

STANDING COMMITTEE REPORT NO. 15-32

RE: P.C. NO. 15-55/R&D

SUBJECT: FY 2008 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 Resources and Development, to which was jointly referred the National Government's revised proposed FY 2008 budget, begs leave to report as follows:

Presidential Communication No. 15-55 relates to the National Government's revised proposed budget for Fiscal Year 2008 as set forth in a publication entitled *Federated States of Micronesia Fiscal Year 2008 Revised Proposed Budget* (the "Budget Book"). Pursuant to rule 7, section 2(b), of the Official Rules of Procedure of the Fifteenth Congress of the Federated States of Micronesia, your Committee has confined its review to those portions of the revised proposed budget relating to matters within its jurisdiction. These are the budgets for:

1. Department of Resources and Development;
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;

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- 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
- q. National Maritime Boundary Delimitation
- r. Quarantine Services Improvement Project
- s. National Environmental Conference
- t. 18th SPREP Annual Meeting
- u. Tourism Activities

8. Capital & Human Resources Development:

- a. FSM Visitor's Bureau
- b. FSM Invest. Promotion Proj. Imp.
- c. FSM Promotion of Micronesia Owned Business
- d. Capacity Building for Trade Policy Formulation, Negotiation and Implementation
- e. Coconut Projects
- f. Crop Production Improvement Program
- g. Privatization of Public Enterprises & Corporate Governance Reform
- h. Development of Fisheries Statistics
- i. FSM Trade & FDI Promotion Project; and
- j. Diversification of Energy Resources
- k. FSM Strategic 2nd Development Plan Update

Your Committee conducted a series of public hearings and committee meetings following the convening of Congress on May 11, 2007 with the last being held on September 18, 2007. The report and recommendations that follow are based upon the information and input provided by the Secretary or Acting 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.

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INTRODUCTORY COMMENTS

The Committee expresses its appreciation to the Secretary of the Department of Economic Affairs and his staff for their dedication and diligence in fulfilling their respective missions and roles during the past fiscal year and also to the acting and interim personnel of the newly formed Department of Resource and Development for stepping into this revised budget process under such challenging circumstances. It is noted that revisions to the budget for this new Department were provided to Congress and staff a matter of a few days before it commenced its hearings.

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 2008 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.

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

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visitors, to develop programs to reduce energy use and convert to 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.

Throughout the hearing process that commenced with the beginning of this Fifteenth Congress, the Committee has been disappointed and concerned with the apparent lack of a coherent and coordinated policy within the Departments of the Executive Branch to identify and implement projects and to initiate grant applications to take maximum advantage of foreign aid grants and assistance. Grants are currently available from United Nations GEF funding as well as project grants from Pacific aid funds established by Japan, Italy, Venezuela, the European Union, the United States and others. During hearings it became clear that there is no single office or department that assumes responsibility for identifying and implementing qualifying projects and initiating grant applications. Without better coordination and cooperation among Departments within the national government and with various states and state agencies, many opportunities at both state and national levels are in danger of being lost.

The Committee also wishes to express its concern with the apparent haste with which the President's Reorganization Plan and Revised Budget appears to have been submitted to Congress. In at least one case the transfer of a complete unit has left the remaining department without a key employee and a budget proposal that did not provide for replacement. Further, this Committee has worked with and relied upon Presidential Communications relating to the structure of the Resources and Development Department only to discover in its final budget hearings that a new Executive Order revising that structure is already under consideration.

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

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DISCUSSION OF THE REVISED FY 2008 BUDGET

The figures shown in the charts below for each department or agency include the total amount appropriated in FY 2007, including any supplemental appropriations; the amount recommended by the EBRC for 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.

I. DEPARTMENT OF RESOURCES AND DEVELOPMENT - OVERALL

	FY 2007 Appropriations	FY 2008 Request	Committee Recommends
Personnel	437,381	433,395	449,290
Travel	37,205	66,252	66,252
Contractual Services	52,275	50,275	50,275
Other Current Expenses	71,000	91,983	91,983
Fixed Assets	8,500	7,700	7,700
Total	606,361	649,605	665,500
No. of Employees	29	29	30

The difference between the amounts and number of employees in the summary is explained in subsection 1(a) below.

I(a). Office of the Secretary

	FY 2007 Appropriations	FY 2008 Request	Committee Recommends
Personnel	87,540	60,290	76,185
Travel	3,578	19,651	19,651
Contractual	150	150	150

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Services			
Other Current Expenses	12,000	15,875	15,875
Fixed Assets	3,500	3,500	3,500
Total	106,768	99,446	115,361
No. of Employees	5	4	5

The Revised Budget as submitted provides for four employees in the Office of the Secretary. However, during the budget hearing the Assistant Secretary for the former Economic Planning and Statistics Unit of the Department of Economic Development observed that with the removal of that Unit to the new Office of SBOC, the Department of Resources and Development would be left without a much needed Computer System Manager. He requested that the Committee approve a fifth position within the Office of the Secretary at pay level 36-2 and add \$15,895 to the Personnel appropriation for the Department. The Committee concurs with that request and also approves the remainder of the recommended appropriations for the Office of the Secretary.

I (b) . Division of Tourism

	FY 2007 Appropriations	FY 2008 Request	Committee Recommends
Personnel	15,894	36,822	36,822
Travel	0	7,948	7,948
Contractual Services	0	0	-0-
Other Current Expenses	0	9,800	9,800
Fixed Assets	0	1,500	1,500
Total	15,894	56,070	56,070
No. of Employees	1	2	2

No comparisons exist between the FY07 appropriations shown above and the FY08 proposed budget for this new Division. The budget proposes

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two employees, one designated as an "assistant secretary" and the other a continuation of the "program manager" which was the only position previously devoted to tourism. The previous FY08 budget lumped all "unit" travel and OCE under the line items for the Assistant Secretary such that no comparison exists between FY07 and FY08 for those categories, either.

To the extent the elevation of the tourism office from a Unit to a Division reflects a new emphasis on this priority sector of the Strategic Development Plan, this Committee approves and will be looking for progress in the development of the tourism industry in the FSM in the near future. Your Committee recommends approval of the budget requests as submitted for this new Division.

I(c). Division of Marine Resources

	FY 2007 Appropriations	FY 2008 Request	Committee Recommends
Personnel	55,236	55,236	55,236
Travel	8,714	14,184	14,184
Contractual Services	0	0	0
Other Current Expenses	44,950	11,858	11,858
Fixed Assets	1,500	0	0
Total	110,400	81,278	81,278
No. of Employees	4	4	4

Like with the Tourism Division, no meaningful comparisons exist between the numbers shown as "FY 2007 Appropriations" and the revised budget request for this newly structured Division. The former assistant secretary from the former Resources Management & Development Unit and clerical staff move into similar positions in the new Division. The Program Manager for Fisheries and the "Fish. Management Consvr. 0" positions are moved over from the former "Marine Resources Unit." It is noted that the pay grades for those positions as shown in the Revised Budget are reversed and the Project Manager should be shown as 38/1. The Fisheries Management Conservation position should be shown as pay grade 30/1. This latter position was shown as vacant in the FY07 budget book and continues to be vacant.

The Committee recommends approval of the amounts shown.

I(d). Division of Agriculture

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	FY 2007 Appropriations	FY 2008 Request	Committee Recommends
Personnel	210,643	211,777	211,777
Travel	0	7,462	7,462
Contractual Services	2,000	0	0
Other Current Expenses	0	35,700	35,700
Fixed Assets	0	0	0
Total	212,643	254,939	254,939
No. of Employees	15	15	15

The new "Division of Agriculture" is the former "Agricultural Unit" of the former Resources Management & Development Division of the Economic Affairs Department. As was true for FY07, the proposed budget for personnel includes \$45,000 for overtime. The increase for personnel in the revised budget comes from an increase to the salary of the "Program Manager." The revised budget proposes an increase for that position only. All of the others remain unchanged. All fifteen positions were shown as filled in the original FY08 budget but the revised shows one as vacant. Most of the positions in this Division are quarantine officers.

The travel and OCE requests for the former "unit" were lumped together with other Units under the Assistant Secretary's budget in FY07 such that a comparison to the FY08 travel request for this Division should not be made. The travel request is for two trips by the program manager to all states. The Committee recommends approval of the amounts shown.

I(e). Division of Trade and Investment

	FY 2007 Appropriations	FY 2008 Request	Committee Recommends
Personnel	68,068	39,861	39,861
Travel	24,912	12,007	12,007
Contractual Services	50,125	0	0
Other Current Expenses	14,050	15,000	15,000
Fixed Assets	3,500	2,700	2,700
Total	160,655	69,568	69,568

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No. of Employees	4	2	2
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This new Division is a reorganized left over from the previous Division of Trade and Commerce. It will include two employment positions, a "DAS for Trade" and a "DAS for Commerce." The DAS (Deputy Assistant Secretary) for Trade was previously the only employee of the Trade Unit and the DAS for Commerce the only employee of the Commerce Unit. The Commerce position is currently shown as vacant. Although the Revised Budget shows the second position as "DAS for Commerce", in reality the position should be labeled "DAS for Investment." The remaining two employees of the old Trade and Commerce" move over to the new "Division of Energy" created by the reorganization. The \$50,125 contract expense that appeared in the original budget as a second year appropriation for an "energy advisor" has been transferred to the Division of Energy in the revised budget below.

I(f). Division of Energy

	FY 2007 Appropriations	FY 2008 Request	Committee Recommends
Personnel	0	29,409	29,409
Travel	0	5,000	5,000
Contractual Services	0	50,125	50,125
Other Current Expenses	0	3,750	3,750
Fixed Assets	0	0	0
Total	0	88,284	88,284
No. of Employees	0	2	2

This Division is totally new and will be staffed by two employees formerly with the Division of Trade and Commerce, Maderson Ramon as Assistant Secretary and Merwine Semes Secretary II.

The contractual services request is for an "Energy Advisor" and \$125 worth of subscriptions. No request is made for "Fixed Assets."

In last years hearing report, SCR 14-116, it was noted that \$10,000 had been appropriated 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 of Economic Affairs or his designee failed to submit any findings.

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During this Committee's hearing it was stated that the primary function of this new Division will be the identification and development of alternate energy sources to reduce the nation's reliance on fossil fuels. Your Committee expects this new Division to be aggressive in that pursuit and to be more responsive to requests of Congress for reports on its progress.

It was also noted in SCR 14-116 approved one year ago that the European Union had made certain funds available to the FSM to install and operate alternative energy systems. That report urged that this Division take every step necessary to make appropriate use of that and all other available funding.

II. NATIONAL OCEANIC RESOURCE MANAGEMENT AUTHORITY

	FY 2007 Appropriations	FY 2008 Request/Pres. Rec.	Committee Recommends
Personnel	192,506	193,207	193,207
Travel	75,000	88,623/45,000	60,000
Contractual Services	71,700	73,700/66,900	66,900
Other Current Expenses	38,400	40,500	40,500
Fixed Assets	0	0	-0-
Total	377,607	396,030/345,607	360,607
No. of Employees	11	11	11

The fisheries biologist position shown as vacant for FY07 remains vacant. The salary request for that position is increased from the \$37,450 proposed in FY07 to \$38,150 for FY08. The "leased housing" appropriation for that position, however, is discontinued under Contract Services. The Executive Director described the challenges NORMA has faced in attempting to fill that position with a local person and observed that a housing allowance may become necessary to attract a candidate from outside the FSM. The Director's statements about the need of the Authority for additional office space and resources were also noted by the Committee as a subject for future consideration.

The Travel allowance requested by NORMA for FY08 totaled \$88,623. The EBRC's recommendation reduces that amount by nearly 50% based on a

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"10% Cut" justification which somehow had the effect of reducing the \$75,000 appropriation from FY07 to \$45,000 for FY08.

"Strategic Goal LS2" is to maximize economic benefit from pelagic resources to FSM. Activities include "negotiate, conclude and implement fisheries access agreements." It should be noted that some of the travel that was cut was justified to "Seek new fishing Interest." While your Committee recommends the Travel appropriation be increased to \$60,000, it encourages study of the potential financial benefit that may be derived from an increased allowance in the future for marketing or off island fisheries negotiations. Further, it cautions NORMA to conduct its fisheries negotiations locally wherever possible.

"Outputs" listed for NORMA in the FY08 Budget Book included "11 million in revenue annually" and "600 licenses issued." The outputs are the same as the prior year's. It appeared from testimony at the Committee's budget hearing on September 12 that the FY07 projections for fisheries revenues will be exceeded by actual revenues. Your Chairman cautioned, however, that NORMA should not become satisfied with the status quo and must always be looking for ways to improve its operations and functions since the Nation relies so heavily on its tuna resources.

Your Committee agrees with the recommended FY 2008 budget for NORMA.

III. COCONUT DEVELOPMENT AUTHORITY

	FY 2007 Appropriations	FY 2008 Request/Pres. Rec.	Committee Recommends
Personnel	67,721	70,043/67,723	70,043
Travel	5,000	16,416/9,422	9,422
Contractual Services	6,000	6,000/-0-	6,000
Other Current Expenses	10,000	10,000	10,000
Fixed Assets	0	2,500/1,577	1,577
Total	88,721	104,959/88,722	97,042
No. of Employees	4	4	4

Your Committee agrees with the Proposed budget for the CDA with the exception of the EBRC recommendation for Personnel. The amount

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requested by CDA was based on actual salaries paid plus benefits computed at 11.5% whereas the EBRC uses a 9% allowance. The Committee recommends that the actual costs of salaries plus benefits of the CDA be appropriated. It also recommends that the Contractual Services appropriation of \$6,000 be reinstated in the FY08 Budget.

From the two lengthy hearings with the CDA held by your Committee, it is clear there is very strong interest within Congress in developing copra production as a source of revenue for the people of the outer islands and well as the main islands of the FSM. The use of coconut oil as a fuel for in vehicles in electrical generation has great potential and its use in the production of many other consumer products is well documented.

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 fully financially independent. However, your Committee continues to caution that the Authority should not assume that the National Government will continue to provide funding indefinitely into the future.

IV. FSM BANKING BOARD

	FY 2007 Appropriations	FY 2008 Request/Pres. Rec.	Committee Recommends
Personnel	89,104	102,216/94,953	99,313
Travel	39,400	37,497/18,095	22,513
Contractual Services	52,061	68,100	68,100
Other Current Expenses	17,996	32,490/17,996	17,996
Fixed Assets	20,645	12,000	12,000
Total	219,206	252,303/211/144	219,992
No. of Employees	4	4	4

The original appropriations for FY07 for the Banking Board were modified during the Sixth Special Session of the Fourteenth Congress to accommodate the newly created Insurance Examiner position. FY08 includes a full year salary of \$23,399 for that position. The difference between the proposed personnel budget and the EBRC recommendation is the elimination of proposed increases in the

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salaries for the Banking Commissioner and the vacant secretary position. Your Committee recommends the increase to the salary of the Commissioner in the amount of \$4,360.

The Contractual Services recommendation includes \$50,000 for an insurance advisor to aid in implementing the new responsibility of this office for regulation of insurance.

The requested travel allowance amount of \$37,497 was cut by more than 50% in the EBRC recommendation with no guidance as to which travel was not approved. The "justification" was "10% cut" however the original appropriation for FY07 was \$30,200 and a 10% reduction of that amount would have still left almost \$27,000. While your Committee is in full agreement with the restriction of unnecessary travel, it notes that the recommended amount for Travel for this office is not even sufficient to cover domestic travel required of its examiners. Your Committee recommends approval of the full amount shown in the Budget Book for domestic travel of \$22,513.

Your Committee agrees with the recommended budget for FY 2008 for the FSM Banking Board with the exception of the allowance for Travel.

V. NATIONAL FISHERIES CORPORATION (NFC)

	FY 2007 Appropriations	FY 2008 Request/Pres. Rec.	Committee Recommends
Contractual Services PL. No. 14-21 amendment	100,000	150,000/100,000	135,000
Other Current Expenses	0	0	0
Total	100,000	150,000/100,000	135,000

Your Committee has held a number of oversight and budget hearings with the NFC since May, 2007. It is also mindful of the Special Committee Report on Fisheries dated February 21, 2007 in which an interim two year plan for reorganization and restructuring was presented by NFC.

There is no question that the NFC is struggling to meet its financial obligations. During the September 12 budget hearing the CEO described how it was necessary to sell off inventory and equipment over the past year to overcome the reduced FY07 appropriation. He testified that the minimum necessary to enable NFC to meet its FY08 obligations would

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be \$132,000. Your Committee recommends \$135,000 be appropriated to subsidize the FY08 operations of the NFC.

In S.C.R. No. 14-116 the Committee commented that FY07 would be the last funding for NFC and the Corporation should not assume that further funding would not be made available in the future. In addition, the Committee urged the NFC to take all steps necessary to collect the significant debts that were outstanding at that time. This Committee notes that efforts are being made to collect some of the accounts owed to NFC and that at least one significant lawsuit is pending before the FSM Supreme Court. The Committee is aware that such it does take a substantial amount of time to process lawsuits through the court system and for that reason does recommend approval of the funding for FY08. Despite its recommendation, however, this Committee gives notice that continued funding by the National Government should not be anticipated by management of NFC.

VI. AQUACULTURE CENTER

	FY 2007 Appropriations	FY 2008 Request/Pres. Rec.	Committee Recommends
Personnel	38,617	38,617	38,617
Travel	8,802	8,802	8,802
Contractual Services	9,474	9,474	9,474
Other Current Expenses	22,389	22,389	22,389
Fixed Assets	0	0	-0-
Total	79,282	79,282	79,282
No. of Employees	4	4	4

Your Committee notes that the SCRs for the FY 2005, FY 2006 and FY07 budget requested that the Department prepare a report detailing the feasibility of operating this center as an independent agency, originally beginning in FY 2007. This report has not been forthcoming. In S.C.R. No. 14-116 this Committee expressly stated, it would not recommend any further funding without having had an opportunity to consider the report requested. Nonetheless, because of the transition caused by a new national Administration and the recent reorganization, this Committee has decided to recommend one more year of funding for the Aquaculture Center as set out above.

VII. GRANTS, SUBSIDIES & CONTRIBUTIONS

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	FY 2007 Appropriation	FY 2008 Proposed	Committee Recommends
R & D Contributions			
a. Pacific Island Development Program (PIDP)	15,000	15,000	15,000
b. Forum Fisheries Agency (FAA)	21,000	21,000	21,000
c. United Nations Development Program (UNDP)	3,000	3,000	3,000
d. Coordinating Committee for Offshore Mineral Prospecting	40,000	15,000	15,000
e. Pacific Asian Travel Association (PATA)	5,000	5,000	5,000
f. UN Environmental Protection	600	600	600
g. Western Forestry Leadership Coalition	500	500	500
h. Seaframe Project	0	0	-0-
i. Food Agriculture Program (FAO)	4,700	4,700	4,700
j. UN Framework Convention on Climate Change	250	250	250
k. National Association of State Foresters	0	500	500
l. National Speech Contest	0	15,000	15,000
m. FAO/TCP Matching	34,500	34,508	34,508
n. Matching to SPC Projects	60,000	60,000	60,000
Total R&D Contributions	184,050	175,058	175,058
R&D - Grants			
a. Quarantine Services Improvement Project (New)		50,000	50,000
b. 2 nd National Environmental Conference (New)		13,558	13,558
c. 18 th SPREP Annual Meeting (New)		70,000	70,000
e. Tourism Activities	50,000	0	-0-
f. National Maritime Boundry Del.	43,500	0	-0-
Total R&D Grants	93,500	133,558	133,558

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COCONUT DEVELOPMENT AUTHORITY GRANTS, CONTRIBUTIONS & Subsidies			
a. Copra Subsidy	50,000	50,000	50,000
b. Pilot Plant Projects	49,300	0	-0-
c. Asia Pacific Coconut Community	15,000	15,500	15,500
Total Coconut Dev. Auth.	114,300	65,500	65,500
TOTAL GRANTS, CONTRIBUTIONS, SUBSIDIES, COCONUT AUTHORITY	391,850	374,116	374,116

One year ago the R&D Committee in its Budget S.C.R No. 14-116 requested the Coconut Development Authority to work with the Department and the States to plan for transitioning out of instead of relying on National Government Subsidies. During the budget hearing on September 14, 2007 the CDA Operations Manager testified that the CDA has not purchased copra for approximately two years and that there was a balance of around \$70,000 in the subsidy account. During the oversight hearing held in May, it was represented that the balance was around \$90,000. It is noted that \$125,000 in subsidies were appropriated during the past two years. It does not currently appear that past appropriations have been effectively used to enhance the price received by producers. Despite this Committee's strong commitment to the development of copra production within the FSM, it will not recommend future subsidies without a full accounting of the past usage of subsidies and a detailed plan for future use. Nonetheless, it recommends a continuation of the FY07 funding level for FY08.

During the budget hearing the Acting Secretary described the purposes for the "18th SPREP Annual Meeting" grant. He stated that the actual need for hosting the conference in the FSM would be more like \$150,000 since there would be costs for providing transportation to foreign ministers and for hosting receptions. He stated that the meeting would have to be held in Pohnpei due to the availability of auditoriums and conference rooms large enough to accommodate the large number of people in attendance. The difference between the \$150,000 and the \$70,000 is the difference between hosting the conference at another location and hosting it within the FSM. The Committee

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expressed its support for the project and indicated it would consider supplemental appropriations should the need occur.

With the exception of the Copra Subsidy discussed above, your Committee recommends approval of the grants, subsidies and contributions listed above for FY 2008, in the adjusted amount of \$324,116 in the recommended amounts.

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VIII. CAPITAL & HUMAN RESOURCES DEVELOPMENT BUDGET

	FY 2007 Appropriation	FY 2008 Request	Committee Recommends
a. FSM Visitors' Bureau	100,000	100,000	-0-
b. Crop Production Improvement Program	15,000	15,000	-0-
c. FSM Trade & FDI Promotion	75,000	0	-0-
d. Diversification of Energy Resources	125,000	75,000	-0-
e. FSM Promotion of Micronesian Owned Businesses - New		50,000	-0-
f. Capacity Building for Trade Policy Formulation Negotiation and Implementation - New		40,000	-0-
g. Privatization of Public Enterprises & Corporate Governance Reform - New		50,000	-0-
h. Development of Fisheries Statistics - New		100,000	-0-
i. Economic Policy & Econ. Statistic Cap. Bldg. - New		80,000	-0-
j. FSM Strategic Plan Update		175,000	-0-
Total Capital & Hum. Res.		<u>685,000</u>	

Section 103 of the FSM Financial Management Act provides that the annual Budget "shall" contain a "development budget." The Budget must provide "details of all development **programs** and **projects** to be funded or undertaken by the National Government", relating such programs and projects to specific development goals and objectives set forth in the Development Plan of the FSM. Strategic Development Plan references were provided for only two of the requested program or project appropriations. Further, the Budget Book totally fails to provide "details" of the proposed projects and programs for which funding is sought.

S.C.R. No. 14-47 relating to the 2006 Budget request stated, "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. Your Committee therefore recommends an appropriation of \$50,000 now and undertakes to consider a further appropriation once the plan is available.

STANDING COMMITTEE REPORT NO. _____

RE: P.C. NO. 15-55/R&D

SUBJECT: FY 2008 BUDGET

SEPTEMBER _____, 2007

S.C.R. No. 14-116 relating to the 2007 Budget stated, "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."

This Committee is equally disappointed at the lack of a plan and details of how the proposed grant is to be used. It will not recommend any further funding for this purpose until Congress has received a detailed plan for tourism promotion and also an itemization of how the requested funds will be spent to promote that plan. It recommends that further consideration of this grant be deferred until such time as the requested information has been provided.

The law requires that the annual Budget contain a "development budget." The Budget must provide "details of all development **programs** and **projects** to be funded or undertaken by the National Government" relating such programs and projects to specific development goals and objectives set forth in the Development Plan of the FSM. 55 FSMC 103.

Neither the original FY08 Budget Book nor the Revised FY08 Budget Book provided details of any of the projects or programs as required by 55 FSMC 103. During the budget hearing, the witnesses were unable to provide any information other than appears in the "Mission, Goals and Activities" portion of the budget. Because this Committee was not presented with the information it needs to evaluate the Capital and Human Resource projects and programs listed for Resources and Development, it declines to recommend approval until such information is provided in writing. Witnesses were informed that if any of the requests were of such urgency that they must be taken up before the January Regular Session, the written details must be received by the Committee no later than Thursday, September 20.

For guidance, this Committee notes that the Capital & Human Resources Development section of the Budget is not to be used as a device to avoid the line item requirement of the "operations" budget and obtain unrestricted funding for use by Executive Departments or Divisions. As an example, newly proposed request for the promotion of Micronesian owned businesses, services and products is a Strategic Development Plan goal as recognized by LS1008 of the budget book but no specific activities are listed to justify the \$50,000 request. More information is needed to determine if this is, in fact, a separate "project" or merely extra funding for an operational activity of the department.

IX Office of Environment and Emergency Management (EEM)

STANDING COMMITTEE REPORT NO. _____

RE: P.C. NO. 15-55/R&D

SUBJECT: FY 2008 BUDGET

SEPTEMBER _____, 2007

	FY 2007 Appropriations**	FY 2008 Request/Pres. Rec.	Committee Recommends
Personnel	77,898	67,521	67,521
Travel	6,322	15,828	15,828
Contractual Services	1,678	0	0
Other Current Expenses	0	7,673	7,673
Fixed Assets	0	0	0
Total	85,898	91,022	91,022
No. of Employees	4	4	4

** The numbers shown for FY07 are as provided in the President's Revised Budget Book and are of little use for comparison. For example, the salaries shown for the four employees proposed for the new Office listed in the previous Budget Book are exactly the same as their FY07 salaries prior to Reorganization. There is no explanation as to why the amount shown for FY07 is over \$10,000 higher than the proposed amount for FY08.

There appears to be confusion within the Executive Branch concerning the scope of the mission of this new Office and the resulting size. Unless or until some logic is provided, Proposed Budget for this new Office is misleading and/or meaningless. In some communications and testimony it was represented that the new Office would contain a Division of Environmental Health however the revised budget for the Environmental Health Services Unit is shown with the "Department of Health and Social Services" at page 160.

It is assumed by the Committee that the Revised Budget for EEM represents the President's recommendation. Without further information, the Committee recommends approval of the line items for this new Office as set forth above.

CONCLUSION

The overall proposed budget for your Committee on Resources and Development is **\$2,022,561** exclusive of funding for Capital and Human Resources programs or projects. That amount includes \$665,500 for the Department of Resources and Development, \$891,923 for Agencies and

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RE: P.C. NO. 15-55/R&D

SUBJECT: FY 2008 BUDGET

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Authorities, \$374,116 for Grants, Contributions and Subsidies and \$91,022 for the Office of Environment and Emergency Management.

Your Committee on Resources and Development has reviewed the proposed FY 2008 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 this Committee's recommendation for funding for the designated activity, program or project for all of fiscal year 2008.

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/ Dion G. Neth
Dion G. Neth, chairman

/s/ Setiro Paul
Setiro Paul, vice chairman

/s/ Resio S. Moses
Resio S. Moses, member

/s/ Peter Sitan
Peter Sitan, member

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

/s/ Joseph J. Urusemal
Joseph J. Urusemal, member

/s/ Paliknoa K. Welly
Paliknoa K. Welly, member