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, 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:

1. 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.


(7) ‘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.

(8) ‘FSM Development Plan’ refers to the Multi-Year Rolling Development Plan prepared pursuant to section
211(c) of Title Two of the Compact and Article V of the Fiscal Procedures Agreement and approved by the FSM.

(9) ‘JEMCO’ refers to the Joint Economic Management Committee established pursuant to the Compact.

(10) ‘National Government’ refers to the National Government of the Federated States of Micronesia and includes all branches and agencies thereof [the Government].

(11) ‘National Government Compact Budget Request’ as used in this chapter, means the National Government's annual Compact funding request for the upcoming Fiscal Year.

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

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 and national Government Compact Budget Request.

(1) The Congress, the judicial branch, and agencies and authorities 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, proposed 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 request or as may be
required by law.

[(1) (2) No later than April 1 of each year, the
President shall submit to the Congress a [P]proposed
[B]Budget for the National Government for the ensuing
fiscal year (the "Proposed Budget"). [The Proposed
Budget shall contain an operations budget and a
development budget, and include planned expenditures for
all sources of funds.] The [P]Proposed [B]Budget shall
set forth the following information in such form and
detail as the President may determine or as may be
required [the Congress may require] by law:

(a) the proposed operational and development
expenditures for the ensuing fiscal year received from
the Congress, the judicial branch and independent
agencies and authorities of the National Government
pursuant to subsection (1) of this section 103, without
revision;

(b) the President's recommendations, including
sources of funds, regarding proposed operational and
development expenditures for each department and office
of the executive branch, Congress, the judicial branch,
and agencies of the National Government other than
agencies and entities which receive National Government appropriations on a subsidy, contribution, or grant basis, which recommendations shall represent a balanced budget;

[(a)](c) operational and development budget projections for each of the two subsequent fiscal years [planned operational expenditures] 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)](d) [planned development expenditures 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] FSM Development Plan [of the Federated States of Micronesia, as approved by the Congress, and identifying any amendments to the program and project listings contained in such plan]; and

[(e)](e) [planned] proposed 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.

[42]{(3)} The President shall submit along with the annual budget Proposed Budget the following:

(a) the proposed National Government Compact Budget Request;

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

(c) 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 and indicating all appropriations to be funded by Compact Sector Grants;

(d) 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[\(\ast\) 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;]

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

(h) 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.]

(4) Congress may, prior to May 1 of each year, by resolution, approve the proposed National Government Compact Budget Request and may, in such resolution, specify any changes to the proposed National Government Compact Budget Request that Congress deems necessary or desirable, so long as the form and substance of the National Government Budget Request remains consistent with the terms and conditions of the Compact.
(5) If, by May 1, Congress has adopted a resolution approving the proposed National Government Compact Budget Request with specified changes, such changes shall, as of the date of the resolution, be deemed a part of the National Government Compact Budget Request, which shall not be further altered except as set forth in subsection (7) of this section 103.

(6) If, by May 1, Congress (a) fails to take action with respect to the proposed National Government Compact Budget Request or (b) has adopted a resolution approving the proposed National Government Compact Budget Request without alteration, the National Government Compact Budget Request shall remain in the form that was proposed to Congress and shall not be further altered except as set forth in subsection (7) of this section 103.

(7) As of May 1 or the date of adoption by Congress of a resolution approving the National Government Compact Budget Request, whichever comes first, the National Government Compact Budget Request may no longer be altered unless the President determines that the National Government Compact Budget Request is in conflict with the terms or conditions of the Compact or any agreements made or understandings reached thereunder with the Government of the United
States or JEMCO. The President shall promptly notify Congress of any such necessary changes and provide Congress with a written explanation and substantiation of the necessity of the changes.

(8) The National Government Compact Budget Request shall be consolidated into the Plan for the Division of Annual Economic Assistance pursuant to section 306 of this title 55."

Section 3. 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 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."

Section 4. 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 that portion of the budget proposed to be funded by Compact sector grants from the annual budget act. 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 Compact Sector allocation
approved by JEMCO may not be altered by Congress in any
manner.

[(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."

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. Section 2 of this act shall first enter into
effect in relation to the preparation of the Fiscal Year 2006
budget.
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/ Henry C. Asugar
Henry C. Asugar
(by request)