

STANDING COMMITTEE REPORT NO. 20-81

RE: PRESIDENTIAL COMMUNICATION NO. 20-211

SUBJECT: FISCAL YEAR 2019 BUDGET/R&D

SEPTEMBER 21, 2018

The Honorable Wesley W. Simina  
Speaker, Twentieth Congress  
Federated States of Micronesia  
Fifth Regular Session, 2018

Dear Mr. Speaker:

Your Committee on Resources and Development, to which was jointly referred Presidential Communication No. 20-211 transmitting the National Government's proposed FY2019 budget, begs leave to report as follows:

Presidential Communication No. 20-211 transmits the *National Government's fiscal year 2019 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. National Oceanic Resource Management Authority;
3. FSM Banking Board;
4. FSM Insurance Board;
5. Grants, subsidies and contributions:
  - a. Pacific Island Development Program (PIDP);
  - b. Coordinating Committee for Offshore Mineral Prospecting;
  - c. Pacific Asian Travel Association (PATA);
  - d. United Nations Development Program (UNDP);
  - e. Micronesian Challenge Endowment Fund;

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- f. Food Agriculture Organization (FAO);
  - g. Western Forestry Leadership Coalition
  - h. SPC Matching Fund;
  - i. Micronesian Challenge;
  - j. Micronesian Cruise Association;
  - k. South Pacific Tourism Organization (SPTO)
  - l. International Animal Health Organization (OIE);
  - m. International Renewable Energy Agency (IRENA);
  - n. Micronesian Trade Committee;
  - o. Convention on Biological Diversity (CBD)
  - p. International Fund for Agriculture Development (IFAD);
  - q. Forum Fisheries Agency (FFA); and
  - r. WCPFC Membership Fee (NORMA).
6. Capital and Human Resources Development:
- a. FSM Association of Chamber of Commerce;
  - b. State & National Leadership Conference (SNLC);
  - c. FSM Tourism Development Framework;
  - d. National Coastal Fisheries Monitoring Team and ongoing monitoring program to assess impacts of CEAFM Program & Climate Change;
  - e. Strengthening Organization, Planning, Management and Accountability Capacity of National and State Private Sector Organization in the FSM;
  - f. 2018-2019 HIES;
  - g. 2020 CPH;
  - h. Capital & Human Resources Development in Monitoring, Control & Surveillance (MCS)
  - i. Commemoration of World Tuna Day – May 2019;
  - j. FFC Meetings; and
  - k. WCPFC Hosting.

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.

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Your Committee conducted a series of public hearings during the Fourth Regular Session of the Twentieth Congress on May 11, 2018, and continued its public hearings during the Fifth Special Session on August 2 to 7, 2018. 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 2019 BUDGET**

The figures shown in the chart below for the Department of Resources and Development include the total amount appropriated in FY 2018, the amount requested for FY 2019, and the amount transmitted as recommended for FY 2019. The last column is the amount recommended by your Committee for FY 2019.

	FY 2018 Appro.	FY 2019 Proposed	FY19 Recom	Committee Recommends
Personnel	\$839,566	\$892,511	<b>\$907,313</b>	<b>\$907,313</b>
Travel	\$253,136	\$286,791	<b>\$286,791</b>	<b>\$286,791</b>
Contract.Serv.	\$91,250	\$259,850	<b>\$259,850</b>	<b>\$12,850</b>
OCE	\$192,640	\$184,540	<b>\$184,540</b>	<b>\$184,540</b>
Fixed Assets	\$10,500	\$44,000	<b>\$44,000</b>	<b>\$44,000</b>
<b>Total</b>	<b>\$1,387,092</b>	<b>\$1,667,692</b>	<b>\$1,682,494</b>	<b>\$1,435,494</b>
No. Employees	37	56	56	56

Your Committee conducted its first public hearing on the FY19 proposed budget on Friday, May 18, 2018. At the hearing, your Committee was informed that there is a proposed restructuring of the Department. The Division of Resources Management and Development will be eradicated, and the staff will be reshuffled within the Department. The restructuring of the Department is to create three Assistant Secretaries to head three Divisions, and this restructuring is coordinated with the Department of Justice.

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**I(a). Office of the Secretary**

	FY 2018 Appro.	FY 2019 Proposed	FY19 Recom	Committee Recommends
Personnel	\$74,787	\$74,137	\$75,412	\$75,412
Travel	\$35,993	\$46,640	\$46,640	\$46,640
Contract.Serv.	\$150	\$150	\$150	\$150
OCE	\$15,640	\$15,640	\$15,640	\$15,640
Fixed Assets	\$5,000	\$2,000	\$2,000	\$2,000
<b>Total</b>	<b>\$131,570</b>	<b>\$138,567</b>	<b>\$139,842</b>	<b>\$139,842</b>
No. Employees	3	3	3	3

**Personnel** - The FY18 appropriation was \$74,787. The requested amount for FY19 is \$74,137, but \$75,412 was recommended. The salary for the Secretary's position (Marion Henry) is at \$40,000. The Executive Secretary II position (Roselynn David) is at \$9,044. The salary for the Administrative Officer II (Hannalisa Esquerra) is at \$14,723. The fringe benefit is recommended at \$9,565 instead of \$8,290. The COLA is \$2,080. The total funding for three employees including fringe benefits and COLA is \$75,412.

Your Committee recommends **\$75,412**.

**Travel** - In FY 2018, an amount of \$35,993 was appropriated. For FY 2019, the proposed amount by the Department is \$46,640, which was recommended. This is an increase of \$10,647 as compared to FY18 appropriation. Of the \$46,640 requested, \$12,016 is to fund the Secretary's visits to each state, \$3,792 is to fund the Secretary to the Micronesian Island Forum in Palau, \$3,792 is to fund the Secretary to the Micronesian Presidential Summit in Palau, \$15,000 is to fund participants to Ministerial trade meetings, and \$12,000 to fund an IRENA meeting in Rome.

Your Committee recommends **\$46,640**.

**Contractual Services** - An amount of \$150 was appropriated in FY 2018 for magazine and newspaper subscriptions. The same amount is being requested for FY 2019 for the same purpose, and was recommended. Your Committee recommends **\$150**.

**Other Current Expenses** - An amount of \$15,640 was appropriated in FY 2018. For FY19, the Department

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requested the same amount, which was recommended. Your Committee recommends \$15,640.

**Fixed Assets** – The amount appropriated in FY 2018 was \$15,640. For FY 2019, the Department requested \$2,000 to purchase office equipment, and was recommended. Your Committee recommends \$2,000.

## **II. Tourism Unit**

	FY 2018 Appro.	FY 2019 Proposed	FY19 Recom	Committee Recommends
Personnel	\$19,465	\$47,810	\$48,619	\$48,619
Travel	\$32,098	\$40,178	\$40,178	\$40,178
Contract.Serv.	\$3,500	\$3,500	\$3,500	\$3,500
OCE	\$8,000	\$13,200	\$13,200	\$13,200
Fixed Assets	\$2,000	\$2,000	\$2,000	\$2,000
<b>Total</b>	<b>\$65,063</b>	<b>\$106,688</b>	<b>\$107,497</b>	<b>\$107,497</b>
No. Employees	1	2	2	2

**Personnel** – In FY18, an amount of \$19,465 was appropriated to fund one employee. For FY19 budget, the proposed amount is \$47,810 for two positions (a Deputy Assistance Secretary and an Assistant Secretary), but \$48,619 was recommended. The Assistant Secretary's position is a result of the restructuring in the Department, basically to abolish the Division of Resource Management and Development. Mr. Bermance Aldis is the Deputy Assistant Secretary with a salary of \$18,092. The Assistant Secretary position is listed as vacant with a salary of \$22,377. The fringe benefit is recommended at \$6,080 and the COLA at \$2,080.

Your Committee recommends \$48,619.

**Travel** – An amount of \$32,098 was appropriated in FY18. For FY19, there was a request of \$40,178, which was recommended. This is an increase of \$8,080, as compared to FY18 appropriation. An amount of \$12,058 is requested to fund states' visits. Another \$12,056 is for the Assistant Secretary for states' visits also. There is an amount of \$16,066 requested for regional meetings (SPTO/PATA/MCA). Your Committee recommends \$40,178.

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**Contractual Services** - In FY 2018, an amount of \$3,500 was appropriated for the operation and maintenance of the FSM Website Service. For FY19, the same amount is requested for the same purpose. Your Committee recommends **\$3,500**.

**Other Current Expenses** - An amount of \$8,000 was appropriated in FY 2018. For FY19, the requested amount is \$13,200 to pay communications, printing, reproductions, supplies and materials. Your Committee recommends **\$13,200**.

**Fixed Assets** - In FY 2018, an amount of \$2,000 was appropriated. For FY 2019, an amount of \$2,000 is requested and recommended to purchase a desktop computer. Your Committee recommends **\$2,000**.

### **III. Marine Resources Unit**

	FY 2018 Appro.	FY 2019 Proposed	FY19 Recom	Committee Recommends
Personnel	\$40,030	\$66,356	<b>\$67,475</b>	<b>\$67,475</b>
Travel	\$22,843	\$47,544	<b>\$47,544</b>	<b>\$47,544</b>
Contract.Serv.	\$0	\$0	<b>\$0</b>	<b>\$0</b>
OCE	\$8,000	\$14,200	<b>\$14,200</b>	<b>\$14,200</b>
Fixed Assets	\$0	\$0	<b>\$0</b>	<b>\$0</b>
<b>Total</b>	<b>\$70,873</b>	<b>\$128,100</b>	<b>\$129,219</b>	<b>\$129,219</b>
No. Employees	2	3	3	3

**Personnel** - An amount of \$40,030 was appropriated in fiscal year 2018 for two employees inclusive of their fringe benefits and COLA. For FY19, the requested amount is \$66,356, but \$67,475 was recommended for three employees, a new Assistant Secretary position with a salary of \$22,377, the Deputy Assistant Secretary (Valentine Martin) with a salary of \$16,306, and the Fisheries Management and Conservation Officer (Dave Mathias) with a salary of \$15,492. The new Assistant Secretary position is part of the restructuring of the Department. The fringe benefit is \$8,394 and \$3,120 for COLA. Your Committee recommends **\$67,475**.

**Travel** - In FY 2018, an amount of \$22,843 was appropriated. For FY19, an amount of \$47,544 is requested and recommended. This

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amount is to fund a visit to each state, Micronesian Island Forum (MIF) in Palau, Micronesian Presidential Summit in Palau and a regional meeting. Your Committee recommends the \$47,544.

**Contractual Services** – In FY 2018, there was no funding appropriated. There is also no request for this fiscal year. Your Committee recommends \$0.

**Other Current Expenses** – An amount of \$8,000 was appropriated in fiscal year 2018. This year, there is a request of \$14,200, which was recommended. Your Committee recommends \$14,200.

**Fixed Assets** – There was no funding appropriated in FY 2018. This year, there is no request. Your Committee recommends \$0.

#### **IV. Agriculture Unit**

	FY 2018 Appro.	FY 2019 Proposed	FY19 Recom	Committee Recommends
Personnel	\$289,931	\$316,257	\$321,431	\$321,431
Travel	\$39,747	\$51,883	\$51,883	\$51,883
Contract.Serv.	\$0	\$0	\$0	\$0
OCE	\$53,500	\$62,000	\$62,000	\$62,000
Fixed Assets	\$2,000	\$38,000	\$38,000	\$38,000
<b>Total</b>	\$385,178	\$468,140	\$473,314	\$473,314
No. Employees	22	23	23	23

**Personnel** – The amount appropriated in FY18 was \$289,931 for twenty-two employees inclusive of their COLA and 13% fringe benefits. The request for FY19 is \$316,257, but the recommended amount is \$321,431. This is an increase of \$31,500, as compared to FY18 appropriation. The increase is to accommodate increases in employees, COLA and fringe benefits. There is an additional position, which is an Assistant Secretary with a salary of \$22,377. Again, this new position is part of the restructuring of the Department. Your Committee recommends \$321,431.

**Travel** – In FY 2018, an amount of \$39,747 was appropriated. This year the requested amount is \$51,883, which was recommended. This is an increase of \$12,136, as compared to FY18 appropriation. The increase in travel is to fund

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the Assistant Secretary to visit each state. Your Committee recommends \$51,883.

**Contractual Services** – In FY18 budget, there is no amount appropriated. For FY19, there is no amount requested. Your Committee recommends \$0.

**Other Current Expenses** – In FY 2018, an amount of \$53,500 was appropriated. For FY19 budget, the request is \$62,000 and was recommended. This is an increase of \$8,500, as compared to FY18 appropriation. Your Committee recommends \$62,000.

**Fixed Assets** – In FY18, there was no appropriated amount. In FY 2019, the requested amount is \$38,000. There is \$6,000 requested to purchase three desktop computers, and \$32,000 for a Double Cab/Pick-up Truck. Your Committee recommends \$38,000.

**V. Division of Trade and Investment**

	FY 2018 Appro.	FY 2019 Proposed	FY19 Recom	Committee Recommends
Personnel	\$69,294	\$79,685	\$81,021	\$81,021
Travel	\$48,450	\$48,470	\$48,470	\$48,470
Contract.Serv.	\$40,400	\$209,000	209,000	\$9,000
OCE	\$20,500	\$13,000	\$13,000	\$13,000
Fixed Assets	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$178,644</b>	<b>\$350,255</b>	<b>\$351,591</b>	<b>\$151,491</b>
No. Employees	3	4	4	4

**Personnel** – The amount appropriated in FY 2018 was \$69,294 for three employees. For FY19, the request is \$79,685, but \$81,021 was recommended. This is an increase of \$11,727, as compared to the FY18 appropriation. As mentioned, there is an Assistant Secretary, which is part of the restructuring of the Department. So all together, there will be four employees. Your Committee recommends \$81,021.

**Travel** – An amount of \$48,450 was appropriated in FY 2018. This year, the Division is requesting \$48,470 and was recommended. Your Committee recommends \$48,470.



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**Contractual Services** - In FY 2018, an amount of \$40,400 was appropriated. For FY19, \$209,000 is requested (\$9,000 for the website maintenance and \$200,000 for a T&I advisory contractual services). At the mark-up meeting on September 19, 2018, your Committee did not approve the \$200,000 for the Trade & Investment advisor; stating that the Department needs to justify more on what necessitates the dire need of this T&I advisor. Your Committee recommends **\$9,000**.

**Other Current Expenses** - An amount of \$20,500 was appropriated under this category in FY 2018. This year, the Division has requested \$13,000 and was recommended. Your Committee recommends **\$13,000**.

**Fixed Assets** - No funding appropriated in FY 2018. This year, there is no funding requested. Your Committee recommends **\$0**.

#### **VI. Division of Energy**

	FY 2018 Appro.	FY 2019 Proposed	FY19 Recom	Committee Recommends
Personnel	\$26,326	\$26,326	<b>\$26,774</b>	<b>\$26,774</b>
Travel	\$31,980	\$27,964	<b>\$27,964</b>	<b>\$27,964</b>
Contract.Serv.	\$200	\$200	<b>\$200</b>	<b>\$200</b>
OCE	\$5,500	\$5,500	<b>\$5,500</b>	<b>\$5,500</b>
Fixed Assets	\$1,500	\$2,000	<b>\$2,000</b>	<b>\$2,000</b>
<b>Total</b>	<b>\$65,506</b>	<b>\$61,990</b>	<b>\$62,438</b>	<b>\$62,438</b>
No. Employees	1	1	1	1

**Personnel** - In FY 2018, an amount of \$26,326 was appropriated for the Assistant Secretary (Hubert Yamada), but the "Budget Book for FY 2018 reflected an amount of \$29,380. For FY19, \$26,326 is requested, but \$26,774 was recommended. Your Committee recommends **\$26,774**.

**Travel** - In FY 2018, an amount of \$31,980 was appropriated. This year, there is a request of \$27,964, which was recommended. Your Committee recommends **\$27,964**.

**Contractual Services** - For FY 2018, an amount of \$200 was appropriated for subscriptions. This year, the same amount is requested and recommended. Your Committee recommends **\$200**.

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**Other Current Expenses** – In FY 2018, an amount of \$5,500 was appropriated. The same amount is requested and recommended for FY 2019. Your Committee recommends **\$5,500**.

**Fixed Assets** – In FY 2018, \$1,500 was appropriated. This year, the Division is requesting \$2,000 to purchase a desktop computer, which was recommended. Your Committee recommends **\$2,000**.

#### **VI Division of Statistics**

	FY 2018 Appro.	FY 2019 Proposed	FY19 Recom	Committee Recommends
Personnel	\$283,016	\$281,940	<b>\$286,581</b>	<b>\$286,581</b>
Travel	\$24,032	\$24,112	<b>\$24,112</b>	<b>\$24,112</b>
Contract.Serv.	\$47,000	\$47,000	<b>\$47,000</b>	<b>\$47,000</b>
OCE	\$61,000	\$61,000	<b>\$61,000</b>	<b>\$61,000</b>
Fixed Assets	\$0	\$0	<b>\$0</b>	<b>\$0</b>
<b>Total</b>	<b>\$415,048</b>	<b>\$414,052</b>	<b>\$418,693</b>	<b>\$418,693</b>
No. Employees	19	19	19	19

**Personnel** – In FY2018, an amount of \$283,016 was appropriated to fund 19 employees. For FY19, an amount of 281,940 is requested, but \$286,581 was recommended due to the increase in fringe benefits. The number of employees remains the same. Accordingly, out of the 19 positions, there are two vacant positions. Your Committee recommends **\$286,581**.

**Travel** – The FY2018 appropriated amount was \$24,032. For FY2019, there is a request of \$24,112, which was recommended. Your Committee recommends **\$24,112**.

**Contractual Services** – In FY18, an amount of \$47,000 was appropriated. For FY19, the Division is requesting the same amount and was recommended. Your Committee recommends **\$47,000**.

**Other Current Expenses** – In FY2018, an amount of \$61,000 was appropriated. For FY2019, the same amount is requested and recommended. Your Committee recommends **\$61,000**.

**Fixed Assets** – In FY2018, there was no appropriation. For FY19, there is no request. Your Committee recommends **\$0**.

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**VII. NATIONAL OCEANIC RESOURCE MANAGEMENT AUTHORITY (NORMA)**

Your Committee conducted the NORMA's FY19 budget hearing on Tuesday, August 8, 2018. Witnesses at the hearing included: Executive Director Mr. Eugene Pangelinan, Deputy Executive Director Mathew Chigiyal, Mrs. Liman Helgenberger, Chief of Management and Development, Mr. Sohs John, Chief Budget Officer, Assistant Secretary, Mr. Dwight Edward and Special Assistant to the President, Mr. Pelsesar Petrus.

The figures shown in the chart below for NORMA include the total amount appropriated in FY 2018; the FY 2019 amount requested by NORMA, and the amount transmitted as recommended, as listed in the "FY 2019 Recommended" column in the "Budget Book". The last column is the amount recommended by your Committee for FY 2019.

	FY 2018 Appro.	FY 2019 Proposed	FY19 Recom	Committee Recommends
Personnel	\$369,832	\$380,560	\$386,964	<b>\$386,964</b>
Travel	\$200,000	\$185,698	\$185,698	<b>\$185,698</b>
Contract.Serv.	\$115,750	\$132,750	\$132,750	<b>\$142,750</b>
OCE	\$76,012	\$73,300	\$73,300	<b>\$73,300</b>
Fixed Assets	\$35,000	\$0	\$0	<b>\$0</b>
<b>Total</b>	<b>\$796,594</b>	<b>\$772,308</b>	<b>\$778,712</b>	<b>\$788,712</b>
No. Employees	11	21	21	21

**Personnel** – The amount appropriated in FY18 was \$369,832 for 21 employees. For FY 2019, the Authority requested \$380,560, but \$386,964 was recommended. This is an increase of \$17,132, as compared to the FY18 appropriation.

At the hearing, your Committee was informed of a certain increase in salaries for certain individuals. The reason for the adjustment is based on an increase of responsibilities and a change of title, and the Assistant Secretary, Division of Personnel, substantiated such increases. The Deputy Executive Director's salary is adjusted from \$24,839 to \$35,000, the Chief of Management and Development position's salary is adjusted from \$18,092

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to \$22,377, the Chief of Research position's salary is adjusted from \$18,092 to \$22,377, the Observer Coordinator's position is adjusted from \$13,995 to \$15,492, and the title of the Port Sampler Supervisor is changed to Port Sampler Coordinator with an adjusted salary of \$13,308.

Your Committee recommends \$386,964.

**Travel** – In FY 2018, the amount appropriated was \$200,000. The amount requested and recommended for FY19 is \$185,698. At the hearing, it was discussed that even though the request is lower than the FY18 appropriation, the Authority still needs the FY18 appropriation level.

Your Committee recommends \$185,698.

**Contractual Services** – In FY 2018, an amount of \$115,750 was appropriated. For the FY19 request, an amount of \$132,750 was requested and recommended. The breakdown of the \$132,750 is as follows:

	FY18	FY19 request
• Legal Advisor	40,000	40,000
• Meeting allowance	7,000	7,500
• Office rental	43,200	45,600
• Representation	20,000	30,000
• Subscription	2,050	2,050
• Internship fisheries related	3,000	3,000
• Office 365 Premium		4,600
Total:-----	115,750	132,750

At the hearing, the Executive Director indicated that there is a need to increase the compensation for the Legal Advisor from \$40,000 to \$50,000 because it is very difficult to recruit with the current \$40,000. Hence, at the mark up meeting of your Committee on September 19, 2018, your Committee recommended the \$50,000 for the Legal Advisor.

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Your Committee recommends **\$142,750**.

**Other Current Expenses** – The amount appropriated in FY 2018 was \$76,012. The request for FY 2019 is \$73,300, which is a decrease of \$2,712, as compared to the FY18 appropriation. Your Committee recommends **\$73,300**.

**Fixed Assets** – In FY18, an amount of \$35,000 was appropriated. For FY19, there is no request. Your Committee recommends **\$0**.

**VIII. FSM BANKING BOARD**

The figures shown in the chart below for the FSM Banking Board include the total amount appropriated in FY 2018; the amount requested by the FSM Banking Board for FY 2019, and the amount transmitted as recommended for FY 2019. The last column is the amount recommended by your Committee for FY 2019.

	FY 2018 Appro.	FY 2019 Proposed	FY19 Recom	Committee Recommends
Personnel	\$88,273	\$91,693	\$93,068	\$93,068
Travel	\$79,772	\$84,726	\$84,726	\$84,726
Contract.Serv.	\$22,225	\$22,225	\$22,225	\$22,225
OCE	\$20,028	\$19,033	\$19,033	\$19,033
Fixed Assets	\$0	\$1,500	\$1,500	\$1,500
<b>Total</b>	<b>\$210,298</b>	<b>\$219,177</b>	<b>\$220,552</b>	<b>\$220,552</b>
No. Employees	4	4	4	4

Your Committee held a public hearing on Monday, September 17, 2018, to consider the FSM Banking Board's proposed FY 2019 budget requests. Witnesses included: Members of the FSM Banking Board Mr. Alexander Narruhn, Mr. Joe Hambuchimai and Mr. Reed Oliver, the Banking Commissioner, Mr. Jesse Giltamag, Mr. Pilika Palik, Financial Analyst, Banking Examiner, Miss Molleighann Cornelius; Assistant Secretary Dwight Edward and Mr. Pelsesar Petrus, the President's Special Assistant.

**Personnel** – The amount appropriated in FY 2018 was \$88,273. For the FY19 request, the Banking Board requested \$91,693, but an amount of \$93,068 was recommended. There is a \$2,000 increase

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on the Banking Commissioner's salary and a minor increase in the fringe benefits. Your Committee recommends **\$93,068**.

**Travel** – An amount of \$77,138 was appropriated in FY 2018. The proposed amount for FY 2019 is \$84,726, which was recommended. Your Committee recommends **\$84,726**.

**Contractual Services** – In FY 2018, an amount of \$22,225 was appropriated. The FSM Banking Board requested the same amount for FY 2019, which was recommended. Your Committee recommends **\$22,225**.

**OCE** – The amount appropriated in FY18 was \$20,028. The requested amount for FY19 is \$19,033, which was recommended. This is a decrease of \$995, as compared to the FY18 appropriation. At the hearing, your Committee learned that the Banking Board decreased its internet funding by around \$100. Your Committee recommends **\$19,033**.

**Fixed Assets** – In FY 2018, there was no appropriation. For FY19, there is a proposed amount of \$1,500 to purchase a touchscreen laptop and a scanner. Your Committee recommends **\$1,500**.

#### **IX. FSM INSURANCE BOARD**

The figures shown in the chart below for the FSM Insurance Board include the total amount appropriated in FY 2018; the amount requested by the FSM Insurance Board for FY 2019, and the amount transmitted as recommended for FY 2019. The last column is the amount recommended by your Committee for FY 2019.

	FY 2018 Appro.	FY 2019 Proposed	FY19 Recom	Committee Recommends
Personnel	\$118,034	\$118,034	\$119,805	\$119,805
Travel	\$76,420	\$78,488	\$76,420	\$76,420
Contract.Serv.	\$85,255	\$414,255	\$414,255	\$414,255
OCE	\$22,590	\$20,790	\$20,790	\$20,790
Fixed Assets	\$0	\$2,000	\$2,000	\$2,000
<b>Total</b>	<b>\$302,299</b>	<b>\$633,567</b>	<b>\$635,338</b>	<b>\$635,338</b>
No. Employees	5	5	5	5

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Your Committee held a public hearing with the FSM Insurance Board on Monday, September 17, 2018. Witnesses included: Insurance Board members Alex Narruhn, Reed Oliver and Joe Hambuchimai; the Insurance Commissioner Mr. Nakama Sana and Insurance Examiner Mr. Adelman Joseph. Mr. Dwight Edward and Peltesar Petrus were also present.

**Personnel** – The amount appropriated in FY18 was \$118,034. For FY19, the request is \$119,805 for five employees.

The Insurance Commissioner's actual salary appropriated in FY18 was \$30,584, and for FY19 the line item in Personnel reflected an amount of \$30,520. The Insurance Examiner (Adelman Joseph) is at \$22,377. Another Insurance Examiner, which is now vacant is at \$22,377. The Financial Analyst (Mylee Mario) salary is at \$16,304. The Executive Secretary I (Lilly Billen) salary is at \$8,275. The fringe benefits is \$14,752 and the COLA is \$5,200. The total sum, as requested is \$119,805. There was a proposed increase of \$10,000 to the Insurance Commissioner's salary based on the workload of the Insurance Commissioner, but was not honored.

Your Committee recommends **\$119,805.**

**Travel** – An amount of \$76,420 was appropriated in FY18. For FY19, the same amount is requested and recommended. Your Committee recommends **\$76,420.**

**Contractual Services** – In FY 2018 an amount of \$85,255 was appropriated. For FY 2019 the request is \$414,255, which was recommended. Your Committee was informed at the hearing that there is \$375,000 requested to fund a Captive Insurance expert. The Insurance Board is working on the contract for the Captive Insurance expert who is a former Insurance Commissioner of Hawaii.

At the mark-up hearing of your Committee on September 19, 2018, your Committee had considered the importance of the Captive Insurance expert, and recommends **\$414,255.**

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**OCE** – In FY 2018 an amount of \$22,590 was appropriated. This year there is a request of \$20,790, which was recommended. This is an decrease of \$1,800, as compared to FY18 appropriation. Your Committee recommends **\$20,790**.

**Fixed Assets** – In FY18 budget, there was no appropriation. For FY19, there is of \$2,000 to purchase two laptops. Your Committee recommends **\$2,000**.

**VII. GRANTS, SUBSIDIES & CONTRIBUTIONS**

In comparing the FY18 appropriation of **\$433,920** of grants, subsidies, contributions and other grants for the Department, NORMA, the FSM Banking Board and the FSM Insurance Board to the Committee's recommendation for FY19 of **\$611,502**, there is an increase of **\$177,582**.

<b>Department of Resources Development Grants, Contributions &amp; Subsidies</b>	<b>FY 2018 Appropri</b>	<b>FY 2019 Proposed</b>	<b>FY19 Recommends</b>	<b>Committee Recommends</b>
1. Pacific Island Development Program (PIDP)	15,000	15,000	<b>15,000</b>	<b>\$15,000</b>
2. Forum Fisheries Agency (FFA)	38,918	0	<b>0</b>	<b>\$0</b>
3. Coordinating Committee for Offshore Mineral	0	0	<b>0</b>	<b>\$0</b>
4. Pacific Asian Travel Association (PATA)	\$5,000	\$6,000	<b>\$6,000</b>	<b>\$6,000</b>
5. United Nations Development Program (UNDP)	\$30,000	\$30,000	<b>\$30,000</b>	<b>\$30,000</b>
6. Micronesian Challenge Endowment Fund	\$50,000	\$50,000	<b>\$50,000</b>	<b>\$100,000</b>
7. Seaframe	\$0	\$0	<b>\$0</b>	<b>\$0</b>
8. Food Agriculture Organization (FAO)	\$4,800	\$4,800	<b>\$4,800</b>	<b>\$4,800</b>
9. Western Forestry Leadership Coalition	\$530	\$530	<b>\$530</b>	<b>\$530</b>



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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	\$8,000	\$8,000	\$8,000
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
18. Convention on Biological Diversity (CBD)	\$1,000	\$1,000	\$1,000	\$1,000
19. IFAD	\$500	\$500	\$500	\$500
<b>Total Grants, Subsidies &amp; Contributions for R&amp;D</b>	<b>\$286,498</b>	<b>\$241,580</b>	<b>\$241,580</b>	<b>\$291,580</b>

At the mark-up meeting of your Committee on September 19, 2018, your Committee learned that the FFA funding is now under NORMA's budget. Your Committee recommended \$100,000 for the Micronesian Challenge Endowment Fund.

<b>OTHER GRANTS, CONTRIBUTIONS &amp; SUBSIDIES</b>	<b>FY 2018 Appropriated</b>	<b>FY 2019 Proposed</b>	<b>FY19 Recommended</b>	<b>Committee Recommends</b>
1. NORMA – WCPFC Tuna Commission Fee	\$108,504	\$257,284	\$108,505	\$257,284
2. Forum Fisheries Agency (FFA) Membership fee	\$38,918	\$62,638	\$38,918	\$62,638
<b>TOTAL FOR GRANTS, SUBSIDIES &amp; CONTRIBUTIONS</b>	<b>\$147,422</b>	<b>\$319,922</b>	<b>\$147,422</b>	<b>\$319,922</b>

**FFA Membership Fees (\$62,638)**

It should be noted that for the past several fiscal years, the Department of Resources and Development has in its budget the Forum Fisheries Agency (FFA) fee. For FY2019, a total of \$62,638 is needed to pay the annual membership for fiscal years 2018 and 2019. The past arrears are comprised of a shortfall of

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\$4,672 in fiscal years 2016 and 2017 and \$9,524 in fiscal years 2017 and 2018. Only \$38,918 was appropriated in fiscal year 2018. These past arrears are merely a result of FFA fiscal year period being different from that of the FSM National Government.

**WCPFC Membership Fees (\$257,284)**

For FY2019, NORMA is requesting a total of \$257,284 to pay it's the annual membership fee. The amount of \$108,505 was appropriated in fiscal year 2018 and the same amount is requested for this fiscal year 2019. According to NORMA, an amount of \$170,094 was assessed as FY2019 annual membership fee. There were past arrears that were assessed, \$59,137 for FY2016 and \$28,053 for FY2017. Adding up the fiscal year 2019 membership fee in the amount of \$170,094 to FY16 (\$59,137) and FY17 (\$28,053) arrears, the total would be \$257,284. These past arrears are also a result of assessed membership contributions on a calendar basis.

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

The Committee's mark-up meeting on the FY19 budget requests was held on September 19, 2018. Your Committee recommends the following for the fiscal year 2019.

In comparing the FY18 appropriation of \$1,485,669 of Capital and Human Resources Development for the Department, the FSM Banking Board, the FSM Insurance Board and NORMA to the Committee's recommendation for FY19 of \$4,594,959, there is an increase of \$3,109,290.

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	FY2018 Appropria.	FY2019 Proposed	<b>FY19 Recommended</b>	<b>Committee Recommends</b>
a. FSM Association of Chamber of Commerce/ Support to COC	\$67,000	\$80,000	<b>\$80,000</b>	<b>\$0</b>
b. State Trade Fairs Enhancing Value Addition	\$0	\$0	<b>\$0</b>	<b>\$0</b>
c. R&D SNLC	\$60,000	\$60,000	<b>\$60,000</b>	<b>\$60,000</b>
d. FSM Tourism Development Framework	\$100,0000	\$0	<b>\$0</b>	<b>\$0</b>
e. National Trade Facilitation Committee	\$0	\$0	<b>\$0</b>	<b>\$0</b>
f. Food Security Production	\$300,000	\$0	<b>\$0</b>	<b>\$0</b>
g. Secretariat/Hosting conference equipment/ materials	\$0	\$0	<b>\$0</b>	<b>\$0</b>
i. Implement National Tourism Policy/Tourism Investment Plan	\$0	\$0	<b>\$0</b>	<b>\$0</b>
j. Assistance to State for Tourism Investment Plan Implementation	\$0	\$0	<b>\$0</b>	<b>\$0</b>
k. Phase II Foreign Investment Review	\$0	\$0	<b>\$0</b>	<b>\$0</b>
l. Forfeith Session of the Governing Council of International Fund for Agriculture Dev. (IFAD)	\$8,827	\$0	<b>\$0</b>	<b>\$0</b>
m. National Coastal Fisheries Monitoring Team ongoing monitoring program access impacts of CEAFM Program & Climate Change	\$16,325	\$16,325	<b>\$16,325</b>	<b>\$16,325</b>
n. Civil Organization & NGO's	\$0	\$0	<b>\$0</b>	<b>\$0</b>
o. Chamber of Commerce Chuuk State	\$0	\$0	<b>\$0</b>	<b>\$0</b>
p. Chamber of Commerce Kosrae State	\$0	\$0	<b>\$0</b>	<b>\$0</b>

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q. Chamber of Commerce Pohnpei State	\$0	\$0	\$0	\$0
r. Chamber of Commerce Yap State	\$0	\$0	\$0	\$0
s. Strengthening Organizational Planning, Management & Accountability Capacity of National/State Private Sector Organization in the FSM	\$42,319	\$80,000	\$80,000	\$42,319
t. National Trade & Investment Portal	\$51,250	\$0	\$0	\$0
u. R&D conference	\$80,000	\$0	\$0	\$0
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	\$0	\$0	\$0
w. Development of a Comprehensive Intellectual Property Rights Regime	\$0	\$0	\$0	\$0
x. Computing Facility Upgrade	\$38,270	\$0	\$0	\$0
y. 2018-2019 HIES	\$261,347	\$155,000	\$155,000	\$155,000
z. 2020 CPH	\$18,331	\$1,516,315	\$1,516,315	\$1,516,315
a1. Enhancing Private Sector Competitiveness - Production of high quality import substituted value added	\$50,000	\$0	\$0	\$0
a2. Enhancing Private Sector Competitiveness - Supporting Business & products/services upgrading	\$0	\$0	\$0	\$0
a3. Enhancing Private Sector Competitiveness - Marketing and promotion of FSM products overseas and integration in Regional/Global supply chains.	\$22,000	\$0	\$0	\$0
A4. Assistance to States for Tourism Investment Plan Implementation	\$0	\$0	\$0	\$750k for Chuuk; \$750k for PNI; \$500k for KSA; \$500k for Yap \$2,500,000
<b>Total for R&amp;D Dept.</b>	<b>\$1,115,669</b>	<b>\$1,907,604</b>	<b>\$1,907,640</b>	<b>\$5,189,959</b>
<b>NORMA</b>				
a. Hosting of PNA Leaders Summit	\$0	\$0	\$0	\$0

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b. Capital & Human Development Programs in Monitoring, Control & Surveillance (MCS)	\$55,000	\$0	\$0	\$0
c. Commemoration of World Tuna Day	\$15,000	\$25,000	\$25,000	\$25,000
d. FFC Meetings	\$0	\$80,000	\$80,000	\$80,000
e. WCPFC hosting	\$0	\$100,000	\$100,000	\$0
<b>Total</b>	<b>\$70,000</b>	<b>\$205,000</b>	<b>\$205,000</b>	<b>\$105,000</b>

Your Committee took out the funding for the Chamber of Commerce because the Chamber failed to report on the use of the funding. There is \$2,500,000 your Committee recommended for Tourism Investment Plan Implementation to be divided as follows: \$750,000 for Pohnpei, \$750,000 for Chuuk, \$500,000 for Yap and \$500,000 for Kosrae.

The World Tuna Day request of \$25,000 is an annual event, which started in fiscal year 2018. The commemoration usually occurs in the May of each year as part of a public awareness and educational program. The FSM will be hosting the FFA Official Meeting of the Forum Fisheries Committee in May 2019 and \$80,000 would be needed to defray the costs associated with the hosting.

Since NORMA no longer hosting the WCPFC this year, the funding is not needed.

**FSM Insurance Board**

1. Improve & Strengthen Statute/regs framework	\$0	\$0	\$0	\$0
2. In-house Consultant, Site Examination & Investigation of Affairs of Captive Insurance	\$0	\$0	\$0	\$0
2. Recruitment of a Captive Insurance Advisor	\$100,000	\$0	\$0	\$0
<b>Total for Insurance Board</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Other CIP</b>				

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1. Conservation Society in each state	\$200,000	\$0	\$0	\$200,000 (\$50k each state)
<b>Total for Capital and Human Resource Development</b>	\$	\$	\$	\$200,000

The breakdown of the \$200,000 for the Conservation Societies in each state is at \$50,000.

**CONCLUSION**

Your Committee on Resources and Development has carefully reviewed the President's recommended FY 2019 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 2019, subject to the recommendations of the Committee on Ways and Means.

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Respectfully submitted,

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

Tiwiter Aritos, vice chairman

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

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

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

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

Alik L. Alik, member