AN ACT

To appropriate a sum not to exceed $1,820,164 from the General Fund of the Federated States of Micronesia for the fiscal year ending September 30, 2002, for the purpose of authorizing the lending of $941,164 to the State of Chuuk on certain terms and conditions, of funding projects and programs in the national interest, and for other purposes.

BE IT ENACTED BY THE CONGRESS OF THE FEDERATED STATES OF MICRONESIA:

Section 1. All sums directly or indirectly received as the FSM's portion of the revenue sharing component of payments by the State for wages and salaries tax, penalties and interest, in an amount not to exceed $941,164, are hereby appropriated from the General Fund of the Federated States of Micronesia for the fiscal year ending September 30, 2002, for the purpose of funding a loan (the "Loan") from the National Government of the Federated States of Micronesia (the "FSM") to the State of Chuuk (the "State") on the terms hereinafter specified.

(1) **Financial Terms.** The Loan shall:

(a) provide for a three (3) year grace period during which no interest or payment shall be due;

(b) provide for payment of principal in equal installments beginning on the date three years from the date of the first disbursement under the Loan, and continuing on the ninetieth day thereafter and each ninetieth day thereafter for a period of five (5) years;

(c) shall not bear interest or provide for penalties; and
(d) be used for the purpose of repaying money owed by the State in accordance with the Financial Stabilization Program, which payment shall be made directly to the creditor by the FSM. "Financial Stabilization Program" means the program established by the President of the Federated States of Micronesia (the "FSM") and the Governor of the State. The funds appropriated herein shall be first applied to pay off the State's obligations to the Social Security Administration in an amount not to exceed $698,995; any remaining funds shall be applied to pay off existing accounts payable to offshore medical providers.

(2) Loan Agreement. The Loan shall be evidenced by a Loan Agreement between the FSM and the State which:

(a) is specifically and properly authorized by the legislature of the State; and

(b) contains such other provisions as the President may require.

(3) Delegation. While the President shall remain involved and informed, he may delegate the authority to negotiate, sign, and/or administer the Loan Agreement and other relevant documents. The right to delegate the performance of an act includes the right to ratify the performance of the act after the fact.

(4) Authorization. The President of the FSM is hereby authorized to utilize the FSM's portion of revenue sharing on the penalties and interest component of delinquent tax proceeds owed by the State for wages and salaries tax, penalties and interest
for the purpose of repaying money owed by the State in accordance with the Financial Stabilization Program, subject to the limitations of the MOU and this act.

(5) Reporting. The President of the FSM shall report to the Congress of the Federated States of Micronesia and the Governor of Chuuk State no later than December 31, 2002, on the expenditure of all funds appropriated by this section.

Section 2. The sum of $280,000, or so much thereof as may be necessary, is hereby appropriated from the General Fund of the Federated States of Micronesia for the fiscal year ending September 30, 2002, to assist the State of Pohnpei in funding the 2002 Micronesian Games scheduled to take place in the State of Pohnpei in 2002.

Section 3. The sum of $145,000, or so much thereof as may be necessary, is hereby appropriated from the General Fund of the Federated States of Micronesia for the fiscal year ending September 30, 2002, to be used to fund student scholarships for citizens from the State of Yap. The funds appropriated under this section shall be deemed to come from funds available under section 216(a)(3) of the Compact of the Free Association.

Section 4. The sum of $50,000, or so much thereof as may be necessary, is hereby appropriated from the General Fund of the Federated States of Micronesia for the fiscal year ending September 30, 2002, to construct or renovate the Kosrae Delegation Office of the Congress of the Federated States of Micronesia.
Section 5. The sum of $124,000, or so much thereof as may be necessary, is hereby appropriated from the General Fund of the Federated States of Micronesia for the fiscal year ending September 30, 2002, to fund the travel needs of the Joint Committee on Compact Economic Negotiations.

Section 6. The sum of $280,000, or so much thereof as may be necessary, is hereby appropriated from the General Fund of the Federated States of Micronesia for the fiscal year ending September 30, 2002, for the construction and repair of damages to the outer island airstrips in the Nation.

Section 7. All funds appropriated by this act shall be allotted, managed, administered, and accounted for in accordance with applicable law, including, by not limited to, the Financial Management Act of 1979. The allottee of all funds appropriated by sections 1, 3, 4, 5 and 6 of this act shall be the President of the Federated States of Micronesia or the President's designee. The allottee of all funds appropriated by section 2 of this act shall be the Governor of Pohnpei State. The allottees shall be responsible for ensuring that these funds, or so much thereof as may be necessary, are used solely for the purpose specified in this act, and that no obligations are incurred in excess of the sum appropriated. The authority of the allottees to obligate funds appropriated by this act shall not lapse.

Section 8. In the event that any part or portion of this act shall be found to be invalid or unenforceable, then such part
shall be severed from the remainder hereof as if never a part
hereof, and the remainder of this act shall be construed and
enforced to give effect to the intent of the act.

Section 9. This act shall become law upon approval by the
President of the Federated States of Micronesia or upon its
becoming law without such approval.

July 12, 2002

/s/ Leo A. Falcam
Leo A. Falcam
President
Federated States of Micronesia