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 and by enacting a new section 111, 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.

(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
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.  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, prior to May 16 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 16;

(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
"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, total 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 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."

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) 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
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 Code of the Federated States of Micronesia, 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."

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 the Compact."
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 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 111 of chapter 1 to read as follows:

"Section 111. 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."

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.

December 22, 2004

/s/ Joseph J. Urusemal
Joseph J. Urusemal
President
Federated States of Micronesia