



*The President*  
*Palikir, Pohnpei*  
*Federated States of Micronesia*

**PRESIDENTIAL COMM. NO. 23-472**  
**FSM CONGRESS**

October 25, 2024



The Honorable Esmond B. Moses  
Speaker  
Twenty-third Congress  
Federated States of Micronesia  
Palikir, Pohnpei FM 96941

Dear Speaker Moses:

I am transmitting the following Congressional Act, which I have signed to become Public Law No. 23-128:

Congressional Act No. 23-132, entitled: "AN ACT TO FURTHER AMEND TITLE 55 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA (ANNOTATED), AS AMENDED BY PUBLIC LAW NO. 20-168, BY CREATING A NEW CHAPTER 18 TO ESTABLISH LEGAL GUIDANCE, CRITERIA AND PROCEDURES FOR A STATE OR THE NATIONAL GOVERNMENT TO MAKE A REQUEST FOR A RESILIENCY DISTRIBUTION, SPECIAL NEEDS DISTRIBUTION, OR UNSPENT ECONOMIC ASSISTANCE DISTRIBUTION, PURSUANT TO THE 2023 COMPACT TRUST FUND AGREEMENT, AND FOR OTHER PURPOSES."

I wish to thank the FSM Congress for the passage of this Act.

I am signing the Act with the request that the Congress collaborate with me and my staff to develop further legislation that will include procedures to govern requests from the FSM to the Compact Trust Fund Committee for distributions from the Compact Trust Fund. As I detail below, I believe we should create a mechanism so that requests for Compact Trust Fund distributions can be presented to the Compact Trust Fund Committee only after a thorough review within the FSM of other potential sources of funds and with consideration of the long-term sustainability of the Compact Trust Fund to replace Compact direct economic assistance and the annual budgeting process of the FSM. Given the fundamental importance of the Compact Trust Fund to our Nation's future, I believe that requests for distributions should go through careful national vetting to review these issues before distribution requests may be made.

The 2023 Compact Trust Fund Agreement does not address the FSM's procedures for initiating requests for distributions and thus leaves those procedures for the FSM to develop. The following provides background on what I believe should be key considerations for our future legislation establishing procedures on this important subject. The specific wording can be worked out in consultations with the Congress, but I believe the following should be the goals of the legislation:



PRESIDENTIAL COMM. NO. 23-492  
FSM CONGRESS

The Honorable Esmond B. Moses  
October 25, 2024  
Page 2

1. The Trust Fund is a fundamental component of the long-term budgetary self-reliance of the FSM. It is essential to our Nation that the Fund have resources adequate to replace annual sector grants when they end after FY 2043. In this connection, we need to assume that the annual U.S. appropriation of \$140 million/year will end in FY 2043 and disbursements from the Compact Trust Fund will be needed to sustainably replace U.S. sector grant funding. For this reason, requests for distributions during the current economic assistance period should be sought only when no other source of revenue can meet government needs.
2. Controls on distribution requests should take into account the following potential sources of revenue:
  - a. U.S. Sector Grant funding. Our sector grant revenues have increased to \$140 million/year — an increase of over \$50 million. This means, for example, that in FY 2024 and FY 2025 combined we have an additional \$100 million to absorb in our economic planning. Under the Compact Trust Fund Agreement, Trust Fund disbursements must be for one of the seven sectors identified in the Compact, and a distribution request should therefore be for sector needs that cannot be satisfied from our annual sector grants or other sources.
  - b. Carryover funding. Apart from the \$140 million a year, the FSM has substantial carryover funding from prior fiscal years in the seven Compact sectors. Under the Fiscal Procedures Agreement, infrastructure sector grant carryover funding remains available as carryover throughout the new Compact economic assistance period. Unobligated carryover funding for the other six sectors will be moved after FY 2025 to a segregated holding account in the Compact Trust Fund (“Account 3”) discussed below.
  - c. Compact Trust Fund Account 3. Carryover Funds from the non-infrastructure sectors that are moved to Account 3 after FY 2025 can be disbursed at the request of the FSM Government. These funds will be available under the procedures of Art. 20 of the Compact Trust Fund Agreement.
  - d. Other Sources. At any given time, the FSM may have multiple other sources of support, including from other nations (such as countries in the Pacific region and the EU) and international institutions such as the World Bank and Asian Development Bank. These other sources should be taken into account before considering disbursements from our Compact Trust Fund. Locally generated revenues should also be taken into account before seeking Trust Fund distributions.



PRESIDENTIAL COMM. NO. 23 472  
FSM CONGRESS

The Honorable Esmond B. Moses  
October 25, 2024  
Page 3

3. If these other sources are determined not adequate for needs after careful review, any legislative scheme must also ensure that any distribution requests be integrated as a part of our Nation's annual budget planning and oversight. For the duration of the current economic assistance period (through FY 2043), the same planning, reporting and oversight provisions will apply to funds disbursed from the Compact Trust Fund as apply to the use of sector grants. Section VI of the FPA ("Post-Award Requirements") and Section 21 of the Compact Trust Fund Agreement ("Fiscal Procedures for Distributions") contain parallel provisions, and the FSM has the same responsibilities under each section. (This could change after FY 2043 when the U.S. and FSM may modify CFTA Section 21 but until FY 2043 the provisions are substantially the same.) Importantly, any requested distributions from the Compact Trust Fund need to comply with the Nation's Strategic and Infrastructure Development Plans and therefore need national-level review.
4. To ensure compliance with the goals in paragraphs 1-3 above, while relevant information for potential requests would be assembled at the state and national levels, the legislation should include a final decision point at the national level. Requests to the Compact Trust Fund Committee should only be made if on balance the President decides they meet the criteria above.
5. Finally, it is important to note that we have a new structure in the Compact Trust Fund Committee with three members from each government charged with ensuring that the long-term goals of the Fund are met. Our three FSM members will need to know that any FSM requests for CTF distributions that reach them are the result of a deliberate and diligent review process that has taken into consideration our Nation's needs, balanced against the needs to preserve the continued growth and sustainability of the CTF corpus account. This will ensure that our members are adequately prepared to effectively review and advocate for our Nation's interests during CTF Committee deliberations.

Sincerely,

A handwritten signature in black ink, appearing to read "Wesley W. Simina".

Wesley W. Simina  
President

xc: Chief Justice, FSM Supreme Court



Office of the Chief Clerk

CONGRESS OF THE FEDERATED STATES OF MICRONESIA

P.O. Box PS 3

Palikir, Sokehs Pohnpei State, FM 96941

Tel: (691) 320-2324 / 2338 Fax: (691) 320-5122

PRESIDENTIAL COMM. NO. 23-472  
FSM CONGRESS



October 03, 2024

His Excellency Wesley W. Simina  
President  
Federated States of Micronesia  
Palikir, Pohnpei FM 96941

Dear President Simina:

I have the honor to transmit herewith Congressional Act No. 23-132, "AN ACT TO FURTHER AMEND TITLE 55 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA (ANNOTATED), AS AMENDED BY PUBLIC LAW NO. 20-168, BY CREATING A NEW CHAPTER 18 TO ESTABLISH LEGAL GUIDANCE, CRITERIA AND PROCEDURES FOR A STATE OR THE NATIONAL GOVERNMENT TO MAKE A REQUEST FOR A RESILIENCY DISTRIBUTION, SPECIAL NEEDS DISTRIBUTION, OR UNSPENT ECONOMIC ASSISTANCE DISTRIBUTION, PURSUANT TO THE 2023 COMPACT TRUST FUND AGREEMENT, AND FOR OTHER PURPOSES, which was passed by the Twenty-Third Congress of the Federated States of Micronesia, Fifth Regular Session, 2024, by a two-thirds vote of all the State delegations as required and as duly certified.

Sincerely yours,

A large, stylized handwritten signature in black ink, appearing to read "Jessicalynn Reyes".

Jessicalynn Reyes  
Chief Clerk, Congress of the  
Federated States of Micronesia

Enclosures



PRESIDENTIAL COMM. NO. 23-472  
FSM CONGRESS

TWENTY-THIRD CONGRESS OF THE  
FEDERATED STATES OF MICRONESIA  
FIFTH REGULAR SESSION  
SEPTEMBER 12 – OCTOBER 01, 2024

---

---

## An Act

TO FURTHER AMEND TITLE 55 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA (ANNOTATED), AS AMENDED BY PUBLIC LAW NO. 20-168, BY CREATING A NEW CHAPTER 18 TO ESTABLISH LEGAL GUIDANCE, CRITERIA AND PROCEDURES FOR A STATE OR THE NATIONAL GOVERNMENT TO MAKE A REQUEST FOR A RESILIENCY DISTRIBUTION, SPECIAL NEEDS DISTRIBUTION, OR UNSPENT ECONOMIC ASSISTANCE DISTRIBUTION, PURSUANT TO THE 2023 COMPACT TRUST FUND AGREEMENT, AND FOR OTHER PURPOSES.

---

---

INTRODUCED BY SENATOR: ESMOND B. MOSES

DATE: AUGUST 23, 2024

---

---

REFERRED TO: WAYS AND MEANS COMMITTEE  
WITHDRAWN – SEPTEMBER 30, 2024

FIRST READING: SEPTEMBER 30, 2024

SECOND READING: OCTOBER 1, 2024

---

---

A handwritten signature in black ink, appearing to read "Jessicalynn Reyes", is written over a horizontal line.

Jessicalynn Reyes  
Chief Clerk, FSM Congress



Office of the Speaker

CONGRESS OF THE FEDERATED STATES OF MICRONESIA

P.O. Box PS 3 Palikir, Sokehs  
Pohnpei State, FM 96941  
Tel: (691) 320-2324 / 2338  
Fax: (691) 320-5122

**PRESIDENTIAL COMM. NO. 23-472**  
**FSM CONGRESS**

ACT NO. 23-132

(CONGRESSIONAL BILL NO. 23-168, C.D.1)

We hereby certify that on October 1 the foregoing act passed Second and Final Reading of the Twenty-Third Congress of the Federated States of Micronesia, Fifth Regular Session, 2024, by a two-thirds vote of all the State delegations as required under article IX, section 20, of the Constitution of the Federated States of Micronesia.

A handwritten signature in black ink, appearing to be "Esmond B. Moses".

Esmond B. Moses  
Speaker  
Congress of the  
Federated States of Micronesia

A handwritten signature in black ink, appearing to be "Jessicalynn Reyes".

Jessicalynn Reyes  
Chief Clerk  
Congress of the  
Federated States of Micronesia

AN ACT

To further amend title 55 of the Code of the Federated States of Micronesia (Annotated), as amended by Public Law No. 20-168, by creating a new chapter 18 to establish legal guidance, criteria and procedures for a State or the National Government to make a request for a Resiliency Distribution, Special Needs Distribution, or Unspent Economic Assistance Distribution, pursuant to the 2023 Compact Trust Fund Agreement, and for other purposes.

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

1       Section 1. Title 55 of the Code of the Federated States of  
2 Micronesia (Annotated), as amended, is hereby amended by creating  
3 a new chapter 18 entitled: "Compact Trust Fund Distributions".

4       Section 2. Chapter 18 of title 55 of the Code of the  
5 Federated States of Micronesia (Annotated), as amended, is hereby  
6 amended by inserting a new section 1801 to read as follows:

7               "Section 1801. Congressional Intent. The purpose of  
8 this Act is to establish legal guidance, criteria and  
9 procedures for a State or the National Government to  
10 request the withdrawal of funds from the Compact Trust  
11 Fund for a Resiliency Distribution pursuant to Article  
12 18 of the 2023 Compact Trust Fund Agreement, a Special  
13 Needs Distribution pursuant to Article 19 of the 2023  
14 Compact Trust Fund Agreement, or an Unspent Economic  
15 Assistance Distribution pursuant to Article 20 of the  
16 2023 Compact Trust Fund Agreement".

17       Section 3. Chapter 18 of title 55 of the Code of the Federated

1 States of Micronesia (Annotated), as amended, is hereby amended  
2 by inserting a new section 1802 to read as follows:

3 "Section 1802. Applicability. A request for a  
4 Resiliency, Special Needs, or Unspent Economic  
5 Assistance Distribution from the Compact Trust Fund  
6 shall be governed by the provisions of this Act".

7 Section 4. Chapter 18 of title 55 of the Code of the  
8 Federated States of Micronesia (Annotated), as amended, is hereby  
9 amended by inserting a new section 1803 to read as follows:

10 "Section 1803. Definitions. For purposes of this Act:

11 (a) "2003 Trust Fund Agreement" means the *Agreement*  
12 *Between the Government of the Federated States of*  
13 *Micronesia and the Government of the United States of*  
14 *America Implementing Section 215 and Section 216 of the*  
15 *Compact, as amended, Regarding a Trust Fund, done at*  
16 *Palikir on May 14, 2003;*

17 (b) "2023 Amended Compact" means the *Compact of Free*  
18 *Association, as amended, Between the Government of the*  
19 *Federated States of Micronesia and the Government of the*  
20 *United States of America, done at Palikir on May 14,*  
21 *2003, as amended, by the Agreement Between the*  
22 *Government of the Federated States of Micronesia and the*  
23 *Government of the United States of America to Amend the*  
24 *Compact of Free Association, as amended, done at Palikir*  
25 *on May 23, 2023;*

1           (c) "2023 Compact Trust Fund Agreement" means the  
2           *Agreement Between the Government of the Federated States*  
3           *of Micronesia and the Government of the United States of*  
4           *America Regarding the Compact Trust Fund*, done at  
5           Palikir on May 23, 2023;

6           (d) "Compact Trust Fund" means the trust fund  
7           established pursuant to Article 2 of the 2003 Trust Fund  
8           Agreement;

9           (e) "Joint Trust Fund Committee" means the governing  
10          body of the Compact Trust Fund which serves as trustee  
11          of the fund;

12          (f) "President" means the President of the Federated  
13          States of Micronesia;

14          (g) "Resiliency Distribution" means a transfer of  
15          funds from the Compact Trust Fund to the Government of  
16          the Federated States of Micronesia, pursuant to Article  
17          18 of the 2023 Compact Trust Fund Agreement, to support  
18          the sectors described in Section 261(a) of the 2023  
19          Amended Compact, or other sectors as mutually decided by  
20          the Signatory Governments, or to support the  
21          environmental and infrastructure sectors described in  
22          Sections 261(a)(5) and (6) of the 2023 Amended Compact  
23          in particular;

24          (h) "Secretary" means the Secretary of the Department  
25          of Finance and Administration of the National Government

1 of the Federated States of Micronesia;

2 (i) "Special Needs Distribution" means a transfer of  
3 funds from the Compact Trust Fund to the Government of  
4 the Federated States of Micronesia, pursuant to Article  
5 19 of the 2023 Compact Trust Fund Agreement, for  
6 unforeseen singular expenses relating to projects in the  
7 sectors described in Section 261(a) of the 2023 Amended  
8 Compact that cannot reasonably be financed from other  
9 sources of revenue;

10 (j) "State" means any state of the Federated States  
11 of Micronesia;

12 (k) "Unspent Economic Assistance Distribution" means  
13 a transfer of funds from the Compact Trust Fund to the  
14 Government of the Federated States of Micronesia,  
15 pursuant to Article 20 of the 2023 Compact Trust Fund  
16 Agreement, to support the sectors described in Section  
17 261(a) of the 2023 Amended Compact, or other sectors as  
18 mutually decided by the Signatory Governments."

19 Section 5. Chapter 18 of title 55 of the Code of the  
20 Federated States of Micronesia (Annotated), as amended, is hereby  
21 amended by inserting a new section 1804 to read as follows:

22 "Section 1804. Availability of Funds for Distribution.

23 The Secretary shall, by April 15 of every year, inform  
24 each State Governor, the President, and the Speaker of  
25 Congress of the funds available for distribution for the

1           upcoming fiscal year under the Resiliency Distribution  
2           Cap, Special Needs Distribution Cap and Unspent Economic  
3           Assistance Distribution Cap."

4           Section 6. Chapter 18 of title 55 of the Code of the  
5 Federated States of Micronesia (Annotated), as amended, is hereby  
6 amended by inserting a new section 1805 to read as follows:

7           "Section 1805. Procedures for Making a Request.

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

12                   (1) be signed by the Governor and certified by the  
13 state Director of Finance; and

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

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

20           Section 7. Chapter 18 of title 55 of the Code of the Federated  
21 States of Micronesia (Annotated), as amended, is hereby amended  
22 by inserting a new section 1806 to read as follows:

23           "Section 1806. Request Requirements.

24                   (a) A request for a Resiliency Distribution must  
25 be submitted to the Secretary by June 1 for the upcoming

1 fiscal year and include the following information:

2 (1) The amount requested as a Resiliency Distribution  
3 in the upcoming fiscal year, including the specific  
4 amount requested under paragraph 2(a), and the specific  
5 amount requested under paragraph 2(b), of Article 18 of  
6 the 2023 Compact Trust Fund Agreement;

7 (2) A description of how any amounts to be used under  
8 paragraph 2(a) of this Article would be allocated among  
9 the sectors described in section 261(a) of the 2023  
10 Amended Compact, or other sectors as mutually decided by  
11 the Federated States of Micronesia and the United  
12 States;

13 (3) A description of how any amounts to be used under  
14 paragraph 2(b) of this Article would be allocated among  
15 the environmental and infrastructure sectors described  
16 in sections 261(a)(5) and (6) of the 2023 Amended  
17 Compact;

18 (4) Proposed expenditures for the upcoming fiscal  
19 year by program, including a detailed breakdown by  
20 object classes, as defined under the laws of the  
21 Federated States of Micronesia; and

22 (5) For any amounts that would be allocated to the  
23 infrastructure sector, a description of which projects  
24 included in the Infrastructure Development Plan the  
25 amounts would fund.

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

3 (1) The total amount requested as a Special Needs  
4 Distribution in the upcoming fiscal year; and

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

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

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

13 (1) The total amount requested as an Unspent Economic  
14 Assistance Distribution in the upcoming fiscal year;

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

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

23 (4) A description of how the allocation would further  
24 one or more of the multiyear objectives of the relevant  
25 sector as well as one or more of the goals and broads

1 strategies as described in the approved Strategic  
2 Development Plan; and

3 (5) For any amounts that would be allocated to the  
4 infrastructure sector, a description of which projects  
5 included in the Infrastructure Development Plan the  
6 amounts would fund."

7 Section 8. Chapter 18 of title 55 of the Code of the  
8 Federated States of Micronesia (Annotated), as amended, is hereby  
9 amended by inserting a new section 1807 to read as follows:

10 "Section 1807. Verification of Requests.

11 (a) Upon receipt of a request for a Resiliency,  
12 Special Needs, or Unspent Economic Assistance  
13 Distribution, the Secretary shall review the request in  
14 conjunction with the Office of Compact Management to  
15 determine whether the request is:

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

17 (2) is in compliance with any distribution formula  
18 for Compact Funds; and

19 (3) is within the relevant distribution cap for such  
20 funds.

21 (b) Any deficiency in a request shall be  
22 immediately brought to the attention of the requesting  
23 government for rectification."

24 Section 9. Chapter 18 of title 55 of the Code of the Federated  
25 States of Micronesia (Annotated), as amended, is hereby amended

1 by inserting a new section 1808 to read as follows:

2 "Section 1808. Submission to the Joint Trust Fund  
3 Committee.

4 (a) The Secretary shall submit a request for a  
5 Resiliency, Special Needs, or Unspent Economic  
6 Assistance Distribution that is in compliance with this  
7 Act to the Joint Trust Fund Committee for its  
8 consideration.

9 (b) The Secretary submission to the Joint Trust  
10 Fund Committee shall include the following information  
11 in the request:

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

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

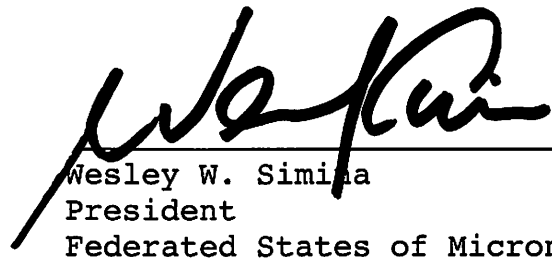
18 (3) the information and documentation identified in  
19 section 1806(a) for a resiliency distribution request,  
20 section 1806(b) for a special needs distribution  
21 request, and section 1806(c) for an unspent economic  
22 assistance distribution request.

23 (c) Requests for a Resiliency Distribution shall  
24 be submitted to the Joint Trust Fund Committee by July  
25 15 for the upcoming fiscal year. Requests for a Special

1 Needs or Unspent Economic Assistance Distribution may be  
2 submitted at any time."

3 Section 10. This act shall become law upon approval by the  
4 President of the Federated States of Micronesia or upon its  
5 becoming law without such approval.

6  
7  
8 October 25, 2024

9  
10  
11   
12 \_\_\_\_\_  
13 Wesley W. Simina  
14 President  
15 Federated States of Micronesia  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

October 22

John Doe