,500	1,500
<b>Total</b>	<b>433,251</b>	<b>421,508</b>	<b>423,508</b>
No. of Employees	21		

In this newly restructured Division, there are five Offices: (a) Office of the Assistant Secretary, (b) Tourism Unit, (c) Marine Resources Unit, (d) Agriculture Unit, (e) Environment & Sustainable Development Unit.

#### 4a. Office of the Assistant Secretary

	FY 2006 Appropriations	FY 2007 Request	Committee Recommends
Personnel	0	27,527	27,527
Travel	0	50,000	50,000
Contractual Services	0	0	0
Other Current Expenses	0	44,950	44,950
Fixed Assets	0	1,500	1,500
<b>Total</b>		<b>123,977</b>	<b>123,977</b>
No. of Employees	0	2	2

In the Office of the Assistant Secretary for the Division of Resources Management and Development, there are two employees. Mr. Marion Henry, Program Manager for Fisheries Unit, becomes an Assistant Secretary for this Division, and Miss Marsellie Obed becomes a Secretary I.

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**4b. Tourism Unit**

	FY 2006 Appropriations	FY 2007 Request	Committee Recommends
Personnel	36,822	15,894	15,894
Travel	5,348	0	0
Contractual Services	124	0	0
Other Current Expenses	4,300	0	0
Fixed Assets	0	0	0
<b>Total</b>	<b>46,594</b>	<b>15,894</b>	<b>15,894</b>
No. of Employees	0	1	1

In this Unit, Mr. Edgar Santos, Tourism Development Officer will be the only employee. In the FY06 appropriated budget, Mr. Santos and Mr. Maderson Ramon were the employees working under the Tourism Unit. With this new restructuring, Mr. Maderson Ramon, Program Manager for the Tourism Unit, becomes an Assistant Secretary for the Division of Trade & Commerce. The Committee agrees to give increase funding for the Tourism Unit unless the Department can come up with an effective Tourism Program.

**4c. Marine Resources Unit**

	FY 2006 Appropriations	FY 2007 Request	Committee Recommends
Personnel	59,680	27,709	27,709
Travel	8,000	0	0
Contractual Services	0	0	0
Other Current Expenses	9,228	0	0
Fixed Assets	0	0	0
<b>Total</b>	<b>76,908</b>	<b>27,709</b>	<b>27,709</b>
No. of Employees	4	2	2

The Fisheries Unit is changed to Marine Resources Unit. Mr. Valentin Martin will retain his title as the Fisheries Management Conservation

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Officer. The other position in this Unit is a Program Manager, which is still vacant. The proposed budget for Mr. Martin and the Program Manager reflects the \$27,709 amount requested. In FY06 appropriated budget, there were four employees with an appropriated budget of \$59,680.

**4d. Agriculture Unit**

	FY 2006 Appropriations	FY 2007 Request	Committee Recommends
Personnel	211,166	210,642	210,642
Travel	13,800	0	0
Contractual Services	0	0	2,000
Other Current Expenses	24,000	0	0
Fixed Assets	0	0	0
<b>Total</b>	<b>248,966</b>	<b>210,642</b>	<b>212,642</b>
No. of Employees	15	15	15

In this Unit, the proposed budget for personnel is \$165,642 and an amount of \$45,000 is requested for overtime with a total sum of \$210,642. There is an adjustment in Mr. Moses Asher's salary. Mr. Asher is a quarantine officer stationed in Pohnpei State. In FY06 appropriated budget, he was inadvertently given a salary of \$10,363. With the proposed FY07 budget, his salary is decreased to \$9,841.

The Committee recommends \$2,000 to be included in Contractual Services category to contract someone to occasionally inspect vessels or aircraft going to the Mortlocks islands.

**4e. Environment & Sustainable Unit**

	FY 2006 Appropriations	FY 2007 Request	Committee Recommends
Personnel	43,283	43,286	43,286
Travel	8,000	0	0
Contractual	0	0	0

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Services			
Other Current Expenses	9,500	0	0
Fixed Assets	0	0	0
<b>Total</b>	<b>60,783</b>	<b>43,286</b>	<b>43,286</b>
No. of Employees	3	3	3

In this Unit, there is no change in the number of employees. During one of the public hearing, the Committee inquires with the Secretary why the Department is not able to tap the Environment & Private Sector grants and also take advantage of the Capacity Building sector grants under the Amended Compact. The Committee urges the Secretary to look into tapping these grants.

**II. NATIONAL OCEANIC RESOURCE MANAGEMENT AUTHORITY**

	FY 2006 Appropriations	FY 2007 Request	<b>Committee Recommends</b>
Personnel	192,506	197,057	<b>192,506</b>
Travel	50,000	105,790	<b>75,000</b>
Contractual Services	98,900	68,900	<b>71,700</b>
Other Current Expenses	38,400	40,500	<b>38,400</b>
Fixed Assets	0	0	<b>0</b>
<b>Total</b>	<b>379,806</b>	<b>412,247</b>	<b>377,606</b>
No. of Employees	11	11	11

Your Committee agrees with the proposed FY 2007 budget for NORMA. However, your Committee notes with concern that in recent times revenues from access agreements have been decreasing. NORMA is strongly encouraged to explore means by which this trend can be reversed. The Committee recommends the approval of the \$43,500 requested for the National Maritime Boundary Delimitation. During the hearing with the staff of the Authority, they indicated that the Authority is mandated under certain International treaty to produce charts on the FSM EEZ. This project requires the measurement of boundaries in certain outer islands in the FSM. The Authority is required to travel to these outer islands in order to measure EEZ boundaries between FSM and the Republic of Palau and FSM and the Republic of the Marshall Islands. The effect of not approving this

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amount would prevent the Authority to undertake this project. Consequently, the FSM National Government could loose certain boundaries in its Exclusive Economic Zone (EEZ).

**III. COCONUT DEVELOPMENT AUTHORITY**

	FY 2006 Appropriations	FY 2007 Request	<b>Committee Recommends</b>
Personnel	68,471	68,719	<b>67,721</b>
Travel	10,469	18,239	<b>5,000</b>
Contractual Services	22,160	28,460	<b>6,000</b>
Other Current Expenses	9,500	12,800	<b>10,000</b>
Fixed Assets	15,000	0	<b>0</b>
<b>Total</b>	<b>125,600</b>	<b>128,218</b>	<b>88,721</b>
No. of Employees	4	4	<b>4</b>

Your Committee recognizes that the Coconut Development Authority plays an important role in generating much needed income for outer island communities and the nature of its activities may make it difficult to ever become financially independent. However, your Committee urges the Authority to undertake a careful review of its current activities in order to determine the most effective uses of its resources in the future. The Authority should not assume that the National Government would continue to provide available funding for every fiscal year. The Committee requests the Authority to work with the Department and the States to prepare a plan for transitioning out instead of relying on National Government Subsidies.

The Committee decreases the level of funding for travel from \$10,000 to \$5,000, but agrees with the other FY 2007 proposed budget for the Authority.

**IV. FSM BANKING BOARD**

	FY 2006 Appropriations	FY 2007 Request	<b>Committee Recommends</b>
Personnel	71,555	71,554	<b>71,554</b>
Travel	20,106	34,466	<b>30,200</b>

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Contractual Services	15,700	18,100	<b>18,100</b>
Other Current Expenses	21,996	21,966	<b>17,996</b>
Fixed Assets	3,000	17,280	<b>14,800</b>
<b>Total</b>	<b>132,357</b>	<b>163,396</b>	<b>152,650</b>
No. of Employees	4	4	<b>4</b>

During the hearing with the FSM Banking Board, the Committee became aware that there is a candidate for the banking examiner position. However, there is no funding to pay for the travel expenses of the candidate. According to the Banking Commissioner, an amount of \$800 is sufficient to pay the candidate's travel expenses. Your Committee believes that such a concern on the management of funds for agencies is a policy direction to be resolved by the Executive or the President. Importantly, the Committee felt very strongly that there would be no additional increase in the personnel for the FSM Banking Board.

Per informal interview with the Banking Commissioner, the Board plans to send four participants to a training in Hawaii at the Bank Director's College Program, which is an annual FDIC Community Outreach Event for Bank Commissioners. However, the EBRC took the funding without any justification. With the proposed budget for travel, the Board can only send two participants.

Your Committee agrees with the proposed budget for FY 2007 for the FSM Banking Board.

**V. NATIONAL FISHERIES CORPORATION (NFC)**

	FY 2006 Appropriations	FY 2007 Request	<b>Committee Recommends</b>
Contractual Services PL. No. 14-21 amendment	45,000	150,000	<b>100,000</b>
Other Current Expenses	90,000	322,282	<b>0</b>
<b>Total</b>	<b>135,000</b>	<b>472,282</b>	<b>100,000</b>



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In the FY06 budget, \$10,000 was taken out from the OCE and added to the Contractual Services. That is why the figures are not the same as reflected in the FY06 appropriation column in the FY07 Budget Book on page 509.

During the Committee's mark up meeting, your Committee decreases the \$100,000 requested for Other Current Expenses and recommends approval for the entire Contractual Services amount. The Committee commented that this is the last funding for NFC and the Corporation should not assume that further funding would be made available in the future. In addition, your Committee urges the NFC to take all steps necessary to collect the significant debts that were still outstanding. Your Committee understands that these outstanding debts would be sufficient to fund the operations of the NFC for the coming fiscal year.

**VI. AQUACULTURE CENTER**

	FY 2006 Appropriations	FY 2007 Request	Committee Recommends
Personnel	38,617	38,617	38,617
Travel	11,534	11,534	8,802
Contractual Services	14,874	14,874	9,474
Other Current Expenses	23,389	23,389	22,389
Fixed Assets	0	0	0
<b>Total</b>	<b>88,414</b>	<b>88,414</b>	<b>79,282</b>
No. of Employees	4	4	4

Your Committee notes that the SCRs for the FY 2005 and FY 2006 budget requested that the Department prepares a report detailing the feasibility of operating this center as an independent agency beginning in FY 2007. This report has not been forthcoming. While your Committee recommends approval of the FY 2007 budget request for the Aquaculture Center, it will not recommend any further funding approvals without having had an opportunity to consider the report requested. Your Committee has considered and agrees with the proposed FY 2007 budget for the Aquaculture Center.

**VII. GRANTS, SUBSIDIES & CONTRIBUTIONS**

	FY 2006	FY 2007	Committee
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STANDING COMMITTEE REPORT NO. 14-116

RE: P.C. NO. 14-190/R&D

SUBJECT: FY 2007 BUDGET

SEPTEMBER 18, 2006

	Appropriation	Request	Recommends
<b>a.</b> Pacific Island Development Program (PIDP)	15,000	15,000	<b>15,000</b>
<b>b.</b> Forum Fisheries Agency (FAA)	21,000	21,000	<b>21,000</b>
<b>c.</b> Coordinating Committee for Offshore Mineral Prospecting	40,000	40,000	<b>40,000</b>
<b>d.</b> Pacific Asian Travel Association (PATA)	5,000	5,000	<b>5,000</b>
<b>e.</b> United Nations Development Program (UNDP)	3,000	3,000	<b>3,000</b>
<b>f.</b> Seaframe Project	7,500	3,000	<b>0</b>
<b>g.</b> Food Agriculture Organization	4,700	4,700	<b>4,700</b>
<b>h.</b> Western Forestry Leadership Coalition	500	500	<b>0</b>
<b>i.</b> FAO/TCP Matching	28,800	34,500	<b>34,500</b>
<b>j.</b> National Speech Contest	15,000	15,000	<b>0</b>
<b>k.</b> UN Framework Convention on Climate Change	0	250	<b>250</b>
<b>l.</b> National Association of State Foresters	0	500	<b>0</b>
<b>m.</b> Matching to SPC Projects	0	60,000	<b>60,000</b>
<b>n.</b> UN Environmental Protection	600	600	<b>600</b>
<b>o.</b> Copra Subsidy	75,000	75,000	<b>50,000</b>
<b>p.</b> Pilot Plant Projects	0	49,300	<b>49,300</b>
<b>q.</b> Asia Pacific Coconut Community	15,500	15,500	<b>0</b>
<b>r.</b> National Maritime Boundry Del.	0	43,500	<b>43,500</b>
<b>Total</b>	<b>231,600</b>	<b>386,350</b>	<b>327,350</b>

The amount requested for the Coordinating Committee for Offshore Mineral Prospecting has increased significantly from \$15,000 to \$40,000. The Department informed your Committee that the increase is due to a failure to appropriate sufficient funding in the past, leading to a gradual build up of arrears over the previous four fiscal years. The understanding is that the proposed amount will be sufficient to meet the arrears and the annual dues for FY 2006 and FY 2007.

STANDING COMMITTEE REPORT NO. 14-116

RE: P.C. NO. 14-190/R&D

SUBJECT: FY 2007 BUDGET

SEPTEMBER 18, 2006

During the Committee's mark up meeting, the Committee disapproves the requested amount for the Sea Frame Project (\$3,000), the Western Forestry Leadership Coalition (\$500), the National Speech Contest (\$15,000) and the contribution to the Asia Pacific Coconut Community (\$15,500) and also decreases the amount for Copra Subsidy from \$75,000 to \$50,000.

Your Committee recommends approval of the grants, subsidies and contributions listed above for FY 2007, in the amount of **\$327,350** as recommended.

The total requested amount for FY07 budget under the Capital & Human Resources Development is **\$315,000**. The justifications are listed below.

**VIII. CAPITAL & HUMAN RESOURCES DEVELOPMENT BUDGET**

	FY 2006 Appropriations	FY 2007 Request	Committee Recommends
FSM Visitors' Bureau	100,000	670,000	100,000
Crop Production Improvement Program	0	40,000	15,000
Livestock Improvement	0	28,000	0
FSM Trade & FDI Promotion	0	150,000	75,000
Diversification of Energy Resources	0	125,000	125,000
Economic Policy & Econ. Statistic Cap. Bldg.	0	130,824	0
<b>Total</b>	100,000	<b>1,143,824</b>	<b>315,000</b>

Your Committee is disappointed that, to date, no plan has been submitted in regard to proposed expenditures for tourism promotions. We are advised that such a plan will be available shortly.

**CONCLUSION**

The overall proposed budget for your Committee on Resources and Development is **\$2,653,959**. Your Committee on Resources and Development has reviewed 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

STANDING COMMITTEE REPORT NO. 14-116

RE: P.C. NO. 14-190/R&D

SUBJECT: FY 2007 BUDGET

SEPTEMBER 18, 2006

**"Recommended by Committee"** set forth above reflects this Committee's recommendation for funding for the designated activity, program or project for all of fiscal year 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 Resources and Development recommends approval of the amounts listed above.

Respectfully submitted,

/s/ Manny Mori  
Manny Mori, chairman

/s/ Ramon Peyal  
Ramon Peyal, vice chairman

/s/ Alik L. Alik  
Alik L. Alik, member

/s/ Peter M. Christian  
Peter M. Christian, member

/s/ Dion G. Neth  
Dion G. Neth, member

/s/ Simiram Sipenuk  
Simiram Sipenuk, member

/s/ Peter Sitan  
Peter Sitan, member