A BILL FOR AN ACT

To further amend title 30 of the Code of the Federated States of Micronesia, as amended, by enacting a new section 202 in order to allow the Federated Development Authority to authorize the FSM Development Bank to turn over to the States unexpended money in the State subaccounts of the Investment Development Fund under certain circumstances, and to cease to administer such funds, and for other purposes.

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

1 Section 1. Title 30 of the Code of the Federated States of Micronesia, as amended, is hereby further amended by adding a new section 202 to read as follows:

"Section 202. Distribution of funds in State earmarked subaccounts to the States.

(1) Notwithstanding any provision of Public Law No. 5-122, as amended, if the Federated Development Authority determines that the level of lending from the State earmarked subaccounts in the Investment Development Fund is not adequate, taking into consideration the economic condition of the Federated States of Micronesia and the wishes of the individual States as expressed by the State Governors, it shall have the authority to suspend the lending procedures set forth in Public Law No. 5-122, as amended, with respect to the State-earmarked subaccounts, and to direct the FSM Development Bank to distribute to the States any funds not yet obligated or earmarked remaining in such subaccounts;"
provided however, that the recipient States must have enacted legislation to provide for the use of the distributed funds in a manner consistent with the purpose and guidelines of the Investment Development Fund set forth in section 15(1) of Public Law No. 5-122.

(2) If a State has not passed the legislation required under subsection (1) of this section within six (6) months of the decision of the FDA to suspend the lending procedures under Public Law No. 5-122, as amended, the distribution of subaccount funds to that State shall be nullified and the Public Law No. 5-122 lending procedures shall be reinstated for said State's earmarked subaccount, and the FSM Development Bank shall also be reinstated in its review and approval role for that subaccount. In case of such reinstatement, the State shall not be able to request the FDA to suspend once again the Public Law No. 5-122 lending procedures before one year has elapsed from the date of the reinstatement.

(3) If the funds in all State earmarked subaccounts are distributed in accordance with subsection (1) of this section, the FDA and the FSM Development Bank shall cease to administer that portion of the Investment Development Fund. Congress may reactivate the State earmarked subaccounts and the administrative roles of the FDA and the FSM Development Bank by appropriating not less than one million dollars to
replenish and re-capitalize the subaccounts, in which case only the newly appropriated funds shall be administered in accordance with Public Law No. 5-122."

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

Date: _____________ Introduced by: _____________________________
Joseph J. Urusemal (by request)