

STANDING COMMITTEE REPORT NO. 17-102

RE: C.B. NO. 17-89/EDUCATION

SUBJECT: AMEND TITLE 40 AND TITLE 54 TO INCREASE
THE GRADUATE SCHOLARSHIPS FUNDED FROM
"SIN TAX"

FEBRUARY 11, 2012

The Honorable Isaac V. Figir
Speaker Seventeenth Congress
Federated States of Micronesia
Third Regular Session, 2012

Dear Mr. Speaker,

Your Committee on Education, to which was referred C.B. No. 17-89,
entitled:

"A BILL TO FUTHER AMEND TITLE 40 OF THE CODE OF THE
FEDERATED STATES OF MICRONESIA BY CREATING A NEW SUBCHAPTER
VII WITHIN CHAPTER 3 AND TO FUTHER AMEND TITLE 54 OF THE
CODE OF THE FEDERATED STATES OF MICRONESIA, AS AMENDED BY
PUBLIC LAWS NOS. 10-68, 13-21, 13-60 AND 15-24, BY AMENDING
SECTION 805 THEREOF, TO PROVIDE SCHOLARSHIPS FOR GRADUATE
SCHOOL DEGREES OR FULL-TIME POST-SECONDARY COURSES OF STUDY
LEADING TO COMMERCIAL FEDERAL AVIATION ADMINISTRATION (FAA)
LICENSES, RATINGS AND CERTIFICATIONS, TO CREATE AN EFFECTIVE
DATE, AND FOR OTHER PURPOSES.",

begs leave to report as follows:

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

Your Committee held a public hearing on this bill on February 6, 2012
with representatives from the National Department of Education (NDOE)
and Office of Statistics, Budget of Economic Management, Overseas
Development Assistance & Compact Management (SBOC).

The proposed legislation had been drafted for your Committee based
largely on two concerns. The first, and primary concern, was that

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funding under the Amended Compact for scholarships for higher education will now limited to a total of \$1 million. In order to address what will be a dramatic decrease in the Amended Compact funding available for scholarships the proposed legislation would increase the percentage of the National share of "sin tax" on cigarettes used for scholarships. The National government receives fifty percent of the "sin tax" on cigarettes while the other fifty percent is designated for the State where the tax was collected. Currently, the National share of the "sin tax" on cigarettes is divided seventy-five percent to the General Fund and twenty-five percent to scholarships. The proposed legislation would dedicate the National government's entire share of "sin tax" from cigarettes to be used for scholarships. The bill also specifically requires that the scholarships be used for graduate study or pilot training.

Representatives from the NDOE's scholarship division wholeheartedly support the proposed legislation and stated that any efforts to increase the funding available for scholarships was greatly appreciated. The representatives confirmed that currently scholarships from all sources still only make up a small part of the students' fees and housing needs. Even if all of the money previously available under the Amended Compact for scholarship was reinstated there would still be substantial need by our students.

The scholarship division and other members of NDOE stated that a task force was working on compiling information to submit to the JEMCO mid-year review to request that the scholarship funding be restored. SGOC also advised your Committee that there was a small window of opportunity to have the scholarship funding reinstated to its previous level if a strong case was presented to the mid-year review panel. Your Committee urged the scholarship division mount as strong a case to the mid-year review panel as possible, and it be assured that the Committee on Education supported all efforts to at least maintain the scholarship funding at the current levels.

Your Committee on Education is in accord with the intent and purpose of C.B. No. 17-89, 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. 17-89.

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Respectfully submitted,

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

/s/ Bonsiano F. Nethon
Bonsiano F. Nethon, vice chairman

/s/ Tony H. Otto
Tony H. Otto, member

/s/ Wesley W. Simina
Wesley W. Simina, member

Dohsis Halbert, member

/s/ Peter M. Christian
Peter M. Christian, member

Paliknoa K. Welly, member