

STANDING COMMITTEE REPORT NO. 15-94

RE: C.B. NO. 15-95/HESA

FEBRUARY 22, 2008

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

Dear Mr. Speaker:

Your Committee on Health, Education and Social Affairs ("HESA"), to which was referred C.B. No. 15-95 entitled:

"A BILL FOR AN ACT TO FURTHER AMEND TITLE 40 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS AMENDED, BY AMENDING SECTIONS 326 AND 327 THEREOF TO MAKE NATIONAL STUDENT LOANS AVAILABLE FOR COURSES OF STUDY LEADING TO COMMERCIAL AVIATION LICENSES, RATINGS AND CERTIFICATIONS AND TO FURTHER AMEND TITLE 54 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA, AS AMENDED, BY AMENDING SECTION 805 THEREOF, TO PROVIDE SCHOLARSHIPS FOR CERTAIN AVIATION RELATED POST-SECONDARY PROGRAMS LEADING TO COMMERCIAL LICENSES AND CERTIFICATIONS, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

The intent and purpose of the resolution are expressed in its title.

C.B. No. 15-95 proposes to make changes to titles 40 and 54 so that a certain percentage of tax revenue collected under subsection 221(1) of title 54 of the Code of the FSM, currently reserved for post-graduate scholarships, can also be made available to students studying toward commercial aviation licenses. Tax revenue collected under the authority of subsection 221(1) is sometimes referred to as "sin tax" in that it authorizes the taxation of products such as cigarettes, alcohol, soft drinks, as well as toiletries and perfumes, among other items.

Your committee held a hearing on the afternoon of 20 February 2008 with representatives of the Department of Education to review the subject bill. Chairman Urusemal was present, with Vice-Chairman Phillip, Floor Leader Suka and Senator Paul.

Witnesses from the Department of Education noted that, currently, the "sin tax" revenue is reserved for "post-graduate" scholarships only. Although "post-graduate" is not defined, it is normally taken to mean study beyond the undergraduate level. Mr. Mendiola from the Department pointed out that aviation study is already highlighted in the Department's guidelines as a priority course of study for FSM students. There is currently one FSM aviation student. As she had

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already completed four years of post-secondary study, she was eligible for the post-graduate scholarship. The proposed amendments would make FSM students who wish to pursue aviation studies eligible for scholarships whether or not they already hold four-year degrees.

Mr. Mendiola reported that there are currently 27 FSM students benefiting from the "sin tax" scholarship funds. However, there is an available balance of over \$150,000 on the funds reserved for "sin tax" scholarships. Accordingly, the fund can easily support more students.

The bill specifies that, to be eligible for the scholarship funds, the student must follow full-time post-secondary courses leading to commercial Federal Aviation Administration (FAA) licenses, ratings and certifications.

**RECOMMENDATIONS OF YOUR COMMITTEE**

Your committee is in agreement with the intent of the proposed bill and supports the eligibility of aviation students for "sin tax" scholarship funds.

Your committee takes the view that the proposed changes to title 40 are not required to effect the "sin tax" scholarship eligibility and so recommends deleting the first part of the bill and the amendments to title 40 it proposes. Your committee supports and recommends the proposed amendments to title 54.

Based on these comments, your Committee on Health Education and Social Affairs is in accord with the intent and purpose of C.B. No. 15-95 and recommends its passage on First Reading, and that it be placed on the calendar for Second and Final reading in the form attached hereto as C.B. No. 15-95, C.D.1.

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Respectfully submitted,

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

/s/ Claude H. Phillip  
Claude H. Phillip, vice chairman

/s/ Dohsis Halbert  
Dohsis Halbert, member

Roosevelt D. Kansou, member

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

/s/ Setiro Paul  
Setiro Paul, member

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