

AN ACT

To further amend title 55 of the Code of the Federated States of Micronesia, as amended, by repealing chapter 3 in its entirety and enacting a new chapter 3 to bring the FSM's Internal Budget and Finance Procedures into compliance with the amended Compact, and for other purposes.

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

1 Section 1. Chapter 3 of title 55 of the Code of the
2 Federated States of Micronesia is hereby repealed in its entirety.

3 Section 2. Title 55 of the Code of the Federated States of
4 Micronesia, as amended, is hereby further amended by enacting a
5 new chapter 3 entitled "Internal Fiscal Procedures for Compact
6 Implementation".

7 Section 3. Title 55 of the Code of the Federated States of
8 Micronesia, as amended, is hereby further amended by enacting a
9 new section 301 of chapter 3 to read as follows:

10 "Section 301. Purpose. The purpose of this chapter is
11 to establish fiscal procedures for the Compact period
12 beginning in Fiscal Year 2004. The provisions set forth
13 hereinafter recognize the right of the State Governments
14 and the National Government of the Federated States of
15 Micronesia to authorize the use of Compact funds in
16 accordance with their own respective laws, plans,
17 policies and prerogatives consistent with the terms and

1 conditions set forth in the Compact and contained
2 herein. The President is hereby empowered to ensure
3 compliance
4 with such terms and conditions, and to ensure
5 accountable financial management of all Compact funds."

6 Section 4. Title 55 of the Code of the Federated States of
7 Micronesia, as amended, is hereby further amended by enacting a
8 new section 302 of chapter 3 to read as follows:

9 "Section 302. Definitions.

10 For purposes of this chapter only, the following terms
11 shall have the following meanings:

12 (1) 'Accrued Expenditures' means charges incurred by a
13 Government during a given period requiring the provision
14 of funds for: (a) goods and other tangible property
15 received; (b) services performed by employees,
16 contractors, sub-grantees, subcontractors, and other
17 third party non-contractors; and (c) other amounts
18 becoming owed under programs for which no current
19 services or performance is required, such as annuities,
20 insurance claims, and other benefit payments, all as
21 evidenced by a pending disbursements report.

22 (2) 'Annual Report' means the Annual Report of the
23 President of the Federated States of Micronesia to the
24 Government of the United States in compliance with
25 Section 214 of the Compact.

1 (3) 'Compact' means the Compact of Free Association,
2 as amended, and its related agreements entered into by
3 the_Government of the Federated States of Micronesia and
4 the Government of the United States and enacted as
5 United States Public Law No. 108-188, unless otherwise
6 specified herein.

7 (4) 'Compact Budget Request' means the annual Compact
8 funding request for the upcoming Fiscal Year and
9 estimated funding levels for the two subsequent Fiscal
10 Years.

11 (5) 'Congress' means the Congress of the Federated
12 States of Micronesia, unless otherwise specified herein.

13 (6) 'Fiscal Procedures Agreement' means the 'Agreement
14 Concerning Procedures for the Implementation of United
15 States Economic Assistance Provided in the Compact of
16 Free Association, as amended, Between the Government of
17 the United States and the Government of the Federated
18 States of Micronesia' entered into in connection with
19 the Compact.

20 (7) 'Fiscal Year' means each one year period beginning
21 October 1 and ending on the next following September 30.
22 Each Fiscal Year shall be designated by the number of
23 the calendar year in which such Fiscal Year ends.

24 (8) 'Government' means a State Government or the
25 National Government of the Federated States of

1 Micronesia, unless otherwise specified.

2 (9) 'Grant Award' means a formal offer of funds by the
3 Government of the United States to the Government of the
4 Federated States of Micronesia pursuant to the terms of
5 the Compact for the purpose of funding programs and
6 activities within a specific Sector.

7 (10) 'JEMCO' means the Joint Economic Management
8 Committee established pursuant to the Compact and the
9 Fiscal Procedures Agreement.

10 (11) 'Obligation' shall have the same meaning as
11 defined_in the respective Financial Management Acts of
12 the_Governments.

13 (12) 'Operational Grant' means a grant associated with
14 a Sector Grant program that continues from a given
15 period to a subsequent period as defined in Article I,
16 Section 1 of the Fiscal Procedures Agreement.

17 (13) 'Original Compact' means the Compact of Free
18 Association between the Government of the Federated
19 States of Micronesia and the Government of the United
20 States in the form that was effective as of November 3,
21 1986 through September, 2003.

22 (14) 'Plan for the Division of Annual Economic
23 Assistance' means the comprehensive plan for the
24 division of economic assistance for a Fiscal Year,
25 including Annual Grant budgets by Sector, as described

1 in Article V, Section 1(b) of the Fiscal Procedures
2 Agreement, and may include such additional reports,
3 narratives, summaries, documentation and other
4 information as the President deems appropriate.

5 (15) 'Secretary' means the Secretary of the Department
6 of Finance and Administration for the Federated States
7 of Micronesia, or his successor in the executive
8 structure of the National Government of the Federated
9 States of Micronesia.

10 (16) 'Sector' means one of the six grant sectors
11 described in Section 211(a) of the Compact and Article
12 II, Section 1, of the Fiscal Procedures Agreement, as
13 such sectors may be adjusted during the term of the
14 Compact.

15 (17) 'Sector Grant' means the funds that are to be
16 provided pursuant to a given Sector.

17 (18) 'State' means any of the states of the Federated
18 States of Micronesia."

19 Section 5. Title 55 of the Code of the Federated States of
20 Micronesia, as amended, is hereby further amended by enacting a
21 new section 303 of chapter 3 to read as follows:

22 "Section 303. Division of Compact Funds among National
23 and State Governments.

24 (1) The Compact Budget Requests for Fiscal Years 2005
25 and 2006 of the National Government and of each State

1 Government under section 305 of this chapter shall be
 2 based upon a division of Compact funds in the following
 3 proportions:

4	Chuuk	38.57%
5	Kosrae	11.06
6	Pohnpei	25.69
7	Yap	16.03
8	National Government	8.65

9 (2) For Fiscal Year 2007 and thereafter, the chief
 10 executives of the National Government and each of the
 11 State Governments shall have the authority to enter,
 12 from time to time, into one or more agreements setting
 13 forth the proportionate amounts of Compact funds that
 14 shall be the basis of each Government's Compact Budget
 15 Request under sections 305 and 306 of this chapter,
 16 provided that, unless approved by Congress, no such
 17 agreement shall be effective if it provides that the
 18 National Government's proportionate amount of Compact
 19 funds for any Fiscal Year is to be less than ten percent
 20 (10%) of the estimated level of Compact funding for that
 21 year. An agreement regarding the division of Compact
 22 funds may be limited to a specified period of time and
 23 shall only be effective when signed by the chief
 24 executive of each and every Government.

25 (3) For any fiscal year, 2007 and thereafter, with

1 respect to which there is no legally-effective agreement
2 for the division of Compact funds pursuant to subsection
3 (2) hereof, the Compact Budget Request of the National
4 Government and each State Government under sections 305
5 and 306 of this chapter shall be based upon a division
6 of Compact funds in the following proportions, unless
7 otherwise approved by Congress:

8	Chuuk	36.0%
9	Kosrae	10.8
10	Pohnpei	24.1
11	Yap	15.8
12	National Government	13.3"

13 Section 6. Title 55 of the Code of the Federated States of
14 Micronesia, as amended, is hereby further amended by enacting a
15 new section 304 of chapter 3 to read as follows:

16 "Section 304. Compact Planning Estimates. No later
17 than November 15 of the Fiscal Year preceding a given
18 Fiscal Year, the President shall transmit the following
19 Compact planning estimates to each State Government:

20 (1) Estimated levels of Compact funding available to
21 each respective State for the upcoming Fiscal Year.

22 Such estimates shall:

23 (a) be in accordance with the division of Compact
24 funds established pursuant to section 303 of this
25 chapter that is effective for the relevant Fiscal Year;

1 (b) reflect the Compact fund decrement; and

2 (c) reflect the amount of Sector funds that were
3 unobligated by each respective Government in the
4 previous Fiscal Year, which amount shall be added to the
5 estimated level of funding available to that Government
6 for the same Sector for the upcoming Fiscal Year.

7 (2) Estimated levels of Compact funding available for
8 the two Fiscal Years subsequent to the upcoming Fiscal
9 Year."

10 Section 7. Title 55 of the Code of the Federated States of
11 Micronesia, as amended, is hereby further amended by enacting a
12 new section 305 of chapter 3 to read as follows:

13 "Section 305. Compact Budget Requests. No later than
14 May 15 of the year preceding a given Fiscal Year, each
15 State Government shall submit to the President a Compact
16 Budget Request for the upcoming Fiscal Year. The
17 Compact Budget Request shall not exceed the estimated
18 levels of Compact funding provided to the respective
19 Government pursuant to section 304 of this chapter."

20 Section 8. Title 55 of the Code of the Federated States of
21 Micronesia, as amended, is hereby further amended by enacting a
22 new section 306 of chapter 3 to read as follows:

23 "Section 306. Plan For the Division of Annual Economic
24 Assistance.

25 (1) The President shall consolidate the Compact Budget

1 Requests of all of the States and the National
2 Government Compact Budget Request, conforming with the
3 requirements of section 103 of this title, into the Plan
4 for the Division of Annual Economic Assistance. Except
5 with the prior approval of Congress, the total amount of
6 the National Government compact Budget Request included
7 in the Plan for the Division of Annual Economic
8 Assistance shall constitute, for each Fiscal Year, no
9 less than ten percent (10%) of the estimated level of
10 Compact funding for that year. No modification to a
11 State's Compact Budget Request shall be made in the
12 consolidation process without the prior consent of the
13 relevant State Government, except to the extent that
14 such Compact Budget Request exceeds the estimated levels
15 of Compact funding provided to that State Government
16 pursuant to section 304 of this chapter.

17 (2) No later than July 3 of the year preceding a given
18 Fiscal Year, the President shall submit the Plan for the
19 Division of Annual Economic Assistance to the Government
20 of the United States and shall transmit a copy to
21 Congress and to each State Government."

22 Section 9. Title 55 of the Code of the Federated States of
23 Micronesia, as amended, is hereby further amended by enacting a
24 new section 307 of chapter 3 to read as follows:

25 "Section 307. Grant Allocations - Approval,

1 Notification, Rejection.

2 (1) Upon receipt of notice of approval by JEMCO of
3 Sector Grant allocations, the President shall transmit
4 such notice to Congress and to each State Government.

5 (2) Any State may elect not to accept receipt of all
6 or any part of its share of an approved Sector Grant
7 allocation for the upcoming Fiscal Year. Written notice
8 of such election, detailing those portions not accepted
9 by amount and by Sector, shall be provided to the
10 President and to Congress not later than September 20 of
11 the current Fiscal Year, or within 20 days of receiving
12 notice of the Sector Grant award, whichever is later.
13 Congress may, by resolution, determine that the National
14 Government will not accept receipt of all or any part of
15 its share of an approved Sector Grant allocation for the
16 upcoming Fiscal Year. Any election by a State or by the
17 National Government not to accept receipt of approved
18 Sector Grant funds may be explicitly stated to be
19 subject to further events.

20 (3) The election by any State or by the National
21 Government not to accept receipt of its respective share
22 of an approved Sector Grant allocation for the upcoming
23 Fiscal Year shall not be a basis for rejection by the
24 Federated States of Micronesia of the Sector Grant
25 allocation unless such rejection is approved by

1 resolution of Congress. In the event that Congress does
2 approve such a rejection, the President shall
3 immediately transmit written notification of the
4 rejection of the Sector Grant allocation to the
5 Government of the United States.

6 (4) Except with respect to Compact funds not accepted
7 by a Government pursuant to subsection (2) of this
8 section or disputed pursuant to section 308 of this
9 chapter, each recipient Government agrees to abide by
10 all terms and conditions enumerated in each Sector Grant
11 Award, the provisions of this chapter and the terms of
12 the Compact, including the Fiscal Procedures Agreement."

13 Section 10. Title 55 of the Code of the Federated States of
14 Micronesia, as amended, is hereby further amended by enacting a
15 new section 308 of chapter 3 to read as follows:

16 "Section 308. Appeal of Special Conditions.

17 (1) If, at any time, JEMCO or the Government of the
18 United States imposes, or notifies the Federated States
19 of Micronesia of its intent to impose, any special
20 conditions or restrictions on any Compact Grant Awards,
21 the President shall immediately notify any and all
22 affected State Governments thereof and provide such
23 Government(s) with copies of all relevant documentation,
24 including the explanation that is received from the
25 United States or JEMCO of the conditions and

1 restrictions and the reasons therefor.

2 (2) Any affected Government may dispute the decision
3 to_impose special conditions or restrictions by
4 submitting a_written appeal for reconsideration within
5 twenty (20) days of the Federated States of Micronesia's
6 receipt of the Grant Award to which such conditions or
7 restrictions were attached or the date notification of
8 the intent to impose special conditions was received by
9 the Federated States of Micronesia from the Government
10 of the United States, in accordance with the terms of
11 the Fiscal Procedures Agreement. Any and all such
12 appeals shall be addressed to the Government of the
13 United States and_routed through the Office of the
14 President. The President shall submit any such
15 appeal(s) to the Government of the United States within
16 ten (10) days of his receipt thereof."

17 Section 11. Title 55 of the Code of the Federated States of
18 Micronesia, as amended, is hereby further amended by enacting a
19 new section 309 of chapter 3 to read as follows:

20 "Section 309. Grant Acceptance.

21 The President shall sign and return to the Government of
22 the United States each Grant Award, to the extent to
23 unless rejected pursuant to section 307(3) hereof, and
24 shall transmit a copy thereof to Congress and each State
25 Government."

1 Section 12. Title 55 of the Code of the Federated States of
2 Micronesia, as amended, is hereby further amended by enacting a
3 new section 310 of chapter 3 to read as follows:

4 "Section 310. Review of Spending Authority Legislation.

5 (1) Prior to disbursement of Compact funds, the
6 Secretary and each State Government shall submit to the
7 President a copy of the effective legislation detailing
8 by Sector the allocation and spending authority for
9 Compact funds.

10 (2) If the President determines that the proposed
11 spending authority contained in legislation submitted by
12 a Government differs from its proportional share of a
13 Sector Grant Award, the President shall promptly notify
14 the Government of the relevant State."

15 Section 13. Title 55 of the Code of the Federated States of
16 Micronesia, as amended, is hereby further amended by enacting a
17 new section 311 of chapter 3 to read as follows:

18 "Section 311. Compact Financial Assistance Fund.

19 (1) There is hereby created a 'Compact Financial
20 Assistance Fund' to be administered by and under the
21 authority of the Secretary.

22 (2) The Compact Financial Assistance Fund shall be
23 established at a bank or commercial financial
24 institution organized in accordance with the laws of the
25 United States or a state of the United States; or,

1 subject to the approval of the Government of the United
2 States, a bank or commercial financial institution
3 organized in accordance with the laws of the Federated
4 States of Micronesia, in either case for the purpose of
5 receiving payments of Grant funds pursuant to the
6 Compact.

7 (3) The purpose of the Compact Financial Assistance
8 Fund is to account for Compact funds received from the
9 Government of the United States by the Government of the
10 Federated States of Micronesia on behalf of itself and
11 each of the State Governments from the time of receipt
12 of such Compact funding and until such funding is
13 disbursed to the respective Government to which such
14 funding accrues.

15 (4) The accounting records and accounts maintained for
16 the Compact Financial Assistance Fund shall be in
17 sufficient detail to provide a full and complete
18 accounting of Compact funds received by the Federated
19 States of Micronesia."

20 Section 14. Title 55 of the Code of the Federated States of
21 Micronesia, as amended, is hereby further amended by enacting a
22 new section 312 of chapter 3 to read as follows:

23 "Section 312. Operational Reserve Fund.

24 (1) There is hereby created an 'Operational Reserve
25 Fund' to be administered by and under the authority of

1 the Secretary.

2 (2) The Operational Reserve Fund shall be an interest-
3 bearing account established at a bank or commercial
4 financial institution organized in accordance with the
5 laws of the United States or a state of the United
6 States; or, subject to the approval of the Government of
7 the United States, a bank or commercial financial
8 institution organized in accordance with the laws of the
9 Federated States of Micronesia, in either case for the
10 purpose of receiving payments of Grant funds pursuant to
11 Article IV, Section 5(b)(2) of the Fiscal Procedures
12 Agreement.

13 (3) Funds on deposit in the Operational Reserve Fund
14 may be used to cover unanticipated delays of payments
15 from the Government of the United States of funds in
16 respect of Grant Awards, provided that the Government of
17 the United States has approved any such use of funds.

18 (4) In the event of an unanticipated delay of
19 payments, the Secretary shall promptly notify the
20 President and the Government of each affected State.

21 (5) If requested by the Government of a State affected
22 by an unanticipated delay of payments, the President
23 shall make reasonable efforts to obtain approval from
24 the Government of the United States for the use of
25 Operational Reserve Funds.

1 (6) Any unobligated funds remaining in the Operational
2 Reserve Fund as of the date of the final payment in
3 respect of Operational Grants during any Fiscal Year
4 shall be disbursed pursuant to section 317(5) of this
5 chapter.

6 (7) The Secretary shall pay all interest and other
7 earnings on the Operational Reserve Account to the
8 Government of the United States pursuant to Article IV,
9 Section 5(b)(2) of the Fiscal Procedures Agreement.

10 (8) If the President and the Government of every State
11 agree that the Operational Reserve Account is no longer
12 necessary, the President shall use reasonable efforts to
13 obtain the consent of the Government of the United
14 States to discontinue its use."

15 Section 15. Title 55 of the Code of the Federated States of
16 Micronesia, as amended, is hereby further amended by enacting a
17 new section 313 of chapter 3 to read as follows:

18 "Section 313. Infrastructure Maintenance Fund.

19 (1) There is hereby created an 'Infrastructure
20 Maintenance Fund' to be administered by and under the
21 authority of the Secretary.

22 (2) The Infrastructure Maintenance Fund shall be
23 comprised of five interest-bearing accounts, one for
24 each Government, established at a bank or commercial
25 financial institution organized in accordance with the

1 laws of the United States or a State of the United
2 States; or, subject to the approval of the Government of
3 the United States, a bank or commercial financial
4 institution organized in accordance with the laws of the
5 Federated_States of Micronesia, in either case for the
6 purpose of receiving infrastructure maintenance
7 contributions from the Government of the United States
8 and the Government of the Federated States of Micronesia
9 pursuant to Article VII, Section 7 of the Fiscal
10 Procedures Agreement.

11 (3) Not later than February 15 of each Fiscal Year,
12 each Government shall contribute from non-Compact
13 sources not less than five percent of its proportional
14 share of annual public infrastructure grants for that
15 Fiscal Year to the Infrastructure Maintenance Fund,
16 provided that a Government may delay such contribution,
17 or any portion thereof, until August 1 of that Fiscal
18 Year by written notification thereof to the President.

19 (4) The Secretary shall deposit the contributions of
20 each Government into that Government's account in the
21 Infrastructure Maintenance Fund.

22 (5) The President shall certify to the Government of
23 the United States, pursuant to Article VII, Section 7(b)
24 of the Fiscal Procedures Agreement, the consolidated
25 total amount of contributions to the Infrastructure

1 Maintenance Fund for each Fiscal Year:

2 (a) Not later than March 1 with respect to
3 contributions received on or before February 15; and

4 (b) Not later than August 15 with respect to
5 contributions received after February 15.

6 (6) The Secretary shall deposit matching contributions
7 received from the Government of the United States into
8 each Government's account in the Infrastructure
9 Maintenance Fund proportionally based upon the amount
10 contributed by each Government in that Fiscal Year.

11 (7) Not later than ninety (90) days after the end of
12 each Fiscal year, the President shall transmit an annual
13 financial report for the previous Fiscal Year, pursuant
14 to Article VII, Section 7(b) of the Fiscal Procedures
15 Agreement, showing all deposits into the Infrastructure
16 Maintenance Fund by the Government of the United States
17 and the Government of the Federated States of
18 Micronesia, the amount of income generated by the fund
19 and the fund balance.

20 (8) Each Government shall submit to the President an
21 annual infrastructure maintenance plan not later than
22 May 15 detailing the planned uses of funds available to
23 that Government from the Infrastructure Maintenance
24 Fund.

25 (9) The President shall submit to the Government of

1 the United States an annual infrastructure maintenance
2 plan not later than July 3.

3 (10) Funds on deposit in the Infrastructure Maintenance
4 Fund shall be utilized by each Government in accordance
5 with its infrastructure maintenance plan.

6 (11) The Secretary shall disburse available funds from
7 the Infrastructure Maintenance Fund account of a
8 requesting Government after:

9 (a) the requesting Government has submitted
10 Accrued Expenditure reports evidencing an authorized
11 expenditure or obligation of such funds; and

12 (b) the Secretary has determined that the
13 requesting Government has complied with each relevant
14 requirement under this section."

15 Section 16. Title 55 of the Code of the Federated States of
16 Micronesia, as amended, is hereby further amended by enacting a
17 new section 314 of chapter 3 to read as follows:

18 "Section 314. Drawdown Procedures - Cash Disbursement
19 to National and State Treasuries.

20 (1) Pursuant to Article IV, Section 5 of the Fiscal
21 Procedures Agreement, the Government of the Federated
22 States of Micronesia will receive an advance payment for
23 Compact Sector Operational Grants equivalent to two-
24 twelfths (2/12) of the annual total at the beginning of
25 the Fiscal Year and will receive advance payments

1 equivalent to one-twelfth (1/12) of the annual total at
2 the beginning of each subsequent month of the Fiscal
3 Year, except November.

4 (2) Any State Government or the Secretary may request
5 an accelerated disbursement of funds by submitting to
6 the_President an Annual Cash Drawdown Schedule for
7 Compact_Operational Grants for the upcoming Fiscal Year
8 based upon appropriated budgets. The request shall
9 detail by month the Government's anticipated cash
10 disbursement requirements from Compact Sector
11 Operational Grants, and shall include supporting
12 documentation.

13 (3) The President shall use reasonable efforts to
14 obtain the approval of the Government of the United
15 States for any accelerated disbursement of funds and
16 shall promptly notify the affected State Government or
17 Secretary of a decision by the Government of the United
18 States.

19 (4) The Secretary shall request cash disbursement for
20 non-Operational Grants from the Government of the United
21 States on behalf of each Government on the basis of
22 accrued expenditures pursuant to Article IV, section 5
23 of the Fiscal Procedures Agreement.

24 (5) Upon receipt of Compact funds, the Secretary shall
25 determine whether the amount and allocation of such

1 funds is consistent with the Sector Grant Awards. The
2 Secretary shall immediately notify the President and the
3 Government of any affected State of any discrepancy and
4 determine the cause.

5 (6) If the Secretary determines that Compact funds
6 have been withheld or suspended pursuant to Article IV,
7 Section 5(c) of the Fiscal Procedures Agreement, the
8 Secretary shall immediately notify the President and, if
9 the withholding or suspension affects a State, the
10 Government of that State. The Secretary shall withhold
11 from disbursement to the affected Government that
12 portion of the Compact funds not received as a result of
13 such withholding or suspension.

14 (7) Any Government whose Compact funding is withheld
15 or suspended pursuant to Article IV, Section 5(c) of the
16 Fiscal Procedures Agreement may dispute such withholding
17 or suspension through the Office of the President and in
18 the manner set forth in the Fiscal Procedures Agreement.

19 (8) Unless otherwise provided in this section, the
20 Secretary shall disburse funds from the Compact
21 Financial Assistance Fund to the National Treasury and
22 each State Treasury not later than the close of the
23 business day following the day upon which the Secretary
24 receives notice of the receipt of such funds. No Sector
25 Grant funds that a Government has elected not to accept

1 under section 307(2) hereof shall be disbursed unless
2 the Government gives notice in writing to the President
3 and to Congress that it is withdrawing its election
4 under section 307(2) and requests disbursement of such
5 funds."

6 Section 17. Title 55 of the Code of the Federated States of
7 Micronesia, as amended, is hereby further amended by enacting a
8 new section 315 of chapter 3 to read as follows:

9 "Section 315. Reprogramming/Re-Allocation of Compact
10 Funds.

11 (1) No Government shall re-allocate Compact funds from
12 one Sector to another Sector during the course of the
13 Fiscal Year.

14 (2) A Government shall reprogram funds within an
15 approved Sector Grant only upon receipt of the prior
16 written approval of the President. Within twenty (20)
17 days of the end of each fiscal quarter, the President
18 shall notify Congress of any reprogramming that he has
19 approved during that quarter with respect to Sector
20 Grant funds received or to be received by the National
21 Government.

22 (3) The President shall not unreasonably withhold
23 approval of requests for reprogramming of up to fifteen
24 percent (15%) of a Government's proportional share of a
25 total Sector budget or its proportional share of

1 \$1,000,000, whichever is less, within an approved Sector
2 Grant during the Fiscal Year; provided that such
3 reprogramming requests do not include and would not
4 require any of the following:

5 (a) any revision of the scope or performance
6 objectives of a Sector Grant or infrastructure project;

7 (b) an extension of the period of funding
8 availability;

9 (c) changes in key persons specifically named in
10 a_Sector Grant award;

11 (d) the contracting out or otherwise obtaining
12 the services of a third party to perform non-
13 construction related activities (except general support
14 services) that are central to the purposes of the Sector
15 Grant; or

16 (e) any revision that would result in the need
17 for additional funding over and above the original
18 award.

19 (4) For proposed changes in Sector Grant budgets and
20 projects that would include or require any of the
21 revisions described or exceed the financial limits
22 provided in subsection (3) of this section, the
23 President shall use his best efforts to obtain the prior
24 approval of the Government of the United States."

25 Section 18. Title 55 of the Code of the Federated States of

1 Micronesia, as amended, is hereby further amended by enacting a
2 new section 316 of chapter 3 to read as follows:

3 "Section 316. Internal Reporting Requirements.

4 (1) For each fiscal quarter, not later than twenty
5 (20) days after the end of such fiscal quarter, each
6 State Government and the Secretary shall submit to the
7 President the following reports:

8 (a) for all Governmental fund types:

9 (i) a statement of revenues and
10 expenditures;

11 (ii) a comparison of budget and actual
12 expenditures by function;

13 (b) with respect to Operational Grants, a budget
14 execution report for each function, including major
15 offices, cost centers, budget activities and performance
16 reports; and

17 (c) with respect to all Sector Grants, including
18 the matching share of the Infrastructure Maintenance
19 Fund provided by the Government of the United States:

20 (i) a Standard Form SF 269, or reasonable
21 facsimile thereof approved by the Government of the
22 United States; and

23 (ii) a Federal Cash Transactions Report, or a
24 Standard Form SF 272, or reasonable facsimile thereof
25 approved by the Government of the United States.

1 (2) The Members of JEMCO appointed by the Federated
2 States of Micronesia shall at least twice annually
3 submit written reports to the President, Congress and
4 the States including the following information:

5 (a) a summary of actions taken by JEMCO since the
6 date of the last report to Congress;

7 (b) a description of any significant unresolved
8 issues before JEMCO or relating to the Compact; and

9 (c) the schedule for future JEMCO meetings.

10 Such reports shall be submitted to Congress no later
11 than April 1 and September 15 of each year, and at such
12 other times as there may be significant developments
13 relatingto the interpretation or implementation of the
14 Compact.

15 (3) At least twice annually the members appointed by
16 the Federated States of Micronesia to the Joint Trust
17 Fund Committee, formed pursuant to the Agreement between
18 the Government of the United States of America and the
19 Government of the Federated States of Micronesia
20 Implementing Section 215 and Section 216 of the Compact,
21 As Amended, Regarding A Trust Fund, shall submit reports
22 to the President, Congress and the States including the
23 following information:

24 (a) the current balance of the funds in the
25 Compact Trust Fund and a comparison with the balances as

1 of (i) the same date of the previous year and (ii) the
2 date of the last previous report to Congress;

3 (b) an analysis of the performance of investments
4 made with funds in the Compact Trust Fund, including a
5 comparison with generally-accepted measures of
6 investment performance for the same period; and

7 (c) a description of significant investment
8 strategy decisions relating to funds in the Compact
9 Trust Fund.

10 Such reports shall be submitted to Congress no later
11 than April 1 and September 15 of each year, and at such
12 other times as there may be significant developments
13 relating to the Compact Trust Fund."

14 Section 19. Title 55 of the Code of the Federated States of
15 Micronesia, as amended, is hereby further amended by enacting a
16 new section 317 of chapter 3 to read as follows:

17 "Section 317. Compact Quarterly Financial Reporting
18 Requirements.

19 For each fiscal quarter, not later than thirty (30) days
20 after the end of such fiscal quarter, the President
21 shall submit to the Government of the United States a
22 consolidated report reflecting information provided in
23 each of the reports provided pursuant Section 316(1) of
24 this chapter."

25 Section 20. Title 55 of the Code of the Federated States of

1 Micronesia, as amended, is hereby further amended by enacting a
2 new section 318 of chapter 3 to read as follows:

3 "Section 318. Internal Annual Final Cash Transactions
4 Report. Not later than eighty (80) days after the end
5 of each Fiscal Year, each State Government and the
6 Secretary shall submit to the President a final cash
7 transactions report for each Sector Grant. For
8 Operational Grants, the reports shall include the amount
9 of unobligated Operational Grant funding that will carry
10 over to subsequent Fiscal Years."

11 Section 21. Title 55 of the Code of the Federated States of
12 Micronesia, as amended, is hereby further amended by enacting a
13 new section 319 of chapter 3 to read as follows:

14 "Section 319. Compact Annual Final Cash Transactions
15 Report. Not later than ninety (90) days after the end
16 of each Fiscal Year, the President shall submit to the
17 Government of the United States a final cash
18 transactions report for each Sector Grant. For
19 Operational Grants, the reports shall include the amount
20 of unobligated Operational Grant funding that will carry
21 over to subsequent Fiscal Years."

22 Section 22. Title 55 of the Code of the Federated States of
23 Micronesia, as amended, is hereby further amended by enacting a
24 new section 320 of chapter 3 to read as follows:

25 "Section 320. Annual Report of the President to the

1 Government of the United States. Not later than the
2 last day in February of each year, the President shall
3 submit the Annual Report to the President of the United
4 States in accordance with Article V, Section 1(d), of
5 the Fiscal_Procedures Agreement and Section 214 of the
6 Compact, and shall transmit copies of the Annual Report
7 to the Congress and the Government of each State."

8 Section 23. Title 55 of the Code of the Federated States of
9 Micronesia, as amended, is hereby further amended by enacting a
10 new section 321 of chapter 3 to read as follows:

11 "Section 321. Accounting and Record Keeping.

12 (1) All obligation and expenditure of Compact Funds
13 shall be in accordance with the Compact and this
14 chapter.

15 (2) The financial reporting systems of each Government
16 shall provide full disclosure of the financial position
17 and results of operations of each accounting fund in
18 accordance with a uniform and standardized format. The
19 financial information generated from these systems shall
20 include, but not be limited to, all pertinent
21 information_needed to prepare comprehensive annual
22 financial reports as required by the Fiscal Procedures
23 Agreement and the Compact."

24 Section 24. Title 55 of the Code of the Federated States of
25 Micronesia, as amended, is hereby further amended by enacting a

1 new section 322 of chapter 3 to read as follows:

2 "Section 322. Financial Records - Access.

3 The Secretary shall have full and complete access to all
4 financial records for all Compact funds of the State and
5 National Governments of the Federated States of
6 Micronesia."

7 Section 25. Title 55 of the Code of the Federated States of
8 Micronesia, as amended, is hereby further amended by enacting a
9 new section 323 of chapter 3 to read as follows:

10 "Section 323. Enforcement.

11 (1) Each State Government and the Secretary shall
12 immediately report to the President any violation of
13 this chapter.

14 (2) If the President of the Federated States of
15 Micronesia determines that any Government is not in
16 compliance with one or more provisions of the Compact,
17 this chapter, or rules and regulations promulgated
18 pursuant to this chapter, he shall confer with the
19 appropriate Government in an effort to remedy the
20 effects of such noncompliance and to ensure future
21 compliance with such provisions.

22 (3) Notwithstanding any provision to the contrary in
23 this chapter, the President may withhold Compact
24 financial assistance until such time as the non-
25 compliant Government has complied with all of the

1 provisions of the Compact, this chapter, and any rules
2 and regulations promulgated pursuant to this chapter."

3 Section 26. Title 55 of the Code of the Federated States of
4 Micronesia, as amended, is hereby further amended by enacting a
5 new section 324 of chapter 3 to read as follows:

6 "Section 324. Implementation.

7 The President may establish rules, regulations, and
8 forms as necessary to comply with the provisions of this
9 chapter."

10 Section 27. Title 55 of the Code of the Federated States of
11 Micronesia, as amended, is hereby further amended by enacting a
12 new section 325 of chapter 3 to read as follows:

13 "Section 325. Delegation of Authority.

14 The President and each State Government may designate
15 officials of the National and State Governments,
16 respectively, to act on their behalf with respect to the
17 duties and responsibilities vested in them by this
18 chapter. Such designations shall be in writing."

19 Section 28. Title 55 of the Code of the Federated States of
20 Micronesia, as amended, is hereby further amended by enacting a
21 new section 326 of chapter 3 to read as follows:

22 "Section 326. Transition - Original Compact.

23 (1) Until all funds received under the Original
24 Compact categories have been exhausted, each State
25 Government shall, no later than December 15 of each

1 year, submit to the President a report setting forth
2 expenditures made and year-end fund balances by Original
3 Compact category_for the previous Fiscal Year; provided
4 however, that this subsection (1) shall not apply to
5 funds received pursuant to section 211 of the Original
6 Compact.

7 (2) Available capital project funds that were allotted
8 to any of the State or the National Governments pursuant
9 to section 211 of the Original Compact that subsequently
10 lapse or are de-appropriated pursuant to the laws of the
11 respective State or National Government shall revert to
12 the current account of the respective government
13 following submission of the relevant lapse provision or
14 de-appropriation legislation to the Secretary.

15 (3) Each State finance officer shall promptly close
16 out Original Compact capital project accounts upon
17 project completion. Unused spending authority resulting
18 from_project close-out shall revert to the current
19 account of the respective government."

20 Section 29. This act shall become law upon approval by the
21 President of the Federated States of Micronesia or upon its
22 becoming law without such approval.

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5 **DESIGNATED AS PL 13-72 DUE TO OVERRIDE**

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Joseph J. Urusemal
President
Federated States of Micronesia

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