

Supplemental issue



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State of the Nation Message

KOLONIA, Pohnpei (FSM INFORMATION SERVICE) - In the Ninth Annual State-of-The-Nation Message to the nation delivered May 15, at about 10 a.m. at the FSM Congress Chamber, the FSM President John R. Haglelgam informed the FSM Congress members and the nation that while the nation "is ready to use (its) own resources to make up part of the difference and eliminate some marginal problems, it is obvious that we cannot provide for our citizens with an adequate level of services without outside help."

Haglelgam made his state-of-the-nation message which was broadcast live throughout the

nation and the rest of the world during the fifth day of the FSM Sixth Congress First Regular Session with all members present except Senators Leo A. Falcam of Pohnpei and Kalisto Refalopei of Truk and before a gallery packed with the FSM and

state government officials.

Present were Vice President Hiroshi H. Ismael, FSM First Lady Paula Ori, Chief Justice Edward C. King, Governors Resio S.

Joakim Kaminaga of Truk, Mary—wife of Senator Isaac Figir of Yap, and FSM and Pohnpei State cabinet officers among others.



The following is the full text of President John R. Haglelgam's message to the people of the FSM:

"Mr. Speaker, Mr. Vice President, Chief Justice King, Governor Moses, Governor George, Senators, traditional leaders, honored guests, ladies and gentlemen. This is an important moment for me. It is the middle, the fulcrum, of my term of office. Having reached this milestone, I would like to use this speech to present a report card on the successes and fail-

ures of our administration and the nation over the past two years and a roadmap for what we will try to accomplish over the next two years. Upon taking office, the Vice President and I decided that

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streamlining the operation of the national government' should be one of our early goals. Success in this area has not been easy. One program that was less than fully successful has been our proposal to reorganize the national government. We submitted that proposal during the first session of the Fifth Congress. The goal of the proposal was to lower the cost of government while maintaining the quality of governmental services. After the proposal was introduced it readily became apparent that there would be little support for any program that resulted in a reduction in our work-force. The final compromise that was approved resulted in a number of improvements to the structure of the government that improved our operations but there were few changes that allowed for substantial reductions in costs.

While the reorganization plan is behind us, I believe that we must continue review of the services provided by the national government. We should always question whether certain activities should be performed by the national government, or whether they could better be provided by the states or the private sector. Take, for instance, the issuance of business charters. This is inherently a state function that we proposed be transferred to the states during the Fifth Congress. Unfortunately, no action was taken on our bill. Therefore, I have begun to work with the states to use the flexibility written into the current law to allow them to take over this function. To date Yap has passed legislation to take over this function and I look forward to the day that the

national government will no longer engage in this activity.

Other services might also be eliminated or transferred to the states depending on how we view the role of the national government. For example, we should consider what role the national government should take in economic development. I proposed that we recognize that there are only a limited number of areas in which the national government must take the lead role in sponsoring projects. These sectors would include, among others, pelagic fisheries, transportation, and development finance. In other sectors such as agriculture and tourism, the national role should be more supportive and coordinative of state initiatives. Such a change in focus would have important implications for how we organize our development and planning efforts. I ask that the congress work with me in considering what action we should take in this area.

Beyond the issue of government organization, we have engaged in a number of successful programs to improve the operation of the government. One of those successes is the vehicle use policy of the Executive Branch. This policy has substantially limited the abuse of executive branch vehicles and should substantially reduce the amount of money that we spend on vehicles. But our policy is not enough, I believe that it is time for similar regulations to be extended to the rest of the national government. Therefore I will submit to Congress a bill to regulate the use of all government vehicles. This proposal simply requires that government vehicles be used only for government purposes and be driven

only by government employees. After hour use shall be prohibited without authorization from a responsible official in the relevant branch or agency. The DSI will enforce these regulations. I urge Congress to pass this legislation to protect the assets of the national government.

To further improve the efficiency of utilizing vehicles, the executive branch will form a motor pool for its use when we move to Palikir. The Office of Administrative Services will be in charge of maintaining the central pool of vehicles while the Division of Security and Investigation will continue to provide enforcement of after-hours use. Individual departments that need a vehicle for a specific task will request it from the pool and then return it. In this way, we hope to minimize the total number of vehicles required by the executive branch. The exact operation of this program will be established by administrative order.

There are other administrative avenues to improve government operations and the administration is pursuing them. We ask you to support us in those measures.

Another successful program in the executive branch has been our restrictions of position reclassification. Before this policy went into effect, position reclassifications were rampant, particularly for employees in step 4 or 5. Under our policy only those reclassifications that are absolutely necessary have been permitted. Despite this success, or more precisely because of it, we believe that it is time for a major review of the current classification and salary plan of the national government. This plan

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was established many years ago and may not properly reflect our needs today. Moreover, given the certainty of reduced compact assistance in the future, serious consideration should be given to changes in our personnel system that will provide job security to deserving personnel without forcing our government into deficit. As part of that review, we will reconsider the single salary system that we proposed a year ago to eliminate the potential for unfairness in our personnel system.

The purpose of reducing the size of national government operations is to dedicate additional funds to our most productive programs. With Congress' help, we have been able to hold down the size of government. The dramatic increase in revenues over the past few years now will allow us to re-dedicate our funds to important uses within either the national or state government.

It may be surprising to some of you that I suggest that we consider the needs of the states in considering how national revenues should be spent. But we in the national government must realize that the states are the primary providers of services to our people. They pay for the schools, the hospitals, the power and the water our people need. Between the phase out of federal programs and the upcoming stepdown in compact funding, the states will be hard pressed to maintain these services. While we also need increased resources, I believe that we should further share our revenues with the states.

A further reason for sharing our revenues is that the growth in local revenues among the governments has not been uniform. Since 1985, local revenues for the national government have increased by some 125% while state local revenues have grown by 60%. This has led to a substantial surplus for the national government while several states

have been experiencing deficits. I believe that the national government can and should further support the financial health of the states. For this reason, I have submitted legislation during this session to change the current division of tax revenues to provide 70% of such revenues to the states.

I do not make this proposal lightly. We have reviewed the consequences of this action on the national government budget throughout the compact period. We are convinced that it can be accommodated. It will require that the national government be maintained on an austere basis, but it can be done because it is necessary.

Some people may suggest that the states should raise their own revenues. But since our constitution reserves to the national government the right to tax imports and income, there is very little for the states to tax. The only way that they can substantially increase their local revenues is for us to either increase taxes or change the division of revenues. While there may be some room for increasing taxes in the future, we can immediately assist the states by providing them a larger share of tax revenues. I hope that Congress will support this effort which will have the effect of providing an additional \$2 million a year to the states.

In an additional tax proposal, the Department of Finance has been reviewing our tax code with the International Monetary Fund. A mission from the international monetary fund was here earlier this year to prepare a recommendation for our consideration. We are in the process of reviewing that report. I have asked the Secretary of Finance to meet with Congress this session to discuss the proposal so that Congress can express any concerns that it might have at this early stage.

As we move to distribute our revenue collections more fairly, we are also working to enhance our revenues as well. One recent success

for which much of the credit should go to the previous administration, is our investment program. While it got off to a rocky start because of the stock market crash of 1987, the program continues to grow. The fund currently has over \$80 million in assets and has generated realized gains in excess of \$2.7 million for the governments in the past year. We will continue to improve this program to increase our returns while minimizing our risks.

Another area in which the nation has made great advances in the past year is fishing license revenues. Through the hard work of the Micronesian Maritime Authority, our fishing revenues have risen to \$7.7 million in 1988, a \$3.9 million increase over 1987. With the advent of the U.S. fisheries treaty we expect these revenues to continue to grow.

Another important program in the area of public finance is the compact funds financing program that was approved by the Fifth Congress. For over three years, the national government has been working with the states to develop a program that would accommodate the borrowing needs of the governments while protecting our citizens from ill considered debt. I am happy to say that within the next two months a borrowing program should be in place. Through this program, any government that needs to borrow funds for a project will be able to obtain them. This is an important program, but also a dangerous one. We must keep in mind that when a government borrows funds, it is reducing the amount of compact payments that it will receive in the future. Thus we must be careful not to borrow more than what is necessary to meet our immediate needs.

When I discussed our proposal to change the division of tax revenues, I noted that one of the reasons for the change was the loss of federal programs. As we move into the next fiscal year, we will find that the loss of federal program eligibility will

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require us to use our resources to replace lost programs. When we negotiated the compact, it was understood that as an independent nation we could not continue to be generally eligible for all United States federal program assistance. Only commonwealth status would allow us to access program in that way. But at the same time, it was recognized that the availability of federal program assistance had built up an expectation on the part of our citizens that certain services would be provided. As a compromise, it was decided that in lieu of federal program eligibility we would receive additional Compact payments.

This compromise would have worked, but the parameters of the compromise were established based on 1982 expenditures while the compact did not go into effect until fiscal year 1987. During the intervening years, the amount of federal program money spent in Micronesia increased dramatically. Thus, we are left with expectations for services created by expanding programs to be met with a cash grant based on 1982 expenditures. This has presented a number of problems.

While we are ready to use our own resources to make up part of the difference and eliminate some marginal programs, it is obvious to us that we cannot provide our citizens with an adequate level of services without outside help. This administration has worked hard to convince the United States that some additional assistance is required. Fortunately, the United States has begun to address this problem. The first success in this area was won by the previous administration which was able to convince the United States to provide transition funding for education programs to meet the so called gap that occurred in 1987. Next, we were able to bring the plight of our college students who lost federal tuition assistance to the attention of the United States Con-

gress and their eligibility for Pell Grants was restored.

But the loss of financial assistance for our college students was only the beginning of the changes that were initiated by the compact. Over the past three years, over \$20 million in federal programs have been phased out. This total far exceeds the \$7 million that we received in compensation for lost programs. We are working with the United States to rectify this discrepancy. As a starting point, I have directed our Washington Office to seek reinstatement of our eligibility for the Chapter 1 and II education programs. These programs historically have been one of the leading sources of funding for our primary and secondary education systems. I know that this is not a good time to be requesting additional funds from the United States. But we must try. Our work in this area will not be easy, nor will we see results soon, but we will dedicate all of our efforts to achieve our goal.

However, I firmly believe that we cannot ask for outside assistance if we have not fully utilized our own resources to address these losses. During the last State/National Leadership Conference, it became apparent that the states have begun the process of mobilizing their own resources to offset this loss. Now is the time for the national government to face up to its responsibilities in the area of federal programs. Thus the administration will be proposing to dedicate at least \$1 million each year to support a new program at the national level to initially provide some transition funding for certain Chapter 1 and 2 consolidated programs. If we are successful in our efforts to reinstate eligibility for these programs, we will then examine which other programs we should support. This will assist the states in meeting certain basic needs of the people while allowing the national government to set standards on the use of funds.

A major theme of this administration has been the need to promote

economic development. Despite our continued emphasis on this issue, there have been few concrete examples of economic growth in the first two and one half years of the compact period.

The reason for the delays in growth are not that clear. But one problem may have been uncertainty. Early in this administration, we submitted to Congress a bill to clarify the national interest in foreign investment. That bill was never passed. This put our laws in a state of flux which may have inhibited foreign investment. For that reason, we have decided not to resubmit that bill to the Sixth Congress. Instead we will work to amend the regulations in ways that will minimize the burden on persons seeking to invest in our country.

Another problem that we have faced in the area of development has been our inability to convince this congress to appropriate funds for the development projects proposed by the administration. In saying this, I am not suggesting that Congress should blindly approved everything that we propose. In fact, we urge congress to constructively criticize our development priorities. However, there has been a failure in the dialog that should exist between our branches. We must be partners in development. We must work together to set national priorities and then to implement them.

In an effort to address this issue, we have taken stock of our own development proposals. It is clear that the administration has not been as focused in our goals as we should have been. Under the compact, the national government receives less than \$3 million a year in capital account funding. Spread out over the entire nation and over projects in a number of sectors, it is impossible for such a small level of funding to have a significant impact. But this has been our approach. We have examined hundreds of proposals in every economic and social sector and made recommenda-

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tions of numerous projects to congress. While each of the individual projects has had some merit, they have not fit into a whole that was greater than the sum of its parts. Congress has criticized us for this in the past and you may be correct. But instead of recommending a comprehensive program that would address this deficiency, you have suggested projects that to us do not seem to be part of a comprehensive program. This approach on both of our parts must change.

Thus, I propose that the national government focus its resources in just a few areas. First, we must concentrate our development efforts in the one area over which the Constitution has granted us dominion: The fisheries resources of our exclusive economic zone. To do this I support the suggestion made by Senator Falcam during the last Congress that \$8 million in funding for the investment development fund that we shall receive this year be dedicated to a loan program for commercial fisheries development.

But \$8 million will just scratch the surface of the funds necessary to adequately develop a fisheries industry. Therefore, I propose that one-half of all fishing rights fees that are received by the nation from the United States fishing treaty, along with all of the proceeds from fines and forfeitures arising from fishing law violations, be dedicated to a related fund that will also be used to provide loans for commercial fisheries development that will be run by the development bank. Such funds shall not just be available to agencies of the national Government. State agencies and private individuals who can propose viable commercial fisheries projects will be eligible to apply for loans from the program. However, history has shown us that small scale fisheries development has not been successful and so I will propose that all loans made under these programs be in excess of \$250,000.

As I noted, these loan funds will be available to anyone that can develop a viable fisheries proposal. The agency that we have created at the national level to do this is the National Fisheries Corporation. The corporate form was selected because it is important for fisheries development to be run in a business-like manner. Unfortunately, to date we have treated the corporation as if it were just another government agency. We provide it operational funding on a year-to-year basis and we make it approach us each year with its capital account proposals. I believe that this budgetary approach has impeded the growth of the corporation.

Under the direction of the Vice President, the administration has been working with the NFC to develop a different approach. Under this approach, the corporation will present a business plan that contains a number of projects. The national government would then provide the corporation with sufficient capitalization to meet its own operations and to provide seed capital to be used in conjunction with the loan programs to start some of those projects. Once a plan has been presented, I will transmit it to Congress.

Another area of focus for the national government must be the development bank. Over the past two years, the national government has provided \$4.2 million to the bank. With this money, the bank has made 224 loans. These loans are crucial to the development of the nation. This year we propose adding another \$1 million. The continued growth of the development bank is of utmost importance to the ability of our small businessmen to grow. We are also working to gain access to concessionary lending sources that can be used by the bank and hope that through such sources substantially increased funding can be obtained.

At the same time, we need to encourage the availability of private capital for development in the na-

tion. At present our people have more than \$52 million deposited in the local banks. Less than 23% of those funds are currently loaned back to borrowers within our nation. This is a particular problem with the foreign banks. We will work with the banking board to address this problem.

Another major issue regarding economic development is transportation. Our widely separated islands depend heavily on air and sea transportation to maintain communication and commerce. Our Department of Transportation has the responsibility to regulate those systems and nurture their growth. This is an area where we have had some notable successes. We have entered into an agreement with the republics of Palau and Marshall Islands to form a Micronesia Shipping Commission. This commission has taken responsibility to begin regulating shipping on a regional basis. Additionally, through the South Pacific Forum, it has been agreed that a study will be made regarding connecting our nation to the forum shipping line that serves the South Pacific.

But we also face problems in transportation. A draft maritime code has been pending before Congress for some time. Until such a law is passed, we have no way to regulate vessels in our waters to ensure the safety of passengers and freight on those vessels and to ensure the safety of ourselves, our islands and our reefs. During the last Congress, the administration worked with the committee on resources and development to improve the existing legislation. The bill that we have submitted meets the concerns that have been previously expressed and can provide the necessary framework for our maritime law for the foreseeable future.

Our concentration in these areas does not preclude other projects. If there is a role that the national government can effectively play in

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developing an industry, we will. Moreover, we must also continue to support the states in their development efforts. It is in this vein that our present development budget includes funds for an aquaculture center and an agriculture census. To continue to be able to develop adequate project proposals, we are asking to continue the technical assistance fund for another year. To support our copra industry we are asking for partial funding of new copra warehouses in Truk and Pohnpei.

The proposals I have discussed so far and a number of additional projects that I will discuss in a moment have one thing in common: They call for the expenditure of funds in excess of the capital account funding under the compact. This will have to come out of the general fund. Based on our analysis of the unreserved funds at the end of fiscal year 1988 as well as 1989 revenues and expenditures, we believe that proposals of this magnitude are possible. However, they are not possible if congress wishes to continue to appropriate \$4 million each year for public projects. Having been a member of this Congress for eight years and of the Congress of Micronesia for 5 years before that, I am well aware of the pressures on Congress to fund public projects. But I believe that the growth in such spending over the past five years has been out of proportion to their contribution to the growth of our economy. I urge Congress to take a stand as national leaders to redirect our resources to support necessary development project that will have a substantial impact on our economy rather than expending increasing levels of funds on public projects. It is in this way that we can serve our constituents the best.

This is our development proposal for the national government. If this does not meet with your approval, I would request the members of Congress to discuss with the Secre-

tary of Resources and Development and the National Planner your goals for national development. Hopefully, out of those discussions can come a policy statement that we can turn into projects that would meet with your approval.

A third major focus of this administration has been foreign affairs. When the Vice President and I took Office, this nation had recently emerged from the U.N. Trusteeship. The previous administration had obtained the recognition of the United States, Marshall Islands and Nauru and had paved the way for increased recognition by our Pacific Island neighbors. Our task was to gain recognition from the international community. But this task was complicated by the circumstances under which we became independent and our special relationship with the United States.

It was in this context that we began actively pursuing relations with our Pacific neighbors and with other countries and organizations outside the region that could participate in our development. Through this policy, we have gained the diplomatic recognition of Australia, Japan, Israel, New Zealand, the Republic of the Philippines, Papua New Guinea, and the Republic of Kiribati and Fiji.

Additionally, we have sought and obtained membership in a United Nations specialized agency, the International Civil Aviation Organization. Our membership in this organization qualifies us now to apply to other U.N. agencies and multilateral groups of potential benefit as well as numerous treaty arrangements.

In another important forum, this government is pressing an application for our membership in the Asian Development Bank. To gain entry to that organization, we must obtain the affirmative vote of members having seventy-five percent of the bank's voting power. We believe that we now have reached that level of support and we will be lobbying for early action on our application.

However, it soon became apparent that outside of this circle of friends was a group of nations that are cautious about endorsing the self-determination and sovereignty of our people. From the beginning, we knew that the unfortunate continuation of the Trusteeship as to Palau engaged the attention of lawyers within some governments and international organizations. Such traditionalist, oblivious to the realities of world politics, and without thought for our people's rights to self-determination, would have had us delay indefinitely our nation's political development.

I find it ironic that had we taken up guns and fought for our independence, few nations would have denied us recognition once it was clear that our government was supported by our people. Instead, having taken a peaceful route, we are penalized.

These legalistic concerns over Trusteeship termination are irrelevant to our dealings with other countries and international organizations. The proper question is whether our nation has over the past two and a half years exercised the powers of a sovereign nation in a manner consistent with our status as an independent nation. The fact is that we have. We govern our people with their consent. We have embassies now in Japan and Fiji and will have one soon in Washington. We actively participate in a number of regional activities. We are a member of ICAO. These are the factors that should lead to recognition. The unwillingness of the United States to request partial termination of the Trusteeship should not limit the sovereignty of our people. We ask the major nations of the world to recognize what Australia, Japan, the United States and our other friends have recognized: that we are a free and independent nation, no longer subservient to any colonial power, neither the United States nor the United Nations. Concentration on these legalistic

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concerns can only be an expression of a continuing desire on the part of some governments to maintain this region as one of the last vestiges of colonialism. We will never accept this and we believe that no other government should accept this either.

With respect to the United States, the question of the status of our representatives to each other's country must be resolved. Nearly a year ago, the members of our Congress ratified the amendment to the compact that provides for the establishment of embassies, we still await action in the United States Congress.

Furthermore, it is time to resolve the final transition issue: the funding of the Community College of Micronesia campus. To show our interest in constructing this campus, my budget includes a request for \$1 million to review the design and develop a proposal that can be fully funded using the \$8 million previously authorized by the United States Congress. I hope that the United States will appropriate sufficient funds for the completion of the campus once we demonstrate our financial commitment to this project.

In the area of social development, our record in primary and secondary education at the national level has been encouraging. Over the past two years we have successfully developed a national curriculum standard which is now being implemented throughout the country. To follow up on that work, we are now devising national standardized tests to determine the effectiveness of our curriculum in teaching our students.

To further improve our educational system, we have sought and received \$311,000 to engage in a comprehensive educational needs assessment for this nation. This project will help us to identify those areas of our education system requiring the most improvement. I look forward to reviewing the re-

sults of this study.

The executive branch has not been as successful in providing leadership in the area of post-secondary education. We currently expend over \$1 million each year to support the College of Micronesia but we have not decided whether we are committed to the College for the long run. Whether or not we are going to continue to support the college, we must decide what type of post-secondary education system we want for our children. Mr. Speaker, I would request that your Committee on Health, Education and Social Affairs work with the Department of Human Resources to develop a proposal for your October Session that will resolve this issue.

In the area of health, we have had a number of successful programs. We continue to improve the immunization of our children and have introduced a new program to immunize children against Hepatitis B. Our programs to eradicate tuberculosis and to treat leprosy continue to expand to meet the needs of our citizens. Our efforts at providing primary health care continue to yield positive results.

Despite this, there is an area where there is room for improvement. That is the area of medical referrals. This nation spends far too much on medical referrals. This is something left over from the Trust Territory. We must work to expand our local capability to minimize the need to send patients out of the country. Along that line, I have asked the Department of Human Resources to prepare a study of the initial and operating costs of a centralized referral facility.

Another problem about which we have talked much but done little is unchecked population growth. Unfortunately, this is not something that the government can control directly. But we have an obligation to address this issue. The standard of living that will be experienced by our children and our grandchildren depends heavily on the number of

people that the resources of our islands will have to support.

The administration has already issued a policy statement on this issue and now we must move forward and support it. In both the areas of public education and health services support, we need to place greater emphasis on this issue. This will do over the next two years.

I have spent much of this speech addressing the substantive issues that face this nation. Now, I must address the budget. By now you have had a chance to initially review our budget proposal. While the details of the budget are important, I would like to stress the major issues that shaped its development.

First, Fiscal Year 1990 is the fourth year of the Compact period. By 1992, we will face a reduction of \$1 million each year in operation funds. This must temper any desire to increase the size of our basic operations. Based on our review of our past revenue figures and our estimates of future revenue increases, we believe that the rate of increase of operational expenditures should be held to the rate of increase in the inflation adjustment factor under the compact. In preparing my budget proposal, I have tried to meet that goal. While certain new programs could not be held to that level, we have held the rest of the executive branch budget to a four percent increase over the appropriations for fiscal year 1989.

Second, even when we try to hold down the cost of government, we must meet the demands for government services. In fiscal year 1990 we must initiate a number of programs that requires funding in excess of the ceiling that I discussed above. The single largest cause of added expenditures is the move to the capitol complex. Our new offices will be a symbol of the unity of our nation and must be protected and maintained for the use of future generations. It is proposed that the maintenance for the capitol be pro-

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vided by a private firm through a three year contract to be entered into during fiscal year 1990. The cost of this contract will be approximately \$1 million. Our Financial Management Act requires that we must appropriate the entire amount this year.

Another program related to the opening of the capitol is security. In your recent special session you approved the hiring of ten new officers to protect the complex. This budget continues funding these positions for the upcoming year.

Our increasing level of diplomatic recognition around the world requires that we maintain our overseas offices in a manner that is consistent with our status. Thus there are substantial increases proposed for our offices in Japan and Washington. Additionally, this budget includes full year funding for the Fiji Office.

It is also necessary to increase our marine surveillance program. Fishing rights fees are now the national government's largest source of revenues. To ensure that fishermen will continue to pay their license fees, we have instituted a vigorous surveillance program. The benefits of an expanded enforcement program have already become apparent. *This year alone we have seized four fishing vessels and obtained a \$1 million settlement in one of the cases.*

A key aspect of our expansion program is the patrol vessel that is being provided to us by the Government of Australia. This vessel will be delivered next summer. *With the supplemental funding that we obtained from Congress this year, the training of crew has gone forward. Next year's budget includes funds for the initial operation of the vessel as well. To continue to expand our surveillance operations, we have requested that the Australian Government provide us with another vessel which they have agreed to provide by October, 1990. With two vessels we believe that we can*

adequately patrol our zone and ensure that all fishing boats are either licensed or caught.

But catching a vessels is only the beginning of our enforcement effort. To make a seizure meaningful, it must be swiftly followed by strict penalties for violations. At present our law requires the forfeiture of any vessel found to have fished illegally in our waters. To ensure that this provision will be strictly construed, the administration is preparing legislation to further strengthen the existing law. But even a strong forfeiture provision is useless if the court undercuts the enforcement of the law. It is in this area that two recent court cases make it clear that our law on bonds must be revised. The court has been setting bonds that are absurdly low. This permits boat owners to fish illegally with impunity. This must stop now.

The low level of bonds suggested by the boat owners and adopted by the courts indicates that others value these boats lower than we do. Thus we are proposing that the government be given a right of first refusal to purchase a boat, its equipment and fish for the amount of the bond. This will force boat owners to more realistically appraise the value of their vessel. Next, we must modify the bond provision to require that the court take into account the possible fine that could be levied, as well as the value of the boat and its catch. Finally, we must provide increased resources for our legal efforts. In particular, we must try to hire additional experts to assist us in valuing vessels. *I ask for your cooperation in addressing these matters.*

One program not included in the budget is also related to our move to the capital. The original design of the capitol included a sewage treatment facility for both the capitol and the college. When we secured bids for the construction, we did not include the sewage treatment facility but left it as part of the program to be funded when the college campus was built and installed a temporary

system instead. Now that we are about to move into the capitol, we must begin the construction of a permanent sewage facility. I am asking for the appropriation of \$120,000 for fiscal year 1989 to fund the final design and bid preparation for this project. We will seek final financing in October. It is expected that the entire project will cost approximately \$3.6 million.

One matter of importance to all of us is the recent overwhelming approval by the people of a constitutional convention. This vote was important and we should take every action to ensure that convention is a success. for that reason, I have worked with members of Congress over the last month to solicit the views of state leaders regarding the organization of the convention. We have now submitted a bill to provide for the organization of a convention to be held in January of next year. I urge you to consider this legislation this session so that the tight schedule proposed in the bill can be met.

Before I close, I would urge you to take action on my recent nomination of Bill Mann as Attorney General. My nominee for Attorney General is well known to some of you here in Congress as he served as temporary staff counsel during the first, second, and third congresses. Since that time he has practiced law in Colorado, keeping in contact with activities here through his private practice and as a trainer for Micronesian Legal Services Corporation. I hope that you will act upon his nomination quickly.

These are the issues that we have tried to address over the past two years and the issues that we believe we will have to face over the next two years. I look forward to working with the members of this Congress to develop the ideas that I have discussed and to try to move forward in our efforts to build our nation.

Thank you."

