

STANDING COMMITTEE REPORT NO. 20-20

RE: PRESIDENTIAL COMMUNICATION NO. 19-579

SUBJECT: FISCAL YEAR 2018 BUDGET/R&D

SEPTEMBER 21, 2017

The Honorable Wesley W. Simina
Speaker, Twentieth Congress
Federated States of Micronesia
Second Regular Session, 2017

Dear Mr. Speaker:

Your Committee on Resources and Development, to which was jointly referred Presidential Communication No. 19-579 transmitting the National Government's proposed FY2018 budget, begs leave to report as follows:

Presidential Communication No. 19-579 transmits the *National Government's fiscal year 2018 Proposed Budget (Budget Book)*. Pursuant to rule 7, section 2(b), of the Official Rules of Procedures of the Twentieth Congress of the Federated States of Micronesia, your Committee has confined its review to those items of the proposed budget relating to matters within its jurisdiction. These are the budgets for:

1. Department of Resources and Development;
2. Office of Environment and Emergency Management;
3. National Oceanic Resource Management Authority;
4. FSM Banking Board;
5. FSM Insurance Board;
6. Grants, subsidies and contributions:
 - a. Pacific Island Development Program (PIDP);
 - b. Forum Fisheries Agency (FFA);

STANDING COMMITTEE REPORT NO. 20-20

RE: PRESIDENTIAL COMMUNICATION NO. 19-579

SUBJECT: FISCAL YEAR 2018 BUDGET/R&D

SEPTEMBER 21, 2017

- c. Coordinating Committee for Offshore Mineral Prospecting;
- d. Pacific Asian Travel Association (PATA);
- e. United Nations Development Program (UNDP);
- f. Micronesian Challenge Endowment Fund;
- g. Food Agriculture Organization (FAO);
- h. Western Forestry Leadership Coalition
- i. Matching to SPC Projects;
- j. Micronesian Challenge;
- k. Micronesian Cruise Association;
- l. South Pacific Tourism Organization (SPTO)
- m. International Animal Health Organization (OIE);
- n. SPC Site Rental;
- o. International Renewable Energy Agency (IRENA);
- p. Micronesian Trade Committee
- q. Convention on Biological Diversity (CBD)
- r. International Fund for Agriculture Development (IFAD);
- s. Secretariat of Pacific Region Environment Program
- t. UN Environmental Protection;
- u. SPREP Noumea Convention;
- v. Waigani Convention;
- w. United Nations Convention to Combat Desertification;
- x. United Nations Framework Convention on Climate Change
- y. Earth Day Activities;
- z. 6th Bi-Annual Environment conference;
 - aa. Basel Convention
 - ab. Kyoto Protocol
 - ac. FSM FEMA Disaster Matching; and
 - ad. WCPFC Membership Fee (NORMA).

7. Capital and Human Resources Development:

- a. FSM Association of Chamber of Commerce;
- b. State Trade Fairs Enhancing Value Addition;
- c. R&D SNLC;
- d. FSM Tourism Development Framework;
- e. National Trade Facilitation Committee;
- f. Food Security Production;
- g. Assistance to States for Tourism Investment Plan Implementation;

STANDING COMMITTEE REPORT NO. 20-20

RE: PRESIDENTIAL COMMUNICATION NO. 19-579

SUBJECT: FISCAL YEAR 2018 BUDGET/R&D

SEPTEMBER 21, 2017

- h. Forty fifth Session of the Governing Council of International Fund for Agriculture Development;
- i. National Coastal Fisheries Monitoring Team ongoing monitoring program access impacts of CEAFM Program & Climate Change;
- j. Chamber of Commerce – Chuuk State;
- k. Chamber of Commerce – Kosrae State;
- l. Chamber of Commerce – Pohnpei State;
- m. Chamber of Commerce – Yap State;
- n. Strengthening National/State private sector organization in the FSM;
- o. National Trade & Investment Portal;
- p. R&D conference;
- q. Implementation –Nagoya Protocol on Access Genetic Resources and the Equitable Sharing of Benefits;
- r. Development of a Comprehensive Intellectual Property Rights regime;
- s. Computing Facility Upgrade;
- t. 2018 -2019 HEIS;
- u. 2020 CPH;
- v. Enhancing Private Sector Competiveness – Production of high quality import substitute value added;
- w. Enhancing Private Sector Competiveness –supporting business & products/services upgrade;
- x. Enhancing Private Sector Competiveness – Marketing and promoting FSM products overseas and integration in Regional/Global supply chains; and
- y. Conservation Societies in each state.

This report and all previous and subsequent reports by this Committee should be treated as policy for this Nation as defined by the Congress. It is your Committee's intent that any comments found in this report should be treated as policy for the guidance of the relevant departments, agencies and offices in the obligation and expenditures of their respective budgets and implementation of their programs.

Your Committee conducted a series of public hearings during the First Regular Session of the Twentieth Congress on May 11, 2017,

STANDING COMMITTEE REPORT NO. 20-20

RE: PRESIDENTIAL COMMUNICATION NO. 19-579

SUBJECT: FISCAL YEAR 2018 BUDGET/R&D

SEPTEMBER 21, 2017

and continued its public hearings during the Second Regular Session on September 14, 2017. The report and recommendations that follow are based upon the information contained in the *Budget Book* and the input provided by the Secretary, Assistant Secretaries, Directors, Commissioners, and staff of the various departments, offices, agencies and entities during those hearings.

I. DISCUSSION OF THE PROPOSED FY 2018 BUDGET

The figures shown in the chart below for the Department of Resources and Development include the total amount appropriated in FY 2017, the amount requested for FY 2018, and the amount transmitted as recommended for FY 2018. The last column is the amount recommended by your Committee for FY 2018.

	FY 2017 Appro.	FY 2018 Proposed	FY18 Recom	Committee Recommends
Personnel	\$829,195	\$892,123	\$892,123	\$839,566
Travel	\$188,743	\$283,136	\$283,136	\$253,136
Contract.Serv.	\$48,250	\$91,250	\$91,250	\$91,250
OCE	\$162,288	\$192,640	\$192,640	\$192,640
Fixed Assets	\$1,500	\$10,500	\$10,500	\$10,500
Total	\$1,229,976	\$1,469,649	\$1,469,649	\$1,387,092
No. Employees	37	39	39	37

I(a). Office of the Secretary

	FY 2017 Appro.	FY 2018 Proposed	FY18 Recom	Committee Recommends
Personnel	\$77,034	\$79,787	\$79,787	\$74,787
Travel	\$18,810	\$44,993	\$44,993	\$35,993
Contract.Serv.	\$150	\$150	\$150	\$150
OCE	\$17,838	\$15,640	\$15,640	\$15,640
Fixed Assets	\$0	\$5,000	\$5,000	\$5,000
Total	\$113,832	\$145,570	\$145,570	\$131,570
No. Employees	5	3	3	3

Personnel - The FY17 appropriation was \$77,034. The requested amount for FY18 is \$79,787, which was transmitted as recommended. The salary for the Secretary (Marion Henry) is proposed at \$45,000 and was recommended. This is an increase of

STANDING COMMITTEE REPORT NO. 20-20

RE: PRESIDENTIAL COMMUNICATION NO. 19-579

SUBJECT: FISCAL YEAR 2018 BUDGET/R&D

SEPTEMBER 21, 2017

\$19,000, as compared to \$26,000 appropriated in FY17 budget. Your Committee is concerned that if the Committee approves the \$45,000 for the Secretary's salary, it may have a retro effect favoring the salary. The Department of Justice representative explained that the salaries of cabinets are subject to the prerogative of the President where he can issue contracts and at the same time determine specific amount in those contracts. However, Congress appropriated funding for each department. The issue is whether a cabinet member whose funding is appropriated by Congress can receive higher salary pursuant to special contract, but salary decided by Congress is less than the amount in the Special Contract. At the hearing, there is no clear determination by the witnesses so this is an issue that needs to be clarified.

The Executive Secretary II position (Roselynn David) retains the \$9,044 recommended and approved in FY17 budget. The salary for the Administrative Officer II (Hannalisa Esquerra) position is still at \$14,723, which was recommended and approved for FY18 budget. The fringe benefit is \$8,940. The COLA is \$2,080. The total funding for three employees including fringe benefits and COLA is \$79,787.

At the mark-up meeting, your Committee agreed on a salary for the Secretary in the amount of \$40,000. Your Committee recommends \$74,787.

Travel – In FY 2017, an amount of \$18,810 was appropriated. For FY 2018, the proposed amount by the Department is \$44,993, which was recommended. This is an increase of \$26,183, as compared to FY17 appropriation. Of the \$44,993 requested, \$12,016 is to fund the Secretary's visit to each state, \$2,945 is to fund the Secretary to attend the Micronesian Presidential Summit in RMI, \$3,032 is to fund the Secretary to attend the Micronesian Islands Forum in Saipan, \$12,000 is to fund participants to ministerial trade meetings, and \$15,000 to fund an IRENA meeting in Rome.

STANDING COMMITTEE REPORT NO. 20-20

RE: PRESIDENTIAL COMMUNICATION NO. 19-579

SUBJECT: FISCAL YEAR 2018 BUDGET/R&D

SEPTEMBER 21, 2017

At the mark-up meeting, your Committee decided to apply a twenty percent cut to travel requests that is significantly increased. Therefore, your Committee recommends \$35,993.

Contractual Services – An amount of \$150 was appropriated in FY 2017 for magazine and newspaper subscriptions. The same amount is being requested for FY 2018 for the same purpose, and was recommended. Your Committee recommends \$150.

Other Current Expenses – An amount of \$17,838 was appropriated in FY 2017. For FY18, the Department requested \$15,640, which was recommended. Your Committee recommends \$15,640.

Fixed Assets – There was no funding appropriated in FY 2017. For FY 2018, the Department requested \$5,000 to purchase a universal printer. Your Committee recommends \$5,000.

STANDING COMMITTEE REPORT NO. 20-20

RE: PRESIDENTIAL COMMUNICATION NO. 19-579

SUBJECT: FISCAL YEAR 2018 BUDGET/R&D

SEPTEMBER 21, 2017

I(b). Division of Resource Management and Development

	FY 2017 Appro.	FY 2018 Proposed	FY18 Recom	Committee Recommends
Personnel	\$36,717	\$36,717	\$36,717	\$36,717
Travel	\$18,810	\$17,993	\$17,993	\$17,993
Contract.Serv.	\$0	\$0	\$0	\$0
OCE	\$13,950	\$20,500	\$20,500	\$20,500
Fixed Assets	\$0	\$0	\$0	\$0
Total	\$69,477	\$75,210	\$75,210	\$75,210
No. Employees	2	2	2	2

Personnel - An amount of \$36,717 was appropriated in FY 2017. The requested amount for FY18 is 36,717 and the amount was recommended. The salary for the Assistant Secretary position (Alissa Takesy) is proposed and recommended at \$22,377. The salary for the Secretary II position (Merwine Semes) is proposed and recommended at \$8,275. The proposed amount for fringe benefits is \$3,985. The amount for COLA is proposed at \$2,080 for two employees. The total funding for two employees, plus fringe benefits and COLA is \$36,717. Your Committee recommends **\$36,717**.

Travel - In FY17, an amount of \$18,810 was appropriated. For FY18, the proposed amount is \$17,993, which was recommended. Your Committee recommends **\$17,993**.

STANDING COMMITTEE REPORT NO. 20-20

RE: PRESIDENTIAL COMMUNICATION NO. 19-579

SUBJECT: FISCAL YEAR 2018 BUDGET/R&D

SEPTEMBER 21, 2017

Contractual Services - There is no amount requested for contractual services; therefore your Committee recommends **\$0**.

Other Current Expenses - An amount of \$13,950 was appropriated in FY 2017. The FY 2018 requested amount is \$20,500, which was recommended. The increase is for printing of materials. Your Committee recommends **\$20,500**.

Fixed Assets - No funding appropriated in FY 2017. For FY 2018, still no request. Your Committee recommends **\$0**.

I(b)(i) Tourism Unit

	FY 2017 Appro.	FY 2018 Proposed	FY18 Recom	Committee Recommends
Personnel	\$19,465	\$39,161	\$39,161	\$19,465
Travel	\$12,061	\$40,098	\$40,098	\$32,098
Contract.Serv.	\$5,000	\$3,500	\$3,500	\$3,500
OCE	\$7,200	\$8,000	\$8,000	\$8,000
Fixed Assets	\$0	\$2,000	\$2,000	\$2,000
Total	\$47,681	\$92,759	\$92,759	\$65,063
No. Employees	1	2	2	1

Personnel - In FY17, an amount of \$19,465 was appropriated for only one employee. The employee is entitled to receive COLA, plus the 13% fringe benefits. For FY18, the amount requested is \$39,161 for two employees. There is a new position (Tourism Development Officer) requested and recommended. The salary for the new position is \$14,723.

At the mark-up meeting, your Committee is mindful of the policy - no new positions. Therefore, your Committee recommends **\$19,465**.

Travel - An amount of \$12,061 was appropriated in FY17. For FY18, the Division requested \$40,098, which was recommended. This is an increase of \$28,037, as compared to the FY17 appropriation. The increase of \$16,066 is to fund the Program Manager to attend several regional meetings (SPTO/PATA/MCA) and \$12,016 for the new Tourism Officer to visit the states. With

STANDING COMMITTEE REPORT NO. 20-20

RE: PRESIDENTIAL COMMUNICATION NO. 19-579

SUBJECT: FISCAL YEAR 2018 BUDGET/R&D

SEPTEMBER 21, 2017

the twenty percent cut on significant travel request, your Committee recommends **\$32,098**.

Contractual Services - In FY 2017, an amount of \$5,000 was appropriated so the Department maintains its FSM Website Service. For FY18, an amount of \$3,500 is requested to maintain the FSMVB website services, which was recommended. Your Committee recommends **\$3,500**.

Other Current Expenses - An amount of \$8,000 was appropriated in FY 2017. The same amount is being requested and recommended for FY 2018. Your Committee recommends **\$8,000**.

Fixed Assets - There was no amount appropriated in FY 2017. For FY 2018, an amount of \$2,000 is requested and recommended to purchase a laptop. Your Committee recommends **\$2,000**.

I(b)(ii). Marine Resources Unit

	FY 2017 Appro.	FY 2018 Proposed	FY18 Recom	Committee Recommends
Personnel	\$33,474	\$40,030	\$40,030	\$40,030
Travel	\$15,134	\$27,843	\$27,843	\$22,843
Contract.Serv.	\$0	\$0	\$0	\$0
OCE	\$6,750	\$8,000	\$8,000	\$8,000
Fixed Assets	\$0	\$0	\$0	\$0
Total	\$55,358	\$75,873	\$75,873	\$70,873
No. Employees	2	2	2	2

Personnel - An amount of \$33,474 was appropriated in fiscal year 2017. Of the \$33,474, an amount of \$16,306 is for the Deputy Assistant Secretary (Valentine Martin), \$11,478 for the Fisheries Management and Conservation Officer (Dave Mathias), \$3,612 for fringe benefits and \$2,080 for COLA. For FY18, the request is \$40,030, which is recommended. The proposed salary for DAS Martin increases from \$16,306 to \$18,092 and FM&C Officer Mathias from \$11,478 to \$15,492. The fringe benefits also increase from \$3,612 to \$4,366. According to representative from the Budget

STANDING COMMITTEE REPORT NO. 20-20

RE: PRESIDENTIAL COMMUNICATION NO. 19-579

SUBJECT: FISCAL YEAR 2018 BUDGET/R&D

SEPTEMBER 21, 2017

Office, the increases are justified. Your Committee recommends **\$40,030**.

Travel – In FY 2017, an amount of \$15,134 was appropriated. For FY18, an amount of \$27,843 is requested and recommended. This is funding for the Program Manager because in FY17 there is no funding for the Program Manager. With the twenty percent cut on significant travel request, your Committee recommends the **\$22,843**.

Contractual Services – In FY 2017, there was no funding appropriated. There is also no request for this year. Your Committee recommends **\$0**.

Other Current Expenses – An amount of \$6,750 was appropriated in fiscal year 2017. This year, there is a request of \$8,000, which was recommended. Your Committee recommends **\$8,000**.

Fixed Assets – There was no funding appropriated in FY 2017. This year, there is no request. Your Committee recommends **\$0**.

I(b)(iii). Agriculture Unit

	FY 2017 Appro.	FY 2018 Proposed	FY18 Recom	Committee Recommends
Personnel	\$287,910	\$289,931	\$289,931	\$289,931
Travel	\$35,563	\$39,747	\$39,747	\$39,747
Contract.Serv.	\$0	\$0	\$0	\$0
OCE	\$42,750	\$53,500	\$53,500	\$53,500
Fixed Assets	\$0	\$2,000	\$2,000	\$2,000
Total	\$366,223	\$385,178	\$385,178	\$387,178
No. Employees	22	22	22	22

Personnel – The amount appropriated in FY17 was \$287,910 for 22 employees with \$1,040 each for COLA and 13% fringe benefits. The request for FY18 is \$289,931, and it was recommended. This is an increase of \$2,021, as compared to FY17 appropriation. The increase is for the Program Manager (Silbanuz Marlyter) from \$16,304 to \$18,092. Your Committee recommends **\$289,931**.

STANDING COMMITTEE REPORT NO. 20-20

RE: PRESIDENTIAL COMMUNICATION NO. 19-579

SUBJECT: FISCAL YEAR 2018 BUDGET/R&D

SEPTEMBER 21, 2017

Travel – In FY 2017, an amount of \$35,563 was appropriated. This year the requested amount is \$39,747, which was recommended. This is an increase of \$4,184, as compared to FY17 appropriation. Your Committee recommends **\$39,747**.

Contractual Services – In FY17 budget, there is no amount appropriated. For FY18, there is no amount requested under this category. Your Committee recommends **\$0**.

Other Current Expenses – In FY 2017, an amount of \$42,750 was appropriated. The Unit requested \$53,500 and this amount was recommended. This is an increase of \$10,750, as compared to FY17 appropriation. The increase is for printing and duplications. Your Committee recommends **\$53,500**.

Fixed Assets – In FY17, there was no appropriated amount. In FY 2018, the Unit is requesting \$2,000 to purchase a laptop and this was recommended. Your Committee recommends **\$2,000**.

I(c).Division of Trade and Investment

	FY 2017 Appro.	FY 2018 Proposed	FY18 Recom	Committee Recommends
Personnel	\$65,253	\$69,294	\$69,294	\$69,294
Travel	\$48,450	\$48,450	\$48,450	\$48,450
Contract.Serv.	\$9,000	\$40,400	40,400	\$40,400
OCE	\$13,950	\$20,500	\$20,500	\$20,500
Fixed Assets	\$0	\$0	\$0	\$0
Total	\$136,653	\$178,644	\$178,644	\$178,644
No. Employees	3	3	3	3

Personnel – The amount appropriated in FY 2017 was \$65,253. For FY18, the Division requested \$69,294 and this was recommended. This is an increase of \$4,041, as compared to FY17 appropriation. The increase is for the Program Manager. The two vacant positions for Program Manager are filled. Your Committee recommends **\$69,294**.

STANDING COMMITTEE REPORT NO. 20-20

RE: PRESIDENTIAL COMMUNICATION NO. 19-579

SUBJECT: FISCAL YEAR 2018 BUDGET/R&D

SEPTEMBER 21, 2017

Travel – An amount of \$48,450 was appropriated in FY 2017. This year, the Division is requesting the same amount and this was recommended. Your Committee recommends **\$48,450**.

Contractual Services - In FY 2017, an amount of \$9,000 was appropriated. For FY18, \$40,400 is requested (\$9,000 for the website maintenance and \$31,400 for T&I advisory contractual services). The amount of \$40,400 was recommended. Your Committee recommends **\$40,400**.

Other Current Expenses - An amount of \$13,950 was appropriated under this category in FY 2017. This year, the Division requested \$20,500 and it was recommended. This is an increase of \$6,550. Your Committee recommends **\$20,500**.

Fixed Assets - No funding appropriated in FY 2017. This year, there is no funding requested. Your Committee recommends **\$0**.

I(d). Division of Energy

	FY 2017 Appro.	FY 2018 Proposed	FY18 Recom	Committee Recommends
Personnel	\$26,326	\$44,872	\$44,872	\$26,326
Travel	\$28,501	\$39,980	\$39,980	\$31,980
Contract.Serv.	\$200	\$200	\$200	\$200
OCE	\$4,950	\$5,500	\$5,500	\$5,500
Fixed Assets	\$1,500	\$1,500	\$1,500	\$1,500
Total	\$61,477	\$91,052	\$91,052	\$65,506
No. Employees	1	2	2	1

STANDING COMMITTEE REPORT NO. 20-20

RE: PRESIDENTIAL COMMUNICATION NO. 19-579

SUBJECT: FISCAL YEAR 2018 BUDGET/R&D

SEPTEMBER 21, 2017

Personnel – In FY 2017, an amount of \$26,326 was appropriated for the Assistant Secretary (Hubert Yamada) position and no funding for the new requested position (Program Assistant), but the "Budget Book for FY 2018 reflected a FY17 appropriation of \$44,872. For FY18, \$44,872 is requested to fund a new position (Program Assistant) and the Assistant Secretary position. This amount was recommended. This is an increase of \$18,546, as compared to FY17 appropriation.

With the policy of no new position, your Committee recommends **\$26,326**.

Travel – In FY 2017, an amount of \$28,501 was appropriated. This year, there is a request of \$39,980, which was recommended. This is an increase of \$11,479, as compared to FY17 appropriation. The increase in travel is to accommodate travel needs of the new requested position of Program Assistant should the Committee approves this new position. With the twenty percent decrease on any significant travel request, your Committee recommends **\$31,980**.

Contractual Services – For FY 2017, an amount of \$200 was appropriated for subscriptions. This year, the same amount is requested and recommended. Your Committee recommends **\$200**.

Other Current Expenses – In FY 2017, an amount of \$4,950 was appropriated. For FY 2018, an amount of \$5,500 is requested and recommended. Your Committee recommends **\$5,500**.

Fixed Assets – In FY 2017, \$1,500 was appropriated. This year, the Division is requesting \$1,500 to purchase a desktop computer, which was recommended. Your Committee recommends **\$1,500**.

I(e). Division of Statistics

STANDING COMMITTEE REPORT NO. 20-20

RE: PRESIDENTIAL COMMUNICATION NO. 19-579

SUBJECT: FISCAL YEAR 2018 BUDGET/R&D

SEPTEMBER 21, 2017

	FY 2017 Appro.	FY 2018 Proposed	FY18 Recom	Committee Recommends
Personnel	\$283,016	\$292,331	\$292,331	\$283,016
Travel	\$11,414	\$24,032	\$24,032	\$24,032
Contract.Serv.	\$33,900	\$47,000	\$47,000	\$47,000
OCE	\$54,900	\$61,000	\$61,000	\$61,000
Fixed Assets	\$0	\$0	\$0	\$0
Total	\$383,230	\$424,363	\$424,363	\$415,048
No. Employees	19	20	20	19

Personnel – In FY2017, an amount of \$283,016 was appropriated to fund 19 employees. For FY18, an amount of 292,331 is requested and recommended to fund 20 employees. The new position requested for this fiscal year 2018 is for a Statistics Specialist I and the amount is \$8,275. With the policy of no new positions, your Committee recommends \$283,016.

Travel – The FY2017 appropriated amount was \$11,414. For FY2018, there is a request of \$24,032, which was recommended. This is an increase of \$12,618, as compared to FY17 appropriation. Your Committee recommends \$24,032.

Contractual Services – In FY17, an amount of \$33,900 was appropriated. The Division is requesting \$47,000 and this was recommended. Your Committee recommends \$47,000.

Other Current Expenses – In FY2017, an amount of \$54,900 was appropriated. For FY2018, an amount of \$61,000 is requested and recommended. Your Committee recommends \$61,000.

Fixed Assets – In FY2017, there was no appropriation. For FY18, there is no request. Your Committee recommends \$0.

STANDING COMMITTEE REPORT NO. 20-20

RE: PRESIDENTIAL COMMUNICATION NO. 19-579

SUBJECT: FISCAL YEAR 2018 BUDGET/R&D

SEPTEMBER 21, 2017

II. NATIONAL OCEANIC RESOURCE MANAGEMENT AUTHORITY (NORMA)

The figures shown in the chart below for NORMA include the total amount appropriated in FY 2017; the FY 2018 amount requested by NORMA, and the amount transmitted as recommended, as listed in the "FY 2018 Recommended" column in the "Budget Book". The last column is the amount recommended by your Committee for FY 2018.

	FY 2017 Appro.	FY 2018 Proposed	FY18 Recom	Committee Recommends
Personnel	\$235,794	\$369,832	\$369,832	\$369,832
Travel	\$160,000	\$268,320	\$268,320	\$200,000
Contract.Serv.	\$69,240	\$115,750	\$115,750	\$115,750
OCE	\$54,900	\$76,012	\$76,012	\$76,012
Fixed Assets	\$10,000	\$35,000	\$35,000	\$35,000
Total	\$529,934	\$864,914	\$864,914	\$796,594
No. Employees	11	21	21	21

Personnel – The amount appropriated in FY17 was \$235,794 as reflected in SCR No. 19-146. The amount reflected in the "Budget Book" as FY17 of \$355,954 is incorrect. For FY 2018, the Authority requested \$369,832 to fund 21 positions, which was recommended. This is an increase of \$134,038, as compared to FY17 appropriation.

At the hearing, your Committee was informed that the eight positions, which were not funded under Personnel were sourced under the Contractual Services in the FY17 budget and are now being requested under Personnel category for FY18 budget. These positions include:

	<u>Pay level</u>	<u>Proposed</u>
1. Debriefeer	28/3	\$10,937
2. Statistics & Compliance Analyst	30/2	\$11,478
3. Debfiefer	28/3	\$10,937
4. Supervisor/Port Sampling	32/2	\$12,664
5. Tuna Data Entry Technician	28/1	\$9,939
6. Observer Coordinator	32/1	\$12,060
7. Fisheries Observer Trainer	34/2	\$13,995

STANDING COMMITTEE REPORT NO. 20-20

RE: PRESIDENTIAL COMMUNICATION NO. 19-579

SUBJECT: FISCAL YEAR 2018 BUDGET/R&D

SEPTEMBER 21, 2017

8. Debriefers	28/3	<u>\$10,937</u>
Total:-----		\$92,947

During the discussion of the eight positions, the Secretary of the Department of Justice recommended that the eight positions should be reclassified and placed under the Public Service System.

Since the eight positions are currently sourced under contractual services, your Committee decided to honor the request and included them under Personnel. This merely put the eight positions under Personnel instead of under the Contractual Services. Your Committee recommends **\$369,832**.

Travel – In FY 2016, the amount appropriated was \$160,000. The amount requested and recommended for FY18 is \$268,320. This is a significant increase of \$108,320. At the hearing, Mr. Pangelinan explained that the increase in travel funds is to cover costs for the Board Members to sit on several meetings as well as travel funds for the two employees funded by the World Bank.

Applying the twenty percent cut on significant travel request, your Committee recommends **\$200,000**.

Contractual Services – In FY 2017, an amount of \$109,240 was appropriated. The breakdown of the \$109,240 is as follows along with FY18 request:

	FY17	FY18 request
• Legal Advisor	40,000	40,000
• Meeting allowance	7,000	7,500
• Office rental	43,200	43,200
• Representation	20,000	20,000
• Subscription	2,050	2,050
• Internship (MSC & VMS Concept)		3,000
• Adjustment	-3,010	
Total:-----	109,240	115,750

STANDING COMMITTEE REPORT NO. 20-20

RE: PRESIDENTIAL COMMUNICATION NO. 19-579

SUBJECT: FISCAL YEAR 2018 BUDGET/R&D

SEPTEMBER 21, 2017

Your Committee recommends \$115,750.

Other Current Expenses – The amount appropriated in FY 2017 was \$54,900. The request for FY 2018 is \$76,012. This amount was recommended. This is an increase of \$21,112. Your Committee recommends \$76,012.

Fixed Assets – In FY17, an amount of \$10,000 was appropriated. For FY18, an amount of \$35,000 is requested for a boat and office furniture. This amount is recommended. Your Committee recommends \$35,000.

**III. Office of Environment and Emergency Management (EEM)-
OVERALL**

The figures shown in the charts below for the OEEM include the total amount appropriated in FY 2017; the FY 2018 amount proposed by OEEM, the FY18 amount transmitted as recommended, as listed in the "FY 2018 Recommended" column in the "Budget Book". The last column is the amount recommended by your Committee for FY 2018.

	FY 2017 Appro.	FY 2018 Proposed	FY18 Recom	Committee Recommends
Personnel	\$181,464	\$181,465	\$184,855	\$184,855
Travel	\$90,066	\$131,546	\$131,546	\$111,546
Contract.Serv.	\$18,450	\$84,000	\$84,000	\$84,000
OCE	\$20,216	\$32,220	\$32,220	\$32,220
Fixed Assets	\$0	\$0	\$0	\$0
Total	\$310,196	\$429,231	\$432,621	\$412,621
No. Employees	9	9	9	9

STANDING COMMITTEE REPORT NO. 20-20

RE: PRESIDENTIAL COMMUNICATION NO. 19-579

SUBJECT: FISCAL YEAR 2018 BUDGET/R&D

SEPTEMBER 21, 2017

Your Committee held a public hearing on the OEEM's proposed budget for FY 2018 on Monday, May 19, 2017. Witnesses at the hearing included: Director Andrew Yatilman, Lorna Johnny, Tilson Kephass and Tony Neth, from OEEM; and Peltesar Petrus, from the President's Office.

III(a). Office of the Director (Administration)

	FY 2017 Appro.	FY 2018 Proposed	FY18 Recom	Committee Recommends
Personnel	\$47,057	\$47,057	\$50,447	\$50,447
Travel	\$31,501	\$34,586	\$34,586	\$34,586
Contract.Serv.	\$0	\$0	\$0	\$0
OCE	\$11,904	\$20,720	\$20,720	\$20,720
Fixed Assets	\$0	\$0	\$0	\$0
Total	\$90,462	\$102,363	\$105,753	\$105,753
No. Employees	2	2	2	2

Personnel – In FY 2017, an amount of \$47,057 was appropriated. For FY 2018, an amount of \$47,057 is requested, but an amount of \$50,447 is recommended. There is an increase of \$3,000 reflected in the Director's salary from \$26,000 in FY17 to \$29,000 for the FY18 budget request. Minor increases are also reflected in the fringe benefit from \$5,294 in FY17 to \$5,684 for FY18. This increase is based on the proposed increase in the Director's salary. Your Committee recommends **\$50,447**.

Travel – In FY 2017, an amount of \$31,501 was appropriated. This year, the amount requested and recommended is \$34,586. This is an increase of \$3,085, as compared to the FY17 appropriation. Your Committee recommends **\$34,586**.

Contractual Services – In FY 2017 no amount was appropriated. For FY 2018, no amount is requested. Your Committee recommends **\$0**.

STANDING COMMITTEE REPORT NO. 20-20

RE: PRESIDENTIAL COMMUNICATION NO. 19-579

SUBJECT: FISCAL YEAR 2018 BUDGET/R&D

SEPTEMBER 21, 2017

OCE – In FY 2017, an amount of \$11,904 was appropriated. This fiscal year, the Office is requesting \$20,720, which was recommended. This is an increase of \$8,816, as compared to the FY17 appropriation. Your Committee recommends **\$20,720**.

Fixed Assets – There is no requested amount under this category. Therefore, your Committee recommends **\$0**.

III (b). Division of Environment and Sustainable Development

	FY 2017 Appro.	FY 2018 Proposed	FY18 Recom	Committee Recommends
Personnel	\$71,717	\$71,717	\$71,717	\$71,717
Travel	\$33,162	\$51,134	\$51,134	\$40,134
Contract.Serv.	\$18,450	\$84,000	\$84,000	\$84,000
OCE	\$5,081	\$5,500	\$5,500	\$5,500
Fixed Assets	\$0	\$0	\$0	\$0
Total	\$128,410	\$212,351	\$212,351	\$201,351
No. Employees	4	4	4	4

Personnel – The amount appropriated in FY 2017 is \$71,717. The Division requested \$71,717 for FY18, which was recommended. Your Committee recommends **\$71,717**.

Travel – In FY 2017, an amount of \$33,162 was appropriated. This year, the Division requested \$51,134, which was recommended. This is an increase of \$17,972. With the twenty percent cut on significant increase in travel, your Committee recommends **\$40,134**.

Contractual Services – In FY 2017, amount of \$18,450 was appropriated. This year, an amount of \$84,000 is being requested (\$24,000 for the GIS Specialist and \$60,000 to fund a consultant). The requested amount was recommended.

At the hearing, Director Yatilman explained that the \$18,845 appropriated in FY17 for the GIS Specialist is not attractive enough so the Office increases to funding to \$24,000. The \$60,000 for the Consultant Project

STANDING COMMITTEE REPORT NO. 20-20

RE: PRESIDENTIAL COMMUNICATION NO. 19-579

SUBJECT: FISCAL YEAR 2018 BUDGET/R&D

SEPTEMBER 21, 2017

Formulation was not given in FY17, and now it is being proposed. Andrew explained that every four years they received funds from GEF. The GEF6 allocation is just starting which is four years later and the implementation is the UNDP. Andrew has sent a strong letter complaining to UNDP of their performance. The Consultant being proposed is to set up proposed projects. The Committee had asked how the \$60,000 is broken down. There is separate funding for the GIS equipment from SPC.

Your Committee recommends **\$84,000**.

OCE – In FY 2017 an amount of \$5,081 was appropriated. For FY18, the Division is requesting \$5,500. This amount was recommended. Your Committee recommends **\$5,500**.

Fixed Assets – There is no requested amount under this category. Therefore, your Committee recommends **\$0**.

III(c). Division of Emergency Management

	FY 2017 Appro.	FY 2018 Proposed	FY18 Recom	Committee Recommends
Personnel	\$62,690	\$62,691	\$62,691	\$62,691
Travel	\$25,403	\$45,826	\$45,826	\$36,826
Contract.Serv.	\$0	\$0	\$0	\$0
OCE	\$3,231	\$6,000	\$6,000	\$6,000
Fixed Assets	\$0	\$0	\$0	\$0
Total	\$91,324	\$114,517	\$114,517	\$105,517
No. Employees	3	3	3	3

Personnel – An amount of \$62,690 was appropriated in FY 2017. For FY18, the Division is requesting \$62,691 and was recommended. Your Committee recommends **\$62,691**.

Travel – An amount of \$25,403 was appropriated in FY 2017. For FY18, the Division is requesting \$45,826 and this was recommended. This is an increase of \$20,423, as compared to the FY17 appropriation. With the twenty percent cut on

STANDING COMMITTEE REPORT NO. 20-20

RE: PRESIDENTIAL COMMUNICATION NO. 19-579

SUBJECT: FISCAL YEAR 2018 BUDGET/R&D

SEPTEMBER 21, 2017

significant increase in travel, your Committee recommends **\$36,826.**

Contractual Services – There is no funding requested. Your Committee recommends **\$0.**

OCE – In FY 2017, an amount of \$3,231 was appropriated. This year, the Division is requesting \$6,000 and this was recommended. This is an increase of \$2,769, as compared to FY17 appropriation. Your Committee recommends **\$6,000.**

Fixed Assets – No funding was appropriated in FY17. For FY18, there is no request. Your Committee recommends **\$0**

IV. FSM BANKING BOARD

The figures shown in the chart below for the FSM Banking Board include the total amount appropriated in FY 2017; the amount requested by the FSM Banking Board for FY 2018, and the amount transmitted as recommended for FY 2018. The last column is the amount recommended by your Committee for FY 2018.

	FY 2017 Appro.	FY 2018 Proposed	FY18 Recom	Committee Recommends
Personnel	\$88,273	\$88,273	\$88,273	\$88,273
Travel	\$77,138	\$79,772	\$79,772	\$79,772
Contract.Serv.	\$22,725	\$22,225	\$22,225	\$22,225
OCE	\$22,252	\$20,028	\$20,028	\$20,028
Fixed Assets	\$3,980	\$0	\$0	\$0
Total	\$214,369	\$210,298	\$210,298	\$
No. Employees	4	4	4	

Your Committee held a public hearing on Monday, May 22, 2017, to consider the FSM Banking Board's proposed FY 2018 budget requests. Witnesses included: Members of the FSM Banking Board Mr. Joe Hambuchimai and Mr. Reed Oliver, the Bank Commissioner, the Bank Examiner Nakama Sana, Mr. Pilika Palik, Financial Analyst; Assistant Attorney General Minh Nguyen, from the Department of Justice.

STANDING COMMITTEE REPORT NO. 20-20

RE: PRESIDENTIAL COMMUNICATION NO. 19-579

SUBJECT: FISCAL YEAR 2018 BUDGET/R&D

SEPTEMBER 21, 2017

Personnel – The amount appropriated in FY 2017 was \$88,273. For FY18, the Banking Board requested the same amount, which was recommended. Your Committee learned that there is a vacant position, which is already advertised. Your Committee recommends \$88,273.

Travel – An amount of \$77,138 was appropriated in FY 2017. The proposed amount for FY 2017 is \$79,772, which was recommended. Your Committee recommends \$79,772.

Contractual Services – In FY 2017, an amount of \$22,725 was appropriated. The FSM Banking Board requested \$22,225 for FY 2018, which was recommended. There is a decrease of \$500, as compared to the FY17 appropriation. Your Committee recommends \$22,225.

OCE – The amount appropriated in FY17 was \$22,252. The requested amount for FY18 is \$20,028, which was recommended. This is a decrease of \$2,224, as compared to FY17 appropriation. Your Committee recommends \$20,028.

Fixed Assets – In FY 2017, an amount of \$3,980 was appropriated. For FY18, there is no proposed amount. Your Committee recommends \$0.

STANDING COMMITTEE REPORT NO. 20-20

RE: PRESIDENTIAL COMMUNICATION NO. 19-579

SUBJECT: FISCAL YEAR 2018 BUDGET/R&D

SEPTEMBER 21, 2017

VI. FSM INSURANCE BOARD

The figures shown in the chart below for the FSM Insurance Board include the total amount appropriated in FY 2017; the amount requested by the FSM Insurance Board for FY 2018, and the amount transmitted as recommended for FY 2018. The last column is the amount recommended by your Committee for FY 2018.

	FY 2017 Appro.	FY 2018 Proposed	FY18 Recom	Committee Recommends
Personnel	\$116,175	\$118,034	\$118,034	\$118,034
Travel	\$76,420	\$76,420	\$76,420	\$76,420
Contract.Serv.	\$85,255	\$85,255	\$85,255	\$85,255
OCE	\$20,079	\$22,590	\$22,590	\$22,590
Fixed Assets	\$0	\$0	\$0	\$0
Total	\$297,929	\$302,299	\$302,299	\$302,299
No. Employees	5	5	5	5

Your Committee held a public hearing with the FSM Insurance Board on Friday, May 19, 2017. Witnesses included: Insurance Board member Joe Hambuchimai; the Insurance Commissioner Jesse Giltamag, and Insurance Examiner Mr. Adelman Joseph.

Personnel – The amount appropriated in FY17 was \$116,175. For FY18, the request is \$118,034 for five employees.

The Insurance Commissioner's actual salary is \$30,584, but the line item in Personnel reflected an amount of \$28,000. The Insurance Examiner Kenneth Mwalir left to Hawaii. The Insurance Examiner position is filled by Mr. Adelman Joseph, with a salary of \$22,377. There is another Insurance Examiner position with a salary of \$22,377, and it was advertised. The Financial Analyst (Mylee Mario) salary is \$16,304. The Executive Secretary I (Lilly Billen) salary is \$8,275. The fringe benefit is \$12,654 and the COLA is \$5,200. The total sum, as requested is \$118,034.

STANDING COMMITTEE REPORT NO. 20-20

RE: PRESIDENTIAL COMMUNICATION NO. 19-579

SUBJECT: FISCAL YEAR 2018 BUDGET/R&D

SEPTEMBER 21, 2017

Your Committee recommends **\$118,034**.

Travel – An amount of \$76,420 was appropriated in FY17. For FY18, the same amount is requested and is recommended. Your Committee recommends **\$76,420**.

Contractual Services – In FY 2017 an amount of \$85,255 was appropriated. For FY 2018 the request is the same, which is recommended. Your Committee recommends **\$85,255**.

OCE – In FY 2017 an amount of \$20,079 was appropriated. This year there is a request of \$22,590, which was recommended. This is an increase of \$2,511, as compared to FY17 appropriation. Your Committee recommends **\$22,590**.

Fixed Assets – In FY17 budget, there was no appropriation. For FY18, there is no request. Your Committee recommends **\$0**.

VII. GRANTS, SUBSIDIES & CONTRIBUTIONS

In comparing the FY17 appropriation of \$857,751 of grants, subsidies, contributions and other grants for the Department, OEEM and NORMA to the Committee's recommendation for FY18 of \$945,990, there is an increase of **\$88,239**.

On September 19, 2017, during the Second Regular Session, your Committee had its mark-up meeting session on the FY18 budget requests. Your Committee recommends the following for the fiscal year 2018.

STANDING COMMITTEE REPORT NO. 20-20

RE: PRESIDENTIAL COMMUNICATION NO. 19-579

SUBJECT: FISCAL YEAR 2018 BUDGET/R&D

SEPTEMBER 21, 2017

DEPARTMENT OF RESOURCES AND DEVELOPMENT	FY 2017 Approp.	FY 2018 Proposed	FY18 Recommends	Committee Recommends
GRANTS, SUBSIDIES & CONTRIBUTIONS				
1. PIDP	\$15,000	\$15,000	\$15,000	\$15,000
2. FFA	\$38,918	\$38,918	\$38,918	\$38,918
3. Coordinating Committee for Offshore Mineral Prospecting	\$15,000	\$0	\$0	\$0

	FY 2017 Appropri	FY 2018 Proposed	FY18 Recommends	Committee Recommends
4. Pacific Asian Travel Association (PATA)	\$5,000	\$5,000	\$5,000	\$5,000
5. United Nations Development Program (UNDP)	\$30,000	\$30,000	\$30,000	\$30,000
6. Micronesian Challenge Endowment Fund	\$50,000	\$50,000	\$50,000	\$50,000
7. Seaframe	\$0	\$0	\$0	\$0
8. Food Agriculture Organization (FAO)	\$4,800	\$4,800	\$4,800	\$4,800
9. Western Forestry Leadership Coalition	\$530	\$530	\$530	\$530
10. Matching to SPC Projects	\$60,000	\$60,000	\$60,000	\$60,000
11. Micronesian Challenge	\$10,000	\$10,000	\$10,000	\$10,000
12. Micronesian Cruise Association	\$2,500	\$2,500	\$2,500	\$2,500
13. South Pacific Tourism Organization	\$15,000	\$15,000	\$15,000	\$15,000
14. International Animal Health Organization (OIE)	\$23,000	\$23,000	\$23,000	\$23,000
15. SPC Site Rental	\$0	\$0	\$0	\$0
16. IRENA	\$250	\$250	\$250	\$250
17. Micronesia Trade Com.	\$30,000	\$30,000	\$30,000	\$30,000

STANDING COMMITTEE REPORT NO. 20-20

RE: PRESIDENTIAL COMMUNICATION NO. 19-579

SUBJECT: FISCAL YEAR 2018 BUDGET/R&D

SEPTEMBER 21, 2017

18. Convention on Biological Diversity (CBD)	\$1,000	\$1,000	\$1,000	\$1,000
19. IFAD	\$500	\$500	\$500	\$500
Total Grants, Subsidies & Contributions for R&D	\$301,498	\$286,498	\$286,498	\$286,498

OFFICE OF ENVIRONMENT & EMERGENCY MANAGEMENT	FY 2017 Appropriation	FY 2018 Proposed	FY18 Recommended	Committee Recommends
1. UNEP	\$760	\$835	\$835	\$835
2. UNFCCC	\$250	\$325	\$325	\$325
3. UNCCD	\$120	\$195	\$195	\$195
4. SPREP	\$10,184	\$10,768	\$10,768	\$10,768
5. Waigani Convention	\$1,190	\$1,190	\$1,190	\$1,190
6. SPREP-Noumea Con.	\$1,764	\$1,764	\$1,764	\$1,764
7. Earth Day Activities	\$15,000	\$15,000	\$15,000	\$15,000
8. 6th Bi-Annual Environment Conference	\$20,000	\$20,000	\$20,000	\$20,000
9. FSM FEMA Disaster Matching	\$200,000	\$200,000	\$200,000	\$200,000
10. Basel Convention	\$501	\$501	\$501	\$501
11. DAEF Matching Fund for FY16	\$200,000	\$0	\$0	\$0
12. Building Resilience to Disaster & Climate Risk in the outer islands	\$75,150	\$0	\$0	\$0
13. Prior Year obligations	\$16,415	\$0	\$0	\$0
14. Kyoto Protocol	0	\$409	\$409	\$409
15. WMO Membership (Current fee & Prior Obligations)	\$0	\$250,000	\$250,000	\$250,000
Total for OEEM	\$357,749	\$500,987	\$500,987	\$500,987

OTHER GRANTS,	FY 2017	FY 2018	FY18	Committee
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STANDING COMMITTEE REPORT NO. 20-20

RE: PRESIDENTIAL COMMUNICATION NO. 19-579

SUBJECT: FISCAL YEAR 2018 BUDGET/R&D

SEPTEMBER 21, 2017

CONTRIBUTIONS & SUBSIDIES	Appropriated	Proposed	Recommended	Recommends
1. NORMA – WCPFC Tuna Commission Fee	\$108,504	\$108,505	\$108,505	\$108,505
2. Trade Fairs (\$10k each state)	\$40,000	\$0	\$0	\$0
3. Independence Day activities	\$50,000	\$50,000	\$50,000	\$50,000
TOTAL FOR GRANTS, SUBSIDIES & CONTRIBUTIONS	\$857,751	\$945,990	\$945,990	\$945,990

IX. CAPITAL & HUMAN RESOURCES DEVELOPMENT BUDGET

On September 19, 2017, during the Second Regular Session, your Committee had its mark-up meeting on the FY18 budget requests. Your Committee recommends the following for the fiscal year 2018.

In comparing the FY17 appropriation of **\$2,469,563** of Capital and Human Resources Development for the Department, OEEM, the FSM Banking Board, the FSM Insurance Board and NORMA to the Committee's recommendation for FY18 of **\$2,719,919**, there is an increase of **\$250,356**.

	FY2017 Appropriation	FY2018 Proposed	FY18 Recommended	Committee Recommends
a. FSM Association of Chamber of Commerce/ Support to COC	\$67,000	\$67,000	\$67,000	\$67,000
b. State Trade Fairs Enhancing Value Addition	\$0	\$52,000	\$0	\$0
c. R&D SNLC	\$50,000	\$50,000	\$60,000	\$60,000
d. FSM Tourism Development Framework	\$0	\$3,550,000	\$400,000	\$100,000
e. National Trade Facilitation Committee	\$0	\$0	\$0	\$0

STANDING COMMITTEE REPORT NO. 20-20

RE: PRESIDENTIAL COMMUNICATION NO. 19-579

SUBJECT: FISCAL YEAR 2018 BUDGET/R&D

SEPTEMBER 21, 2017

f. Food Security Production	\$0	\$300,000	\$300,000	\$300,000
g. Secretariat/Hosting conference equipment/materials	\$10,000	\$0	\$0	\$0
i. Implement National Tourism Policy/Tourism Investment Plan	\$0	\$0	\$0	\$0
j. Assistance to State for Tourism Investment Plan Implementation	\$2,000,000	\$2,000,000	\$1,600,000 K-400k Y-400k P-400k C-400k	\$1,200,000 K-300k Y-300k P-300k C-300k
k. Phase II Foreign Investment Review	\$0	\$0	\$0	\$0
l. Forfeith Session of the Governing Council of International Fund for Agriculture Dev. (IFAD)	\$8,827	\$8,827	\$8,827	\$8,827
m. National Coastal Fisheries Monitoring Team ongoing monitoring program access impacts of CEAFM Program & Climate Change	\$13,736	\$13,736	\$16,325	\$16,325
n. Civil Organization & NGO's	\$0	\$0	\$0	\$0
o. Chamber of Commerce Chuuk State	\$50,000	\$50,000	\$0	\$0
p. Chamber of Commerce Kosrae State	\$50,000	\$50,000	\$0	\$0
q. Chamber of Commerce Pohnpei State	\$50,000	\$50,000	\$0	\$0
r. Chamber of Commerce Yap State	\$50,000	\$50,000	\$0	\$0
s. Strengthening Organizational Planning, Management & Accountability Capacity of National/State Private Sector Organization in the FSM	\$0	\$42,319	\$42,319	\$42,319
t. National Trade & Investment Portal	\$0	\$46,250	\$51,250	\$51,250
u. R&D conference	\$0	\$73,000	\$80,000	\$80,000

STANDING COMMITTEE REPORT NO. 20-20

RE: PRESIDENTIAL COMMUNICATION NO. 19-579

SUBJECT: FISCAL YEAR 2018 BUDGET/R&D

SEPTEMBER 21, 2017

v. Implementation of the Nagoya Protocol on Access Genetic Resources and the and Equitable Sharing of Benefits from their Utilization to Convention Biological Diversity.	\$0	\$50,000	\$70,000	\$0
w. Development of a Comprehensive Intellectual Property Rights Regime	\$0	\$89,000	\$89,000	\$0
x. Computing Facility Upgrade		\$36,859	\$38,270	\$38,270
y. 2018-2019 HIES	\$0	\$261,347	\$261,347	\$261,347
z. 2020 CPH	\$0	\$18,331	\$18,331	\$18,331
a1. Enhancing Private Sector Competitiveness - Production of high quality import substitute value added	\$0	\$0	\$92,000	\$50,000
a2. Enhancing Private Sector Competitiveness - Supporting Business & products/services upgrading	\$0	\$0	\$92,000	\$0
a3. Enhancing Private Sector Competitiveness - Marketing and promotion of FSM products overseas and integration in Regional/Global supply chains.	\$0	40	\$22,000	\$22,000
Total for R&D Dept.	\$2,339,563	\$6,858,669	\$3,308,669	\$2,315,669
OEEM				
a. EEM -Fostering Sustainable Solid Waste Management System in the FSM	\$0	\$0	\$0	\$0
b. Hosting of Global Environment Facility Constituency Meetings	\$0	\$40,000	\$40,000	\$40,000
c. The 4th Disaster Risk Management Environment Conference Planform	\$0	\$20,000	\$20,000	\$20,000
d. 15 Thousand Gallon Water Cathcm	\$0	\$4,250	\$4,250	\$4,250
e. Implement the FSM National Disaster Response Plan (NDRP)	\$0	\$30,000	\$30,000	\$30,000
f. Backup Generator	\$0	\$40,000	\$40,000	\$40,000
Total for OEEM	\$0	\$134,250	\$134,250	\$134,250

The decrease on the FSM Tourism Development Framework is due to the fact that the amount is too excessive. Program Manager for Tourism explained that the \$3,550,000 is to meet the tourism plans for each state. At the mark-up meeting, your Committee decided to give \$100,000 to initiate the FSM Tourism Development Framework. The Tourism

STANDING COMMITTEE REPORT NO. 20-20

RE: PRESIDENTIAL COMMUNICATION NO. 19-579

SUBJECT: FISCAL YEAR 2018 BUDGET/R&D

SEPTEMBER 21, 2017

Unit needs to report back to Congress on how the \$100,000 is expended.

The assistance to the states for the Tourism Investment Plan Implementation is decreased. Each state will have \$300,000, which is a sum of \$1,200,000.

The Committee did not fund the implementation of the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits from their Utilization to Convention on Biological Diversity in the amount of \$70,000. Should this project be needed, the Department can request funding in the middle of the fiscal year or wait for the next fiscal year. The Committee also did not fund the project to develop a comprehensive Intellectual Property Rights Regime in the amount of \$89,000. The reason was that the department may request funding for this project in the near future.

The funding for the enhancement of the "Enhancing Private Sector Competitiveness - Production of high quality import substitutes & value added" project is decreased to \$50,000 instead of \$92,000. Your Committee recommends that the Department start the project with the \$50,000 and if the Department wants more funding, then it can request. For the \$92,000 for the "Enhancing Private Sector Competitiveness - Supporting Business & products/services upgrading" project, the Committee decided not to fund this project; however, advise the Department to seek funding if they are about to implement this project.

STANDING COMMITTEE REPORT NO. 20-20

RE: PRESIDENTIAL COMMUNICATION NO. 19-579

SUBJECT: FISCAL YEAR 2018 BUDGET/R&D

SEPTEMBER 21, 2017

NORMA				
a. Hosting of PNA Leader Summit	\$80,000	\$0	\$0	\$0
b. Capital & Human Resources Development Programs in Monitoring, Control & Surveillance (MCS)	\$0	\$55,000	\$55,000	\$55,000
c. Commemoration of World Tuna Day 2018	\$0	\$15,000	\$15,000	\$15,000
Total for NORMA	\$80,000	\$70,000	\$70,000	\$70,000
FSM Insurance Board				
Improve & Strengthen the Country's Insurance Statutory & Regulatory Framework	\$50,000	\$0	\$0	\$0
In-house Consultant/On Site Examination & Investigation of Affairs of Captive Insurance	\$0	\$0	\$0	\$0
Total for Insurance Board	\$50,000	\$0	\$0	\$0
Other CIP				
1. Conservation Society in each state	\$0	\$0	\$0	\$200,000
Total for Capital and Human Resource Development	\$2,469,563	\$7,062,919	\$3,512,919	\$2,619,919

The funding of \$200,000 in other Capital and Human Resources Development is for the Conservation Society in each of the states. Each Conservation Society is allocated \$50,000 to supplement its programs and activities.

STANDING COMMITTEE REPORT NO. 20-20

RE: PRESIDENTIAL COMMUNICATION NO. 19-579

SUBJECT: FISCAL YEAR 2018 BUDGET/R&D

SEPTEMBER 21, 2017

CONCLUSION

Your Committee on Resources and Development has carefully reviewed the President's recommended FY 2018 budget and all information provided by the Executive and the entities under your Committee's jurisdiction. The recommended sums set forth above reflect your Committee's recommendations on the level of funding for the designated activity, program or project for FY 2018, subject to the recommendations of the Committee on Ways and Means.

Respectfully submitted,

/s/ David W. Panuelo
David W. Panuelo, chairman

/s/ Tiwiter Aritos
Tiwiter Aritos, vice chairman

/s/ Victor V. Gouland
Victor V. Gouland, member

/s/ Isaac V. Figir
Isaac V. Figir, member

/s/ Derensio S. Konman
Derensio S. Konman, member

/s/ Esmond B. Moses
Esmond B. Moses, member

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