

**TITLE 55****GOVERNMENT FINANCE AND CONTRACTS****CHAPTERS**

- 1 Budget Procedures (§§ 101-111)**
- 2 Financial Management (§§ 201-228)**
- 3 Internal Fiscal Procedures for Compact Implementation (§§ 301-326)**
- 4 Government Contracts (§§ 401-419)**
- 5 Public Auditor (§§ 501-507)**
- 6 Funds (§§ 601-1612)**

**SUBCHAPTERS**

- I Imprest Revolving Funds (§§ 601-607)**
  - II Disaster Relief Fund (§§ 608-612)**
  - III Maritime Operations Revolving Fund (§§ 613-617)**
  - IV Supply Stock Revolving Fund (§§ 618-622)**
  - V Bond Repayment Fund (§§ 623-629)**
  - VI Fisheries Observer Revolving Fund (§§ 630-634)**
  - VII Asian Development Bank Loan Fund (§§ 640-645)**
  - VIII Controlled Substance Procurement Revolving Fund (§§ 650-654)**
  - IX Aquaculture Revolving Fund (§§ 655-659)**
  - X ADB Water Loan Fund (§§ 660-665)**
  - XI External Debt Management Fund (§§ 667-673)**
  - XII Medical Licensing Revolving Fund (§§ 674-678)**
  - XIII Maritime Surveillance Revolving Fund (§§ 679-682)**
  - XIV External Debt Management Fund (§§ 1601-1607)**
  - XV Immigration, Customs and Quarantine Overtime Revolving Fund (§§ 1608-1612)**
- 7 Development Matching Grant (§§ 701-707)**
  - 8 Chuuk State Commission on Improvement Projects (§§ 801-804) [REPEALED]**
  - 9 Sale of Code and Supplements (§§ 901-925)**

**SUBCHAPTERS**

- I Code (§§ 901-902)**

**II First Supplement (§§ 903-904)**

**III Second Supplement (§§ 920-925)**

**10 Kosrae State Commission on Improvement Projects [REPEALED]**

**11 Trust Territory Financial Management (§§ 1101-1137)**

#### **SUBCHAPTERS**

**I General Provisions (§§ 1101-1103)**

**II General Fund of the Congress of Micronesia (§§ 1121-1123)**

**III Department of Finance (§§ 1131-1137)**

**12 FSM Trust Fund (§§ 1201-1222)**

**13 Public Projects (§ 1301)**

**14 Loans to States (§ 1401)**

**15 Compact Management Board (§§ 1501-1512) [REPEALED]**

## **CHAPTER 1**

### **Budget Procedures**

#### **SECTIONS**

**§ 101. Short title.**

**§ 102. Definitions.**

**§ 103. Annual budget.**

**§ 104. Balanced budget.**

**§ 105. Supplemental appropriations and rescissions.**

**§ 106. Appropriations by Congress.**

**§ 107. Request to the United States Government.**

**§ 108. Continuing resolution.**

**§ 109. Emergency account.**

**§ 111. Annual report.**

**Editor's note:** PL 4-77 amended sections 102, 103, 106, 107, and 108 of this chapter primarily to ensure compliance with the Compact of Free Association (Compact). PL 4-77 § 14 provides that these amendments shall take effect upon the effective date of the Compact. The Compact took effect on November 3, 1986.

**§ 101. Short title.**

This chapter shall be known as the “Budget Procedures Act of 1981.”

**Source:** PL 2-17 § 1.

**Editor’s note:** This law repeals section 5 of PL 1-96.

**Cross-reference:** FSM Const., art. XII, § 2 states as follows:

Section 2.

(a) The President shall submit an annual budget to Congress at a time prescribed by statute. The budget shall contain a complete plan of proposed expenditures, anticipated revenues, and other money available to the national government for the next fiscal year, together with additional information that Congress may require. The Congress may alter the budget in any respect.

(b) No appropriation bills, except those recommended by the President for immediate passage, or to cover the operating expenses of Congress, may be passed on final reading until the bill appropriating money for the budget has been enacted.

(c) The President may item veto an appropriation in any bill passed by Congress, and the procedure in such case shall be the same as for disapproval of an entire bill by the President.

The provisions of the Constitution are found in Part I of this code.

**§ 102. Definitions.**

When used in this chapter:

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

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

(3) “Appropriation” refers to a law enacted by Congress which authorizes the National Government to incur obligations and to make payments out of the National Treasury in accordance with law.

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

(5) “Congress” refers to the Congress of the Federated States of Micronesia.

(6) “Development Plan” refers to the Development Plan of the Federated States of Micronesia prepared pursuant to title two, section 211 of the Compact, and the infrastructure development plan of the Federated States of Micronesia prepared pursuant to Article V, section 1(e) of the Fiscal Procedures Agreement.

(7) “Executive Branch” refers to the executive branch of the National Government of the Federated States of Micronesia.

(8) “Fiscal Procedures Agreement” means the Agreement Concerning Procedures for the Implementation of United States Economic Assistance Provided in the Compact of Free Association, as amended, Between the Government of the United States and the Government of the Federated States of Micronesia, entered into in connection with the Compact.

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

(10) “JEMCO” refers to the Joint Economic Management Committee established pursuant to the Compact.

(11) “National Government” refers to the National Government of the Federated States of Micronesia and includes all branches and agencies of the Government.

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

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

(14) “Recommended Budget” shall have the meaning ascribed to it in subsection (3) of section 103 of this chapter.

(15) “Recommended National Government Compact Budget Request” means the President’s recommended annual Compact funding request for the National Government for the upcoming Fiscal Year and estimated funding levels for the two subsequent Fiscal Years.

**Source:** PL 2-17 § 2; PL 4-77 § 8; PL 13-63 § 1.

### **§ 103. Annual budget.**

(1) The Congress, the judicial branch, each of the departments, offices and agencies of the Executive Branch of the National Government, and every proposed recipient of grants, subsidies or contributions from the National Government shall transmit to the President on or before March 1 of each year or at such other time as the President may determine, but not before January 1 of each year, planned operational and development expenditures for the ensuing fiscal year, budget projections for each of the two subsequent fiscal years, and such other information as the President may determine or as may be required by law. Planned operational expenses shall be presented in line-item form, including detailed information on planned expenditures for personnel, travel, contract services, fixed assets and other anticipated expenses. The Congress, the Judiciary Branch, and each department, office and agency of the Executive Branch shall transmit to the President, along with its proposed operational expenses for the ensuing fiscal year, a plan for the fiscal year, including an identification of its strategic goals, and a description of its planned accomplishments, for the fiscal year, related to each goal. The planned accomplishments shall, if possible, be expressed in numerical form so that actual performance can be measured against the plan. Congress, the Judiciary Branch and the offices, agencies and departments of the National Government shall not be required to transmit performance-based budgets or other reports tying planned operational expenses to specific tasks or objectives.

(2) The President shall compile, without revision, the planned expenditures and budget projections received from each branch, department, office and agency of the National Government and from proposed recipients of grants, subsidies and contributions from the National Government into a proposed budget for the National Government (the “Proposed Budget”).

(3) No later than April 1 of each year, the President shall submit to the Congress the Proposed Budget for the National Government for the ensuing fiscal year. The Proposed Budget shall contain an operations budget and a development budget, and include planned expenditures for all sources of funds. Planned operational expenses shall be presented on a line-item basis. The President shall concurrently submit his recommendations regarding the Proposed Budget (the President’s budget recommendations are herein referred to as the “Recommended Budget”). The total Recommended Budget for the year shall not exceed the total of funds estimated to be available for that year. The Proposed Budget and Recommended Budget shall each set forth the following information in such form and detail as the President may determine or as the Congress may require by law:

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

(b) planned development expenditures, including planned sources of funds, for the ensuing fiscal year and development budget projections for each of the two subsequent fiscal years, with details of all development programs or projects to be funded or undertaken by the National Government in the ensuing fiscal year, relating such programs and projects to specific development goals and objectives set forth in the Development Plan of the Federated States of Micronesia, as prepared in accordance with the Compact and approved by the Congress, and identifying any amendments to the program and project listings contained in such plan; and

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

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

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

(b) proposed legislation to appropriate funds for the National Government during the ensuing fiscal year reflecting the amounts contained in the Recommended Budget and including all activities and outputs to be funded by Compact Sector Grants;

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

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

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

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

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

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

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

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

(5) Congress may, on or before May 30 of each year, either:

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

(b) by resolution, recommend changes to the Recommended National Government Compact Budget Request in any respect consistent with the Compact.

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

(a) Congress fails to take action with respect to the Recommended National Government Compact Budget Request on or before May 30; or

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

(7) If, on or before May 30, Congress adopts a resolution recommending changes pursuant to paragraph (5)(b) of this section, the National Government Compact Budget Request for submittal under Article V of the Fiscal Procedures Agreement should be in conformance with the terms of that resolution.

**Source:** PL 2-17 § 3; PL 4-77 § 9; PL 6-70 § 1; PL 13-63 § 2; PL 14-61 § 1.

**Cross-references:** FSM Const., art. XII, § 2. The provisions of the Constitution are found in Part I of this code.

The statutory provisions on the President and the Executive are found in title 2 of this code. The statutory provisions on the FSM Congress are found in title 3 of this code. The statutory provisions on the FSM Supreme Court and the Judiciary are found in title 4 of this code.

The website of the FSM National Government contains announcements, press releases, news, forms, and other information on the National Government at <http://fsmgov.org>.

The FSM Supreme Court website contains court decisions, rules, calendar, and other information of the court, the Constitution, the code of the Federated States of Micronesia, and other legal resource information at <http://www.fsmsupremecourt.org/>.

The official website of the Congress of the Federated States of Micronesia contains the public laws enacted by the Congress, sessions, committee hearings, rules, and other Congressional information at <http://www.fsmcongress.fm/>.

**Editor's note:** The preamble to PL 14-61 states the purpose of Congress "to eliminate the requirement that Congress must amend the Recommended National Government Compact Budget by means of a bill and permit Congress to propose amendments by resolution . . . ."

#### **§ 104. Balanced budget.**

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

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

**Source:** PL 2-17 § 4; PL 13-63 § 3.

**Cross-reference:** The statutory provisions on the President and the Executive are found in title 2 of this code. The statutory provisions on the FSM Congress are found in title 3 of this code.

### **§ 105. Supplemental appropriations and rescissions.**

(1) The President shall transmit to Congress such proposed supplemental appropriations as may be necessary on account of laws enacted after the transmission of the annual budget or which are otherwise in the public interest. He shall accompany such proposals with a statement of the reasons therefor, including the reasons for their omission from the annual budget. Whenever such proposed supplemental appropriation would create a deficit for the General Fund or any specific fund of the National Treasury, the President shall so notify Congress and make recommendations as to how such deficit is to be met.

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

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

**Source:** PL 2-17 § 5; PL 13-63 § 4.

**Cross-reference:** The statutory provisions on the President and the Executive are found in title 2 of this code. The statutory provisions on the FSM Congress are found in title 3 of this code.

### **§ 106. Appropriations by Congress.**

(1) The Congress, after receipt of the proposed budget from the President and no later than September 30 of each year, shall, by Act, adopt the annual budget of the National Government of the ensuing fiscal year. Congress may elect to initially or permanently exclude, from the annual budget Act, that portion of the budget proposed to be funded by Compact sector. In no event shall the budget adopted or any amendments thereto provide funding for the personnel, contractual services, or travel expenses of any branch or agency of the National Government in an amount greater than 110 percent of the aggregate funding appropriated for such branch or agency for such categories in the initial budget Act of the immediately preceding fiscal year, except where funding in excess of such limit shall be deemed essential by the Congress on the face of the appropriating legislation.

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

(3) Funds to be received and expended pursuant to the JEMCO-approved Compact sector allocation for the National Government shall be appropriated by act of Congress within 45 days of the return of the Compact sector allocation from JEMCO or by September 30, whichever is later. The appropriation legislation covering Compact funds shall comply with the terms of the Compact and the Fiscal Procedures Agreement with respect to the receipt of Compact sector funds, shall allow for reprogramming of funds to the extent permitted under the Compact and chapter 3 of this title, and may require, as a condition to such reprogramming, prior notice to Congress.

(4) The budget alteration authority of Congress shall be executed by means of appropriations legislation.

Appropriations or authorizations for the expenditure of funds shall be made by law, except as provided in section 108 of this chapter.

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

**Source:** PL 2-17 § 6; PL 4-77 § 10; PL 5-119 § 1; PL 13-13 § 1; PL 13-63 § 5.

**Cross-reference:** FSM Const., art. XII, § 2 states as follows:

Section 2.

(a) The President shall submit an annual budget to Congress at a time prescribed by statute. The budget shall contain a complete plan of proposed expenditures, anticipated revenues, and other money available to the national government for the next fiscal year, together with additional information that Congress may require. The Congress may alter the budget in any respect.

(b) No appropriation bills, except those recommended by the President for immediate passage, or to cover the operating expenses of Congress, may be passed on final reading until the bill appropriating money for the budget has been enacted.

(c) The President may item veto an appropriation in any bill passed by Congress, and the procedure in such case shall be the same as for disapproval of an entire bill by the President.

The provisions of the Constitution are found in Part I of this code.

-

The statutory provisions on the President and the Executive are found in title 2 of this code. The statutory provisions on the FSM Congress and are found in title 3 of this code.

The official website of the Congress of the Federated States of Micronesia contains the public laws enacted by the Congress, sessions, committee hearings, rules, and other Congressional information at <http://www.fsmcongress.fm/>.

### **§ 107. Requests to the United States Government.**

The President shall consult with the Congress in the formulation and submission of all requests made to the United States Government for additional assistance, services, and programs pursuant to the Compact.

**Source:** PL 2-17 § 7; PL 4-77 § 11; PL 13-63 § 6.

**Cross-reference:** The statutory provisions on the President and the Executive are found in title 2 of this code. The statutory provisions on the FSM Congress are found in title 3 of this code.

### **§ 108. Continuing resolution.**

In the event a budget has not become law prior to the beginning of a fiscal year, the head of each branch of Government and the head of each agency established by law may continue to expend funds from projected local revenues for National Government operations expenses after the beginning of the fiscal year upon the adoption by Congress of a



continuing resolution. Such expenditures shall be in accordance with appropriations laws appropriating funds for the immediately preceding fiscal year. A continuing resolution of the Congress which would authorize the expenditure of Compact financial assistance is hereby made conditional on such funds being available to the National Government as of the beginning of the relevant fiscal year, either pursuant to a continuing resolution adopted by the United States Congress or pursuant to appropriation acts of the United States Congress.

**Source:** PL 2-17 § 8; PL 4-77 § 12; PL 13-63 § 7.

**Cross-reference:** The statutory provisions on the President and the Executive are found in title 2 of this code. The statutory provisions on the FSM Congress are found in title 3 of this code.

### **§ 109. Emergency account.**

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

**Source:** PL 2-17 § 9; PL 4-77 § 13; PL 5-16 § 1; PL 13-63 § 8.

**Cross-reference:** The statutory provisions on Emergency Proclamations are found in chapter 8 of title 11 (Crimes) of this code. The "Disaster Relief Assistance Act of 1989" is codified at chapter 7 of title 41 (Public Health, Safety and Welfare) of this code. The statutory provisions on the Disaster Relief Fund are found in subchapter II of chapter 6 of this title.

The statutory provisions on the President and the Executive are found in title 2 of this code. The statutory provisions on the FSM Congress are found in title 3 of this code.

### **§ 111. Reports.**

Within 30 days of the completion of each quarter of each fiscal year, each department of the Executive Branch and each agency of the National Government shall transmit to Congress and to the President a report on its activities during the quarter just completed, including

- (a) a comparison of its actual accomplishments for the quarter, and the year to date, with the planned accomplishments set forth in the plan described in section 103(1) of this chapter; and
- (b) a description of any factors that may have caused actual performance to vary from the plan.

**Source:** PL 13-63 § 9.

**Editor's note:** This section bore no title in PL 13-63 § 9. It was therefore entitled "Reports" based on its contents. PL 13-63 amended much of this chapter, but did not add a section 110.

**Cross-reference:** The statutory provisions on the President and the Executive are found in title 2 of this code. The statutory provisions on the FSM Congress and the Legislative are found in title 3 of this code.