
A BILL FOR AN ACT

To further amend chapter 18 of title 55 of the Code of the Federated States of Micronesia (Annotated), as amended by Public Law No. 23-128, by amending sections 1805, 1806, 1807, and 1808 thereof, and by inserting new sections 1809, 1810, 1811, and 1812, to provide clarity in the substantive and procedural requirements in connection with any proposed withdrawal from the Compact Trust Fund, and for other purposes.

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

1 Section 1. Section 1805 of chapter 18 of title 55 of the
2 Code of the Federated States of Micronesia (Annotated), as
3 amended by Public Law No. 23-128, is hereby further amended to
4 read as follows:

5 "Section 1805. Procedures for Making a Request

6 (a) A request by a state government for a Resiliency,
7 Special Needs, or Unspent Economic Assistance Distribution
8 shall be addressed to the President with a copy to the
9 Secretary, and must:

10 (1) be signed by the Governor and certified by the
11 state Director of Finance; and

12 (2) if required by state law, include a copy of
13 legislative approval of the request.

14 (b) A request by the National Government for a Resiliency,
15 Special Needs, or Unspent Economic Assistance Distribution
16 must be approved by Congress by resolution.

17 (c) The President and the Secretary, in conjunction with

1 the Office of Compact Management, shall develop budget
2 guidelines for the States and the National Government that
3 identifies the information needed for requests for
4 distribution."

5 Section 2. Section 1806 of chapter 18 of title 55 of the
6 Code of the Federated States of Micronesia (Annotated), as
7 amended by Public Law No. 23-128, is hereby further amended to
8 read as follows:

9 "Section 1806. Request Requirements.

10 (a) A request for a Resiliency Distribution must be
11 submitted to the Secretary by June 1 for the upcoming
12 fiscal year and include the following information:

13 (1) The amount requested as a Resiliency Distribution
14 in the upcoming fiscal year, including the specific amount
15 requested under paragraph 2(a), and the specific amount
16 requested under paragraph 2(b), of Article 18 of the 2023
17 Compact Trust Fund Agreement;

18 (2) A description of how any amounts to be used under
19 paragraph 2(a) of Article 18 of the 2023 Compact Trust Fund
20 Agreement would be allocated among the sectors described in
21 section 261(a) of the 2023 Amended Compact, or other
22 sectors as mutually decided by the Federated States of
23 Micronesia and the United States;

24 (3) A description of how any amounts to be used under
25 paragraph 2(b) of Article 18 of the 2023 Compact Trust Fund

1 Agreement would be allocated among the environmental and
2 infrastructure sectors described in sections 261(a)(5) and
3 (6) of the 2023 Amended Compact;

4 (4) Proposed expenditures for the upcoming fiscal year
5 by program, including a detailed breakdown by object
6 classes, as defined under the laws of the Federated States
7 of Micronesia; ~~and~~

8 (5) For any amounts that would be allocated to the
9 infrastructure sector, a description of which projects
10 included in the Infrastructure Development Plan the amounts
11 would fund; and

12 (6) An explanation as to why other sources of revenue
13 cannot be used for such expenses.

14 (b) A request for a Special Needs Distribution shall
15 include the following information:

16 (1) The total amount requested as a Special Needs
17 Distribution; and

18 (2) A description on how the amount requested would be
19 used only for unforeseen singular expenses relating to
20 projects that in support of the sectors described in
21 Section 261(a) of the 2023 Amended Compact; and

22 (3) An explanation as to why other sources of revenue
23 cannot be used for such expenses.

24 (c) A request for an Unspent Economic Assistance
25 Distribution shall include the following information:

(1) The total amount requested as an Unspent Economic Assistance Distribution;

(2) A description of how the amount would be allocated among the sectors described in Section 261(a) of the 2023 Amended Compact, or other sectors as mutually decided by the Signatory Governments;

(3) Proposed expenditures for the upcoming fiscal year by program, including a detailed breakdown of object class, as defined under the laws of the Federated States of Micronesia;

(4) A description of how the allocation would further one or more of the multiyear objectives of the relevant sector as well as one or more of the goals and broad strategies as described in the approved Strategic Development Plan; ~~and~~

(5) For any amounts that would be allocated to the infrastructure sector, a description of which projects included in the Infrastructure Development Plan the amounts would fund; and

(6) An explanation as to why other sources of revenue cannot be used for such expenses."

Section 3. Section 1807 of chapter 18 of title 55 of the Code of the Federated States of Micronesia (Annotated), as amended by Public Law No. 23-128, is hereby further amended to read as follows:

1 “Section 1807. Verification of Requests.

2 (a) Upon receipt of a request for a Resiliency, Special
3 Needs, or Unspent Economic Assistance Distribution, the
4 Secretary shall review the request in conjunction with the
5 Office of Compact Management to determine whether the
6 request is:

7 (1) in compliance with the requirements of this Act;

8 (2) is in compliance with any distribution formula for
9 Compact Funds; and

10 (3) is within the relevant distribution cap for such
11 funds.

12 (b) Any deficiency in a request shall be
13 immediately brought to the attention of the requesting
14 government for rectification.

15 (c) In conjunction with the review and process
16 required in Sections 1807(a) and 1807(b), the President and
17 the Secretary, in conjunction with the Office of Compact
18 Management, shall review the requesting government’s
19 submission on whether the funds sought for disbursement
20 from the Compact Trust Fund are available from other
21 sources, including (i) U.S. Compact Sector Grants, (ii)
22 available carryover funding, (iii) Unspent Economic
23 Assistance Distributions (funds moved to Account 3 of the
24 Compact Trust Fund pursuant to the 2023 Compact Trust Fund
25 Agreement and 2023 Fiscal Procedures Agreement), and (iv)

other sources, such as from local revenues or from international partners other than the United States. If the submission does not contain this information, the President and Secretary, in conjunction with the Office of Compact Management, shall consult with the requesting government."

Section 4. Section 1808 of chapter 18 of title 55 of the Code of the Federated States of Micronesia (Annotated), as amended by Public Law No. 23-128, is hereby further amended to read as follows:

"Section 1808. Submission to the President and the Joint Trust Fund Committee.

~~(a) [The Secretary shall submit a request for a Resiliency, Special Needs, or Unspent Economic Assistance Distribution that is in compliance with this Act to the Joint Trust Fund Committee for its consideration.]~~ After reviewing a request as required in Section 1807, and before submitting a request to the President for consideration, the Secretary shall review the request, in conjunction with the Office of Compact Management, to determine whether the request is in compliance with (i) the requirements of FSM law (including requirements at the state level), (ii) the scope of the Compact sectors as defined in the 2023 Fiscal Procedures Agreement, (iii) the goals and requirements of the 2023 Compact Trust Fund Agreement, and (iv) the requirements of

1 this Act.

2 ~~{(b) The Secretary submission to the Joint Trust Fund~~
3 ~~Committee shall include the following information in the~~
4 ~~request:~~

5 ~~(1) A proposed timeline for the disbursement of the amount~~
6 ~~requested;~~

7 ~~(2) A description of the monitoring and evaluation~~
8 ~~framework, including performance metrics, to be applied to~~
9 ~~ensure compliance with Article 21 of the 2023 Compact~~
10 ~~Trust Fund Agreement; and~~

11 ~~(3) the information and documentation identified in section~~
12 ~~1806(a) for a resiliency distribution request, section~~
13 ~~1806(b) for a special needs distribution request, and~~
14 ~~section 1806(c) for an unspent economic assistance~~
15 ~~distribution request.]~~

16 (b) If the Secretary, in conjunction with the Office of
17 Compact Management, is satisfied that these requirements
18 are met, the Secretary shall forward the request for
19 distribution to the President.

20 ~~[(c) Requests for a Resiliency Distribution shall be~~
21 ~~submitted to the Joint Trust Fund Committee by July 15 for~~
22 ~~the upcoming fiscal year. Requests for a Special Needs or~~
23 ~~Unspent Economic Assistance Distribution may be submitted~~
24 ~~at any time.]~~

25 (c) If after review the President determines that

the request is justified and consistent with the goals of the 2023 Compact Trust Fund Agreement, the President shall submit the request to the Joint Trust Fund Committee. The following information shall be included in the request:

(1) A proposed timeline for the disbursement of the amount requested;

(2) A description of the monitoring and evaluation framework, including performance metrics, to be applied to ensure compliance with Article 21 of the 2023 Compact Trust Fund Agreement; and

(3) The information and documentation identified in section 1806(a) and Section 18 of the Compact Trust Fund Agreement for a Resiliency Distribution request; section 1806(b) and Section 19 of the Compact Trust Fund Agreement for a Special Needs Distribution request; and section 1806(c) and Section 20 of the Compact Trust Fund Agreement for an Unspent Economic Assistance Distribution request.

(d) A request for a Resiliency Distribution shall be submitted by July 15 for the upcoming fiscal year if it has been (i) reviewed by the Secretary, in consultation with the Office of Compact Management, as required in Section 1807; (ii) reviewed by the President; and (iii) found by the President to meet the requirements of this Section.

(e) Requests for a Special Needs Distribution or Unspent Economic Assistance Distribution may be submitted at any

1 time if they have been (i) reviewed by the Secretary, in
2 consultation with the Office of Compact Management, as
3 required in Section 1807; (ii) reviewed by the President;
4 and (iii) found by the President to meet the requirements
5 of this Section."

6 Section 5. Chapter 18 of title 55 of the Code of the Federated
7 States of Micronesia (Annotated), as amended by Public Law No. 23-
8 128, is hereby further amended by inserting a new section 1809 to
9 read as follows:

10 "Section 1809. Receipt of Compact Trust Fund funds. Funds
11 requested out of the Compact Trust Fund under section 1805
12 shall be received by the National Treasury. The Secretary
13 shall designate such bank account or accounts as are
14 necessary to receive funds under this section, which
15 accounts shall be separate from the general fund."

16 Section 6. Chapter 18 of title 55 of the Code of the Federated
17 States of Micronesia (Annotated), as amended by Public Law No. 23-
18 128, is hereby further amended by inserting a new section 1810 to
19 read as follows:

20 "Section 1810. Role of the Secretary in receiving Compact
21 Trust Fund funds.

22 (a) It is the responsibility of the Secretary to ensure
23 that all funds received pursuant to this chapter are
24 received, allocated, and distributed, as the case may be,
25 according to applicable law.

1 (b) With respect to funds requested for the National
2 Government, the same shall be subject to congressional
3 appropriation. As such, the funds shall be reported to the
4 FSM Congress or reflected on the revenue projection as the
5 case may be.

6 (c) With respect to funds requested by any FSM
7 States, the same shall be subject to appropriation or
8 approval by the respective state legislature pursuant to
9 state law."

10 Section 7. Chapter 18 of title 55 of the Code of the Federated
11 States of Micronesia (Annotated), as amended by Public Law No.
12 23-128, is hereby further amended by inserting a new section 1811
13 to read as follows:

14 "Section 1811. Reporting and oversight. It shall be the
15 responsibility of the Secretary and the State Finance
16 Directors, respectively, to monitor, oversee, and account,
17 according to existing law and regulation, the funds
18 received pursuant to this chapter."

19 Section 8. Chapter 18 of title 55 of the Code of the Federated
20 States of Micronesia (Annotated), as amended by Public Law No.
21 23-128, is hereby further amended by inserting a new section 1811
22 to read as follows:

23 "Section 1812. Regulation. With the approval by the
24 President, the Secretary shall promulgate an implementing
25 regulation in accordance with the Administrative Procedures

1 Act to give effect to the provisions of this chapter."

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

5
6 Date: 8/12/25

Introduced by: for /s/ Joseph J. Urusemal
Julio M. Marar
(by request)