
AN ACT

To appropriate the sum of \$3,761,987 from the General Fund of the Federated States of Micronesia for the fiscal year ending September 30, 1998, to authorize the appropriation of \$1,238,013, to authorize the lending thereof to the State of Chuuk on certain terms and conditions, and for other purposes.

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

1 Section 1. Short title. This act is known and may be cited as the "Chuuk
2 Recovery Loan Act."

3 Section 2. Appropriation. The sum of \$3,761,987, or so much thereof
4 as may be necessary, is hereby appropriated from the General Fund of the
5 Federated States of Micronesia for the fiscal year ending September 30, 1998,
6 and the sum of \$1,238,013 is hereby authorized for appropriation in the fiscal
7 year ending September 30, 1999, for the purpose of funding a loan (the
8 "Loan") from the National Government of the Federated States of Micronesia
9 (the "FSM") to the State of Chuuk (the "State") on the terms hereinafter
10 specified.

11 Section 3. Financial Terms. The Loan shall:

12 (1) provide for repayment of principal in twelve equal installments
13 beginning on October 1, 1998, and continuing on each January 1, April 1, July 1,
14 and October 1 thereafter through July 1, 2001;

15 (2) bear interest at the rate of 1% per year, payable in arrears
16 on each of the repayment dates for principal; and

17 (3) be used solely for the purpose of repaying money owed by
18 the State for payroll allotments, FSM income tax withholding, FSM social
19 security taxes, offshore medical referrals, and other purchases from abroad,
20 which repayments shall be made directly to the creditor by the FSM. The funds
21 appropriated herein from the General Fund for the fiscal year ending September
22 30, 1998, shall be first applied to pay off the entire amount owed on payroll

1 allotments; second, to pay off the entire amount owed on FSM income tax
 2 withholding, exclusive of penalties and interest and subject to the conditions
 3 under section 4; and third to pay off the remaining portion of the State's
 4 obligations to the Social Security Administration, exclusive of interest or
 5 penalties.

6 Section 4. Loan Agreement. The loan shall be evidence by a Loan
 7 Agreement between the FSM and the State which:

8 (1) grants to the FSM an unconditional security interest in the
 9 State's section 211 current account block grants and section 217 inflation
 10 adjustment thereon under the Compact of Free Association and in the State's
 11 share of national tax revenues;

12 (2) binds the State to the set-off provisions of section 3 of Public
 13 Law No. 9-136;

14 (3) contains such other provisions as the President may require;

15 (4) is specifically and properly authorized by the legislature of the
 16 State;

17 (5) conditions the release of the funds appropriated herein on
 18 appropriation by the State of \$1,000,000 for fiscal year 1998 to be used to
 19 pay currently outstanding debts of the State other than those paid with the
 20 proceeds of this loan;

21 (6) requires that the State shall appropriate and obligate to the
 22 payment of the outstanding amount it owes the Social Security Administration
 23 its entire share of the revenue to be derived from the payment of income tax
 24 withholding pursuant to section 3 of this act;

25 (7) provides that in the event that the amount authorized herein

1 for appropriation is appropriated, the release of said funds shall be conditioned
 2 upon proof of actual compliance by the State with the conditions and
 3 requirements of subsections (5) and (6) of this section;

4 (8) requires the State to maintain its efforts at public sector
 5 reform, including adherence to the Public Sector Reform policy matrix and
 6 forbearance from creating new public-assistance programs or reinstatement
 7 or extension of old programs, such as the school lunch program for non-
 8 boarding students and non-essential government housing; and

9 (9) stipulates that Congress may require by law that further
 10 drawdown on the loan be terminated or that the repayment of the loan be
 11 accelerated in whole or in part in the event it determines that the State has not
 12 maintained its reform program.

13 Section 5. Delegation. While the President shall remain involved and
 14 informed, he may delegate the authority to negotiate, sign, and/or administer
 15 the Loan Agreement and other relevant documents. The right to delegate the
 16 performance of an act includes the right to ratify the performance of the act
 17 after the fact.

18 Section 6. Reporting. By written report each April 15 and September
 19 15 during the loan period, the President shall keep the Congress informed of the
 20 progress being made in implementing this act. Such reports shall in detail
 21 apprise Congress of the status of public sector reform in the Government of
 22 Chuuk State.

23 Section 7. All funds appropriated by this act shall be allotted, managed,
 24 administered, and accounted for in accordance with applicable law, including,
 25 but not limited to, the Financial Management Act of 1979. The allottee shall be

1 responsible for ensuring that these funds, or so much thereof as may be
2 necessary, are used solely for the purpose specified in this act, and that no
3 obligations are incurred in excess of the sum appropriated. The authority of
4 the allottee to obligate funds appropriated by this act shall not lapse.

5 Section 8. This act shall become law upon approval by the President of
6 the Federated States of Micronesia or upon its becoming law without such
7 approval.

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Jacob Nena
President
Federated States of Micronesia