

STANDING COMMITTEE REPORT NO. 15-141

RE: P.C. NO. 15-170/HESA

SUBJECT: FY 2009 BUDGET

SEPTEMBER 19, 2008

The Honorable Isaac V. Figir
Speaker, Fifteenth Congress
Federated States of Micronesia
Fifth Regular Session, 2008

Dear Mr. Speaker:

Your Committee on Health, Education and Social Affairs, to which was jointly referred the National Government's proposed FY 2009 budget, begs leave to report as follows:

Presidential Communication No. 15-170 concerns the National Government's proposed budget for fiscal year 2009 as set forth in the *National Government Fiscal Year 2009 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:

Department of Health & Social Affairs

- a. National Board of Nursing;
- b. FSM Red Cross;
- c. UN Fund for Population Activity;
- d. World Health Organization;
- e. FSM Amateur Sports Association;
- f. Pacific Islands Health Officer Associations;
- g. Association of Territorial Health Organization;

Department of Education

- h. Aid to non-public schools;
- i. Financial Assistance for Students studying at CMI and PCC;
- j. National Close-up Local Program;
- k. COM Annual Board Meeting;
- l. National Scholarship Fund;

Office of National Archives, Culture & Historic Preservation

- m. UNESCO membership fee;
- n. NCSHPO;

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- o. PARBICA;
- p. PIALA;
- q. WHC membership;

Other Grants

- r. COM treaty obligations;
- s. MiCare.

- 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 15-170 was submitted on April 1, 2008, as required by subsection 103(3) of Title 55 of the Code of the Federated States of Micronesia.

Department of Health and Social Affairs

Your committee would first like to thank the new Secretary of the Department, Dr. Vita Akapito-Skilling, on her efforts to date to improve the administration of health and social affairs in the FSM. We particularly would like to express our appreciation for her efforts to promote physical exercise among national government employees.

Your committee asks Secretary Akapito-Skilling to continue to use her experience in health, particularly in the State of Kosrae, to improve the working relationships of the Department with the health services departments in each of our four states. On its own behalf, your committee reiterates its commitment to working with the Department toward measurable improvement in the areas of health and social affairs in the FSM.

Your committee is keenly interested over the next three years in working toward improvement on the 14 areas identified on the FSM-wide Performance Measure. In addition, your committee requests the Department to consider implementing programs with the specific goal of

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reducing the use of illegal drugs and tobacco, and other unhealthy practices, especially among our youth.

Your committee requests that the Department keep us informed of its programs, including providing summary reports on progress, problems, accomplishments and needs. These reports should include semiannual expenditure reports on the status of funds appropriated for fiscal year operations. Your committee notes that this same request was part of the FY 2008 budget committee report although, to date, we have not received any such report. If this pattern continues in FY 2009, your committee will be forced to take remedial action.

Department of Education

Your committee congratulates Secretary Shoniber on his appointment and encourages him to use his eight years of experience as the Pohnpei State Director of Education to improve relations between the Department and its state counterparts, especially to improve school facilities and programs. We are committed to working with the Department to improve education in the nation.

Your committee encourages the Department to emphasize its program work rather than recurring operations costs. We also ask the Department to use the performance report of fiscal year 2007 as a guide to implement the five goals for education set in the FSM Strategic Development Plan. The Department is also encouraged to use performance measurement with the 21 identified indicators of progress to help monitor our progress in education.

More timely visits to schools throughout the nation and reports on visits to appropriate state and national officials on needs, problems and accomplishments are also recommended. Your committee asks the Department to establish good coordination and monitoring with all four departments of education in the nation to enhance the quality of education.

In the next three years, your committee wishes to work with the Department to improve the system of education in the nation. Your committee requests that the Department provide progress reports on the status of improvement made in education relating to facilities, quality of instruction and students' learning, among others.

General Comments

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Your committee encourages and supports both the Department of Health and Social Affairs and the Department of Education in their difficult work of setting National standards and coordinating with their counterparts in the four States to insure that they achieve those standards for the benefit of all FSM citizens. Your committee would note, however, that the majority of the funding that both departments receive is sent out to the four States. It is the States that have the primary responsibility for utilizing these funds and implementing programs to improve conditions in health and education within their given State.

The National Departments should be hesitant, therefore, to re-program its own limited funding to assist the States in carrying out their mandates, especially in light of the large carry-over amounts in the Compact health and education sector grants available to the States. Rather, the National Departments should evaluate and set standards and then coordinate and facilitate programs and projects funded by the States.

DISCUSSION OF THE FY 2009 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 2009 budget. This is because Congress has already provisionally accepted the portion of the FY 2009 budget that relates to Compact revenues by approving its submission to JEMCO, through SCRs 15-124 and 15-125 and C.R. 15-133.

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 2008, along with any supplemental appropriations, the amount requested by each entity for FY 2009, as listed in the "2009 proposed" column in the Budget Book, and the total amount recommended by your Committee for FY 2009.

Department of Health and Social Affairs

This Department intends to fund the bulk of its 2009 budget with Compact health sector grant funds (\$789,831) and U.S. Federal Health Program funding (\$2,804,069), as well as external grants (\$577,000). Your committee notes that U.S. Federal Health Program funding and the external grant amounts are not included in the budget bill.

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The Office of the Secretary of the Department of Health and Social Affairs proposes a budget of \$171,138 that combines health sector grant funds and domestic revenue. The Budget Book does not allow for an identification of the proposed source of funding for each line item. An update received from the Office of Statistics, Budget, Overseas Development Assistance and Compact Management after publication of the Budget Book provides this information. The Office of the Secretary proposes to use \$89,251 in Compact health sector grants and **\$81,887** in domestic revenue. The proposed breakdown of domestic revenue for the Office of the Secretary is as follows:

Personnel	\$40,000
Travel	\$37,147
Contractual Services	\$ 3,000
OCE	\$ 1,740

The Division of Health proposes a budget of \$700,581 in Compact health sector grant funds. The Division of Health is made up of two sections. Health Systems Support proposes a budget of \$494,321 and Environmental Health Services proposes a budget of \$206,260, all in health sector grant funds.

The Budget Book identifies domestic revenues as providing the whole of the 2009 funding request for the Division of Social Affairs in the amount of **\$124,331**. This is proposed to provide \$43,320 for the National Women's Interest Unit and \$81,011 for the Sport and Youth Unit.

Accordingly, the total 2009 domestic revenue budget request for the Department of Health and Social Affairs is **\$206,218**.

Department of Education

According to the Budget Book, this Department intends to fund the bulk of its 2009 budget with Compact education sector grant funds (\$638,225) and supplemental education grant (SEG) funds (\$1,179,133 - which includes \$684,107 for COM-FSM).

The Office of the Secretary of the Department of Education proposes a budget of \$94,393. Of this amount, \$28,340 is proposed to come from domestic revenue, \$35,231 from education sector grants and \$30,822 from program funds from the United States Department of Education.

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The Budget Book does not allow for an identification of the proposed source of funding for each line item. An update received from the Office of Statistics, Budget, Overseas Development Assistance and Compact Management after publication of the Budget Book provides this information. The **\$28,340** in domestic revenue is requested for the compensation of the Secretary of the Department.

To reflect the fact that the Congress does not appropriate the funds for the US DOE programs, your committee recommends the appropriation for the Office of the Secretary be reduced by the \$30,822 provided by these programs. The items that will be reduced are \$21,000 of fixed assets, \$4,500 of OCE, and \$5,322 of travel. These items of the budget are approved for funding from DOE programs.

Education System Support proposes a budget of \$349,321 in Compact education sector grant funds. Vocational Manpower proposes a budget of \$253,673, also funded by Compact education sector grant funds.

Office of Archives, Culture and Historic Preservation

The total budget request for FY 2009 of the Office of Archives, Culture and Historic Preservation is \$219,363. Of this request **\$188,941** is proposed to come from domestic revenue and the remaining \$30,422 is identified as "US Federal Assistance" for historic preservations at page 417 of the Budget Book.

Your committee notes that no request for the operating budget for this office is contained in the budget bill transmitted from the Executive Branch and therefore your committee requests that the Committee on Ways and Means amend the budget bill to add the amount approved by this committee (as detailed below) for operations of this office.

College of Micronesia

The proposed Operations-General Fund is \$3,800,000 from the Compact education sector grant. \$2,433,878 is requested from the infrastructure grant for campuses. In domestic revenue, COM-FSM proposes a budget of **\$655,110** for the Fisheries and Maritime Institute, located in Yap. The COM Board of Regents requests a budget of **\$60,000** from domestic revenue.

Grants and Contributions

The total requested for grants and contributions in areas within the jurisdiction of your committee total **\$990,014**, all proposed to come from domestic revenue.

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Total Domestic Request

The entire FY 2009 HESA request for domestic funding, including its agencies and other entities (i.e. the College of Micronesia), is **\$2,068,623**. Compared with \$1,800,983 for FY 2008, the FY 2008 HESA budget shows an increased request for funding from domestic revenues in the amount of \$267,640.

DISCUSSION OF JEMCO RESOLUTION

At the Micronesian Legislative Conference, members of your committee became aware of the three resolutions passed by JEMCO on August 29, 2008. Resolution 2008-02 relates to the FY2009 Sector Grant Allocations.

From the documents provided, it appears to your committee that the Office of Insular Affairs had recommended increases of \$2,943,613 to the proposed health sector grants of the four state governments and agreed with the FSM National request, without change, in its memorandum of August 14, 2008. JEMCO subsequently indicated a smaller increase of \$1,947,620 over the total requested by the five governments (\$995,993 less than the OIA recommendations). Presumably, JEMCO approved the FSM National portion of the health sector grant without increasing or decreasing the total.

From the portion of the August 14, 2008 memorandum that was provided to the attendees at the Legislative Conference, it appears that the only impact on the FSM National Government health sector grant is the authorization of a reprogramming of \$18,729 from personnel in Administration (Office of the Secretary) to Health Systems Support, so that the non-communicable disease STEPS survey currently underway in Yap and Kosrae may be completed. Your Committee notes this reprogramming will not affect the total amount to be appropriated for the Department in the Budget Bill, but will be reflected in a redistribution of the amount of \$18,729 from personnel to OCE (your committee will assume the increase should be to OCE in the absence of any other information provided) within the Department of Health and Social Affairs.

Your committee also notes that JEMCO Resolution 2008-02 indicates an education sector grant of \$29,013,338 for the five governments of the FSM. When this is compared to the amounts for each of the five governments, as shown in the August 14, 2008 OIA memorandum of \$29,867,6094, it reflects a reduction of \$854,271, although it is

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unclear if this reduction is from the five governments' proposal or from their proposal as subsequently adjusted by OIA.

In OIA's memo, notes are given regarding changes to each of the five government's proposed education sector grant. The notes on proposed changes to the FSM National Department of Education's education sector grant are indecipherable to your committee, as the changes are not referencing the Budget Book or the sector grant request amount approved by Congressional resolution. Your committee can only assume that subsequent budget manipulation and adjustment resulted from meetings between other parties.

Your committee is assuming that, similar to the health sector grant, none of the JEMCO reduction to the OIA memo numbers pertains to the FSM National government. Your committee notes that August 14, 2008 memorandum identifies only \$603,426 in Compact education sector grants for the Department. The difference between the amount expected in the Budget Book and this amount is \$34,799. The reason for this difference is not entirely clear to your Committee, but in order to insure that Congress does not appropriate more than the available education sector grant, your committee recommends reducing the Department's budget for this small reduction in the education sector grant. Because the education sector grant was to fund \$200,000 of contractual services in the Education System Support area, your committee recommends making the necessary reduction in this line item.

Because of time constrains and the lack of information forthcoming, your committee has taken the approach of reviewing, revising and approving the budget as provided in the Budget Book, while making the adjustments that it can discern and reconcile to the Budget Book. Other changes within the education sector grant (from fixed assets to contractual services for example) that do not affect the overall amount of education sector grant available for appropriation have been ignored for the time being, as they cannot readily be tracked to the Budget Book.

Your committee is confident that given more time, the Budget Office will be able to gather the required information to properly reflect the changes recommended by the OIA and JEMCO.

Your committee respectfully defers to the Committee on Ways and Means to make further adjustments to HESA's budget, in consultation with the HESA Committee as information is received.

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1. DEPARTMENT OF HEALTH AND SOCIAL AFFAIRS

With regard to Personnel, your committee requests the Department to assess the number of its current positions, with a view to reducing this number, resulting in a more efficient and streamlined department.

Office of the Secretary (Domestic Revenue only)

	FY 2008 Appropriations	FY 2009 Request	Committee Recommends
Total	\$74,996	\$81,887	\$81,887
Personnel	39,250	40,000	40,000
Travel	31,146	37,147	37,147
Contract	3,000	3,000	3,000
OCE	1,600	1,740	1,740
Fixed Assets	0	0	0

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

Division of Social Affairs (all Domestic Revenue)

	FY 2008 Appropriations	FY 2009 Request	Committee Recommends
Total	\$124,331	\$124,331	\$119,031
Personnel	65,843	65,843	65,843
Travel	28,603	28,603	28,603

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OCE	18,000	18,000	18,000
Fixed Assets	2,000	2,000	0

Your Committee has considered the proposed FY 2009 budget of the Division of Social Affairs and recommends the proposed budget for the National Women's Interest Unit from domestic revenues in the amount of \$43,320. This is the same amount appropriated in FY 2008 for this unit and the committee approves this amount.

With regard to the proposed budget for the Sport and Youth Unit, your committee recommends approval, with the exception of the Contract Services budget. Here, your committee recommends approval only of the \$5,085 requested for "Contractual Services", and the \$1,500 requested for membership fee in the Pacific Youth Council. Your committee does not recommend approval of the \$3,300 requested for "Membership Dues".

Further, the Sport and Youth Unit requests \$2,000, under Fixed Assets, for a computer. Your committee notes that this same amount was appropriated in FY 2008 for the same purpose. Accordingly, your committee does not recommend approval of this amount in FY 2009.

2. DEPARTMENT OF EDUCATION

Office of the Secretary (Domestic Revenue only)

	FY 2008 Appropriations	FY 2009 Request	Committee Recommends
Total	\$28,340	\$28,340	\$28,340
Personnel	28,340	28,340	28,340
Travel	-	-	-
Contract	-	-	-
OCE	-	-	-
Fixed Assets	-	-	-

Your committee notes that the Department of Education proposes to be predominately funded through Compact education sector grants (\$638,225 Budget Book - revised to \$603,426) and United States Department of Education program grants (\$607,345), as well as through supplemental education grants (\$1,179,133 - which includes \$684,107 for COM-FSM). Domestic revenue is requested only for the salary of the Secretary, in the amount of \$28,340. Your committee recommends approval of this amount.

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Further, your committee notes the Office of the Secretary of the Department of Education is requesting the creation of two new positions under Personnel, an Executive Secretary and a "Fiscal Management Specialist". At your committee's budget hearing with representatives of the Department in May 2008, the Department justified the creation of these new positions by referring to the recent Executive reorganization that split the former Department of Health, Education and Social Affairs into two separate departments. Department representatives stated that, now that the education function is its own department, its Office of the Secretary requires new staff.

In response, your committee refers to the committee report that recommended approval of the reorganization plan in July 2007, SCR No. 15-20. Throughout the report, a concern for the cost of the reorganization plan is repeatedly expressed. The projected cost of the entire reorganization, and not only the separation of the education and health functions, was originally estimated at \$42,000 and later raised to \$52,195. This was recommended for approval by your committee on Judiciary and Governmental Operations.

Your committee agrees with the recommendations regarding the reorganization expressed by your committee on J&Go and so does not recommend approval of the proposed two new positions in the Department of Education's Office of the Secretary.

Your committee is not blind to the fact that the Office of the Secretary will require a budget in order to carry out its work. The original understanding of the reorganization plan, as set out in SCR 15-20, was that the executive would reprogram funds to provide adequate budgets for all of its entities, and thereby not increase the overall cost to the national government of the reorganization. Your committee has confidence that the executive will keep its promises with regard to the reorganization plan and that the plan will not require any further increases in the budget.

3. OFFICE OF ARCHIVES, CULTURE AND HISTORIC PRESERVATION

	FY 2008 Appropriations	FY 2009 Request	Committee Recommends
Total	112,797	\$188,941	\$133,685
Personnel	84,797	120,068	100,190
Travel	10,000	35,378	15,000

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Contract	0	0	5,000
OCE	10,000	12,000	12,000
Fixed Assets	8,000	21,495	1,495

This Office was formerly a unit within the Division of Social Affairs. As part of the reorganization in FY 2008, it was made into an office. Again, the executive promised that no cost increases would result from the expansion of this function into an office.

Your committee notes the proposed budget from the Office of National Archives, Culture and Historic Preservation is almost double its FY 2008 budget. The Office proposes the creation of five new positions, in addition to the five positions that exist at the outset of FY 2008. Your committee notes that, in FY 2008, one member of the Office staff retired and the position does not appear to have been restaffed. Furthermore, the proposed travel budget is more than quadrupled from FY 2008 and \$20,000 is requested for the purchase of a new vehicle.

Your committee held a public hearing with the Director of the Office and some of his staff on May 19, 2008. The Director stated that the increased request for personnel results from a high turnover in the student workers they received through the COM-FSM work/study program. In response to questions regarding what work requires five new full-time positions, the Director referred chiefly to the task of transferring video material to DVD. The Director also suggested that, if the new positions are filled, the Office may return with supplemental requests for desks and computers to enable their work. He suggested that funds for training of new staff might also be required.

Your committee has carefully considered the above requests and recommends approval of one new position, the proposed administrative officer position with annual compensation of \$15,394. In addition, your committee suggests that the Office continue to use students from the COM-FSM to assist in its work. Your committee recommends approval of \$5,000 to be used exclusively to remunerate COM-FSM students who work with the Office.

Your committee also notes the Budget Book, at page 418, proposes an increase in the salary of the Director from its FY 2008 level of \$39,673 to \$48,600. Your committee does not recommend approval of this increase and recommends the Director's salary remain at its FY

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2008 level. The total amount recommended for Personnel, therefore, is \$100,190, with a total of six (6) positions.

Approval of a travel budget of \$15,000 is recommended. The request for a budget of \$12,00 for Other Current Expenses is recommended for approval. Your committee does not recommend the request of \$20,000 for a vehicle but does approve the request of \$1,495 for a computer.

4. COLLEGE OF MICRONESIA BOARD OF REGENTS

FY 2008 Appropriations	FY 2009 Request	Committee Recommends
\$58,000	\$60,000	\$65,000

The COM Board of Regents is wholly funded with domestic revenues. Your Committee notes that the 2009 budget proposal shows an increase of \$2,000 under Other Current Expenses.

Your committee held a hearing with COM-FSM in May 2008 and recommends approval of this increase, as well as an additional \$5,000 under Other Current Expenses to be used exclusively for fundraising. These funds are not to be subject to reprogramming.

5. GRANTS, SUBSIDIES AND CONTRIBUTIONS

FY 2008 Appropriations	FY 2009 Request	Committee Recommends
\$737,389	\$990,014	\$1,180,014

The proposed Grants, Subsidies and Contributions budget for FY 2009 represents an overall increase of \$252,625 from FY 2008. This is due to new line items requesting \$200,000 for a National Scholarship Fund and \$60,000 for MiCare less the annual SPREP membership of \$7,375, which has been moved under the jurisdiction of your Committee on R&D.

Your Committee notes that both the figures for the FY 2009 request and Committee recommendation in the table above include \$25,000 for COM treaty obligations.

Your Committee agrees with the proposed FY 2009 budget for Grants, Subsidies and Contributions, and also recommends approval of an additional \$150,000 to the new National Scholarship Fund, in order to give our students, studying at either the undergraduate or post-graduate level, the support they need. Your committee is informed by

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COM-FSM that our students will no longer be eligible for the work/study program is being effective October 1, 2008.

Your Committee also approves an additional \$40,000 for MiCare, provided that the funds are used to pay outstanding debt of individuals where the debt is preventing other patients from being able to receive medical attention. Your Committee would expect MiCare to then enter into an arrangement to receive repayment of these personal debts from the individuals.

The total recommended appropriation for grants subsidies and contributions is \$1,180,014.

6. CAPITAL AND HUMAN RESOURCE DEVELOPMENT: COLLEGE OF MICRONESIA

FY 2008 Appropriations	FY 2009 Request	Committee Recommends
\$650,000	\$655,110	\$655,110

The 2009 request for the College of Micronesia from domestic revenues shows a small increase in the amount of \$5,110. The \$655,110 requested is exclusively to fund the Fisheries and Maritime Institute, located in the State of Yap. Other parts of COM-FSM's budget are proposed to come from Compact education sector grant (\$3,800,000) and Compact infrastructure sector grant (\$2,433,878) as well as SEG (\$684,107).

The Committee has considered, and agrees with, the local revenue funding proposal for the College of Micronesia for FY 2009.

CONCLUSION

Your Committee on Health, Education and Social Affairs has reviewed the local revenue portion of the proposed FY 2009 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 reflect domestic revenue funding for the designated activity, program or project for all of FY 2009.

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.

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Respectfully submitted,

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

Claude H. Phillip, vice chairman

/s/ Dohsis Halbert
Dohsis Halbert, member

/s/ Tesime Kofot
Tesime Kofot, member

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

/s/ Setiro Paul
Setiro Paul, member

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