A BILL FOR 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, relating to National Government budget procedures, and for other purposes.

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

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

"Section 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.

'Fiscal Year' refers to the 12-month period from October 1 of one calendar year through September 30 of the succeeding calendar year] 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.

'JEMCO' refers to the Joint Economic Management Committee established pursuant to the Compact.

'National Government' refers to the National Government of the Federated States of Micronesia and includes all branches and agencies of the Government.

'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.

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

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

'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."

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

"Section 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.

(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 [a] the Proposed [b] 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. 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 [p]Proposed [b] 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 National 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.

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

(a) a budget message which shall include such supporting financial, statistical, program performance,
and other information, data and such 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 President’s recommendations as amounts contained in the [proposed budget] 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 programs assistance, foreign financial and technical assistance, reimbursements, and loans;

(d) if the total of the planned expenditures exceeds the total of the funds estimated to be available for appropriation during the ensuing fiscal year, or the two subsequent fiscal years, recommendations as to how the deficiency is to be met, either through additional revenues or reduced appropriations and expenditures;

(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) 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.

[(3) The Congress, the judicial branch, and agencies of 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. The President shall include such planned expenditures and budget projections in the proposed budget without revision, but subject to his recommendations.

(5) Congress may, prior to May 1 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 bill, alter 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 prior to May 1;

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

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

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

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

"Section 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, [T]otal appropriations for a
fiscal year shall not exceed the amount embodied in the
resolution referred to in subsection (1) of this
section."

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

"Section 105. Supplemental [or deficiency]
appropriations and rescissions.

(1) The President shall transmit to Congress such
proposed supplemental [or deficiency] 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 [or
deficiency] 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."

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

"Section 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) [Congress may alter the budget submitted by the President in any respect.] 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 forty-five (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 of the
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. Congress may restrict by law the expenditure of funds for a specific purpose."

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

"Section 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 [section 211(c) or 224 of] the Compact [of Free Association]."

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

"Section 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."

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

"Section 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 [of
Free Association] or other agreements with foreign
governments to such account. The President shall
present funding requests to the Congress to cover
emergency expenditures."

Section 9. Title 55 of the Code of the Federated States of
Micronesia, as amended, is hereby further amended by enacting a
new section 110 of chapter 1 to read as follows:

"Section 110. Certification of Information.

Information submitted to Congress under subsections
(4)(e) and (4)(g) of section 103 of this title shall
include a statement from the Secretary of Finance and
Administration of the Federated States of Micronesia,
under oath, that said information is true and accurate."

Section 10. 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: 5/24/04

Introduced by: /s/ Sabino S. Asor

Sabino S. Asor