

AN ACT

To further amend title 55 of the Code of the Federated States of Micronesia, as amended, by amending sections 102, 103, 104, 105, 106, 107, 108 and 109 and by enacting a new section 111, relating to National Government budget procedures, and for other purposes.

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

1 Section 1. Section 102 of title 55 of the Code of the
2 Federated States of Micronesia is hereby amended to read as
3 follows:

4 "Section 102. Definitions. When used in this chapter:

5 (1) 'Agency' means any agency, commission, authority,
6 board, bureau, or other organization of the National
7 Government established by law, and not specifically part
8 of one of the three branches of the National Government.

9 (2) 'Annual budget' refers to the annual request for
10 new obligation and expenditure authority during the
11 ensuing fiscal year by all branches and agencies of the
12 National Government for all purposes, including, but not
13 limited to, Government operations, development programs
14 and projects, special programs, contributions, grants,
15 and subsidies.

16 (3) 'Appropriation' refers to a law enacted by
17 Congress which authorizes the National Government to
18 incur obligations and to make payments out of the

1 National Treasury in accordance with law.

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

8 (5) 'Congress' refers to the Congress of the
9 Federated States of Micronesia.

10 (6) 'Development Plan' refers to the Development Plan
11 of the Federated States of Micronesia prepared pursuant
12 to title two, section 211 of the Compact, and the
13 infrastructure development plan of the Federated States
14 of Micronesia prepared pursuant to Article V, section
15 1(e) of the Fiscal Procedures Agreement.

16 (7) 'Executive Branch' refers to the executive branch
17 of the National Government of the Federated States of
18 Micronesia.

19 (8) 'Fiscal Procedures Agreement' means the Agreement
20 Concerning Procedures for the Implementation of United
21 States Economic Assistance Provided in the Compact of
22 Free Association, as amended, Between the Government of
23 the United States and the Government of the Federated
24 States of Micronesia, entered into in connection with
25 the Compact.

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1 (9) 'Fiscal Year' refers to each one-year period
2 beginning October 1 and ending on the next following
3 September 30. Each Fiscal Year shall be designated by
4 the number of the calendar year in which such Fiscal
5 Year ends.

6 (10) 'JEMCO' refers to the Joint Economic Management
7 Committee established pursuant to the Compact.

8 (11) 'National Government' refers to the National
9 Government of the Federated States of Micronesia and
10 includes all branches and agencies of the Government.

11 (12) 'National Government Compact Budget Request' means
12 the National Government's annual Compact funding request
13 for the upcoming Fiscal Year and estimated funding
14 levels for the two subsequent Fiscal Years to be
15 consolidated with the States' Compact Budget Requests
16 and submitted to the United States under Article V of
17 the Financial Procedures Agreement.

18 (13) 'Proposed Budget' shall have the meaning ascribed
19 to it in subsection (2) of section 103 of this chapter.

20 (14) 'Recommended Budget' shall have the meaning
21 ascribed to it in subsection (3) of section 103 of this
22 chapter.

23 (15) 'Recommended National Government Compact Budget
24 Request' means the President's recommended annual
25 Compact funding request for the National Government for

1 the_upcoming Fiscal Year and estimated funding levels
2 for the two subsequent Fiscal Years."

3 Section 2. Section 103 of title 55 of the Code of the
4 Federated States of Micronesia is hereby amended to read as
5 follows:

6 "Section 103. Annual budget.

7 (1) The Congress, the judicial branch, each of the
8 departments, offices and agencies of the Executive
9 Branch of the National Government, and every proposed
10 recipient of grants, subsidies or contributions from the
11 National Government shall transmit to the President on
12 or before March 1 of each year or at such other time as
13 the President may determine, but not before January 1 of
14 each year, planned operational and development
15 expenditures for the ensuing fiscal year, budget
16 projections for each of the two subsequent fiscal years,
17 and such other information as the President may
18 determine or as may be required by law. Planned
19 operational expenses shall be presented in line-item
20 form, including detailed information on planned
21 expenditures for personnel, travel, contract services,
22 fixed assets and other anticipated expenses. The
23 Congress, the Judiciary Branch, and each department,
24 office and agency of the Executive Branch shall transmit
25 to the President, along with its proposed operational

1 expenses for the ensuing fiscal year, a plan for the
2 fiscal year, including an identification of its
3 strategic goals, and a description of its planned
4 accomplishments, for the fiscal year, related to each
5 goal. The planned accomplishments shall, if possible,
6 be expressed in numerical form so that actual
7 performance can be measured against the plan. Congress,
8 the Judiciary Branch and the offices, agencies and
9 departments of the National Government shall not be
10 required to transmit performance-based budgets or other
11 reports tying planned operational expenses to specific
12 tasks or objectives.

13 (2) The President shall compile, without revision, the
14 planned expenditures and budget projections received
15 from each branch, department, office and agency of the
16 National Government and from proposed recipients of
17 grants, subsidies and contributions from the National
18 Government into a proposed budget for the National
19 Government (the 'Proposed Budget').

20 (3) No later than April 1 of each year, the
21 President shall submit to the Congress the Proposed
22 Budget for the National Government for the ensuing
23 fiscal year. The Proposed Budget shall contain an
24 operations budget and a development budget, and include
25 planned expenditures for all sources of funds. Planned

1 operational expenses shall be presented on a line-item
2 basis. The President shall concurrently submit his
3 recommendations regarding the Proposed Budget (the
4 President's budget recommendations are herein referred
5 to as the 'Recommended Budget'). The total Recommended
6 Budget for the year shall not exceed the total of funds
7 estimated to be available for that year. The Proposed
8 Budget and Recommended Budget shall each set forth the
9 following information in such form and detail as the
10 President may determine or as the Congress may require
11 by law:

12 (a) planned operational expenditures, including
13 planned sources of funds, for each department and office
14 of the executive branch, Congress, the judicial branch,
15 and agencies of the National Government other than
16 agencies or entities which receive National Government
17 appropriations on a subsidy, contribution, or grant
18 basis, and operational budget projections for each of
19 the two subsequent fiscal years;

20 (b) planned development expenditures, including
21 planned sources of funds, for the ensuing fiscal year
22 and development budget projections for each of the two
23 subsequent fiscal years, with details of all development
24 programs or projects to be funded or undertaken by the
25 National Government in the ensuing fiscal year, relating

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1 such programs and projects to specific development goals
2 and objectives set forth in the Development Plan of the
3 Federated States of Micronesia, as prepared in
4 accordance with the Compact and approved by the
5 Congress, and identifying any amendments to the program
6 and project listings contained in such plan; and

7 (c) planned subsidies, contributions, or grants
8 for the ensuing fiscal year and projected subsidies,
9 contributions, or grants for each of the two subsequent
10 fiscal years, for the FSM Telecommunications
11 Corporation, the College of Micronesia, international
12 and regional organizations, and such other public and
13 private entities as authorized by law.

14 (4) The President shall submit along with the
15 Proposed Budget and the Recommended Budget the
16 following:

17 (a) a budget message which shall include such
18 supporting economic financial, statistical, program
19 performance, and other information, data and
20 recommendations as the President may determine are in
21 the public interest;

22 (b) proposed legislation to appropriate funds for
23 the National Government during the ensuing fiscal year
24 reflecting the amounts contained in the Recommended
25 Budget and including all activities and outputs to be

1 funded by Compact Sector Grants;

2 (c) anticipated revenues and other money to be
3 made available to the National Government from all
4 sources in the ensuing fiscal year and each of the two
5 subsequent fiscal years including, but not limited to,
6 taxes, fees, fines, interest income, revenue from
7 fishing agreements, Compact financial assistance, United
8 States Federal program assistance, foreign financial and
9 technical assistance, reimbursements, and loans;

10 (d) the Recommended National Government Compact
11 Budget Request for the ensuing fiscal year;

12 (e) statements of the balance of the General Fund
13 and any special funds of the National Treasury for the
14 fiscal year last concluded, including the actual revenue
15 by source, all appropriations, and the obligations and
16 expenditures pursuant to each appropriation;

17 (f) statements of the projected balance of the
18 General Fund and any special funds of the National
19 Treasury for the fiscal year in progress including all
20 appropriations, estimated revenues by source, and
21 anticipated obligations. If the projected balance for
22 any fund indicates a deficit, recommendations as to how
23 the deficiency is to be met;

24 (g) actual revenues received to date, by source,
25 in the fiscal year in progress, and for the same period

1 in the preceding year;

2 (h) an analysis of major trends over the three
3 years budgeted regarding funding sources, spending
4 emphases, staffing levels, and program expansions and
5 contractions; and

6 (i) for the Judiciary Branch, the Congress, and
7 each department, office and agency of the Executive
8 Branch, a plan for the ensuing fiscal year, including an
9 identification of its strategic goals and its planned
10 accomplishments for the fiscal year, such planned
11 accomplishments to be expressed, if possible, in
12 numerical form so that actual performance can be
13 measured against the plan;

14 (j) such other financial information and data as
15 may be necessary or desirable in order to make known in
16 reasonable and practicable detail the financial
17 condition of the National Government.

18 (5) Congress may, prior to May 16 of each year,
19 either:

20 (a) by resolution, authorize the President to
21 submit the Recommended National Government Compact
22 Budget Request to the United States under Article V of
23 the Financial Procedures Agreement; or

24 (b) by bill, alter the Recommended National
25 Government Compact Budget Request in any respect

1 consistent with the Compact.

2 (6) The Recommended National Government Compact
3 Budget shall be the National Government Compact Budget
4 for the ensuing fiscal year for purposes of submittal
5 to the United States under Article V of the Fiscal
6 Procedures Agreement if:

7 (a) Congress fails to take action with respect to
8 the Recommended National Government Compact Budget
9 Request prior to May 16;

10 (b) Congress, by resolution, authorizes the
11 President to submit the Recommended National Government
12 Compact Budget to the United States; or

13 (c) The President vetoes a bill passed by
14 Congress to alter the Recommended National Government
15 Compact Budget Request and Congress fails to override
16 that veto prior to June 15;

17 (7) If, prior to June 15, a bill to alter the
18 Recommended National Government Compact Budget Request
19 has become law or the Congress has overridden a
20 Presidential veto of such a bill, the National
21 Government Compact Budget Request for submittal under
22 Article V of the Fiscal Procedures Agreement shall be in
23 conformance with the terms of that bill."

24 Section 3. Section 104 of title 55 of the Code of the
25 Federated States of Micronesia is hereby amended to read as

1 follows:

2 "Section 104. Balanced budget.

3 (1) Based on all available information, the Congress,
4 prior to adopting the annual budget bill under section
5 106 of this chapter, shall adopt a resolution setting
6 forth the total funds estimated to be available for
7 appropriation from the General Fund and any special
8 funds of the National Treasury during the ensuing fiscal
9 year. The Congress may from time to time adopt
10 resolutions revising the amount estimated to be
11 available for appropriation based on the most recent
12 information.

13 (2) Except as may occur due to a downward revision of
14 revenue projections, total appropriations for a fiscal
15 year shall not exceed the amount embodied in the
16 resolution referred to in subsection (1) of this
17 section."

18 Section 4. Section 105 of title 55 of the Code of the
19 Federated States of Micronesia is hereby amended to read as
20 follows:

21 "Section 105. Supplemental appropriations and
22 rescissions.

23 (1) The President shall transmit to Congress such
24 proposed supplemental appropriations as may be necessary
25 on account of laws enacted after the transmission of the

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1 annual budget or which are otherwise in the public
2 interest. He shall accompany such proposals with a
3 statement of the reasons therefor, including the reasons
4 for their omission from the annual budget. Whenever such
5 proposed supplemental appropriation would create a
6 deficit for the General Fund or any specific fund of the
7 National Treasury, the President shall so notify
8 Congress and make recommendations as to how such deficit
9 is to be met.

10 (2) The President from time to time may transmit to
11 Congress proposed rescissions to cancel budgetary
12 authority previously provided by the Congress. These
13 proposals may be accepted in whole or in part by passage
14 of a rescission bill by the Congress.

15 (3) If at any time the amount appropriated for a given
16 fiscal year exceeds the amount of total funds estimated
17 to be available for such year due to a downward
18 adjustment in revenue projections, the President shall
19 transmit to Congress either a proposed rescission bill
20 or a proposal for covering the anticipated deficiency by
21 the end of the following fiscal year."

22 Section 5. Section 106 of title 55 of the Code of the
23 Federated States of Micronesia, as amended by Public Law No. 13-
24 13, is hereby further amended to read as follows:

25 "Section 106. Appropriations by Congress.

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1 (1) The Congress, after receipt of the proposed budget
2 from the President and no later than September 30 of
3 each year, shall, by act, adopt the annual budget of the
4 National Government of the ensuing fiscal year.

5 Congress may elect to initially or permanently exclude,
6 from the annual budget act, that portion of the budget
7 proposed to be funded by Compact sector. In no event
8 shall the budget adopted or any amendments thereto
9 provide funding for the personnel, contractual services,
10 or travel expenses of any branch or agency of the
11 National Government in an amount greater than 110
12 percent of the aggregate funding appropriated for such
13 branch or agency for such categories in the initial
14 budget act of the immediately preceding fiscal year,
15 except where funding in excess of such limit shall be
16 deemed essential by the Congress on the face of the
17 appropriating legislation.

18 (2) That portion of the budget submission that is to
19 be funded by local revenues may be altered by Congress
20 in any respect.

21 (3) Funds to be received and expended pursuant to the
22 JEMCO-approved Compact sector allocation for the
23 National Government shall be appropriated by act of
24 Congress within forty-five (45) days of the return of
25 the Compact sector allocation from JEMCO or by September

1 30, whichever is later. The appropriation legislation
2 covering Compact funds shall comply with the terms of
3 the Compact and the Fiscal Procedures Agreement with
4 respect to the receipt of Compact sector funds, shall
5 allow for reprogramming of funds to the extent permitted
6 under the Compact and chapter 3 of this title of the
7 Code of the Federated States of Micronesia, and may
8 require, as a condition to such reprogramming, prior
9 notice to Congress.

10 (4) The budget alteration authority of Congress shall
11 be executed by means of appropriations legislation.
12 Appropriations or authorizations for the expenditure of
13 funds shall be made by law, except as provided in
14 section 108 of this chapter.

15 (5) Congress may restrict by law the expenditure
16 of funds for a specific purpose."

17 Section 6. Section 107 of title 55 of the Code of the
18 Federated States of Micronesia is hereby amended to read as
19 follows:

20 "Section 107. Requests to the United States
21 Government. The President shall consult with the
22 Congress in the formulation and submission of all
23 requests made to the United States Government for
24 additional assistance, services, and programs
25 pursuant to the Compact."

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1 Section 7. Section 108 of title 55 of the Code of the
2 Federated States of Micronesia is hereby amended to read as
3 follows:

4 "Section 108. Continuing resolution.

5 In the event a budget has not become law prior to the
6 beginning of a fiscal year, the head of each branch of
7 Government and the head of each agency established by
8 law may continue to expend funds from projected local
9 revenues for National Government operations expenses
10 after the beginning of the fiscal year upon the adoption
11 by Congress of a continuing resolution. Such
12 expenditures shall be in accordance with appropriations
13 laws appropriating funds for the immediately preceding
14 fiscal year. A continuing resolution of the Congress
15 which would authorize the expenditure of Compact
16 financial assistance is hereby made conditional on such
17 funds being available to the National Government as of
18 the beginning of the relevant fiscal year, either
19 pursuant to a continuing resolution adopted by the
20 United States Congress or pursuant to appropriation acts
21 of the United States Congress."

22 Section 8. Section 109 of title 55 of the Code of the
23 Federated States of Micronesia is hereby amended to read as
24 follows:

25 "Section 109. Emergency account.

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1 In the event of a major natural disaster or other
2 emergency threatening the lives or safety of citizens of
3 the Federated States of Micronesia requiring immediate
4 Governmental action, an emergency account shall be
5 established in the Department of Finance. All
6 Governmental expenses related to such emergency shall be
7 charged to such account. The President is hereby
8 authorized to reprogram up to \$200,000 of the funds
9 appropriated from local revenues or other funds not
10 dedicated to specific purposes under the Compact or
11 other agreements with foreign governments to such
12 account. The President shall present funding requests
13 to the Congress to cover emergency expenditures."

14 Section 9. Title 55 of the Code of the Federated States of
15 Micronesia, as amended, is hereby further amended by enacting a
16 new section 111 of chapter 1 to read as follows:

17 "Section 111. Within 30 days of the completion of each
18 quarter of each fiscal year, each department of the
19 Executive Branch and each agency of the National
20 Government shall transmit to Congress and to the
21 President a report on its activities during the quarter
22 just completed, including

23 (a) a comparison of its actual accomplishments
24 for the quarter, and the year to date, with the planned

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1 accomplishments set forth in the plan described in
2 section 103(1) of this chapter; and

3 (b) a description of any factors that may have
4 caused actual performance to vary from the plan."

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12 Section 10. This act shall become law upon approval by the
13 President of the Federated States of Micronesia or upon its
14 becoming law without such approval.

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December 22, 2004

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/s/ Joseph J. Urusemal
Joseph J. Urusemal
President
Federated States of Micronesia

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