A BILL FOR AN ACT

To further amend title 55 of the Code of the Federated States of Micronesia, as amended, by further amending chapter 3, as enacted by Public Law No. 13-72 and amended by Public Laws Nos. 13-85, 13-93, 18-12, 18-25, and 18-57, to bring the FSM's Internal Fiscal Procedures for Compact Implementation into compliance with the 2023 Amended Compact, and for other purposes.

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

1 Section 1. Title 55 of the Code of the Federated States of Micronesia, as amended, is hereby further amended by amending chapter 3 entitled: "Internal Fiscal Procedures for 2023 Amended Compact Implementation".

2 Section 2. Section 301 of Title 55 of the Code of the Federated States of Micronesia, as enacted by Public Law No. 13-72, is hereby amended to read as follows:

"Section 301. Purpose. The purpose of this chapter is to establish fiscal procedures for the Compact period beginning in Fiscal Year [2004]2024. The provisions set forth hereinafter recognize the right of the State Governments and the National Government of the Federated States of Micronesia to authorize the use of Compact funds in accordance with their own respective laws, plans, policies and prerogatives consistent with the terms and conditions set forth in the 2023 Amended
Compact and contained herein. The President is hereby empowered to ensure compliance with such terms and conditions, and to ensure accountable financial management of all Compact funds."

Section 3. Section 302 of Title 55 of the Code of the Federated States of Micronesia, as enacted by Public Law No. 13-72, is hereby amended to read as follows:

"Section 302. Definitions.
For purposes of this chapter only, the following terms shall have the following meanings:


(3) ‘2023 Amended Compact’ means the Amended Compact, as amended by the Agreement Between the
Government of the Federated States of Micronesia and the Government of the United States of America to Amend the Compact of Free Association, as Amended, done at Palikir on May 23, 2023.


(6) ‘Accrued Expenditures’ means charges incurred by a Government during a given period requiring the provision of funds for: (a) goods and other tangible property received; (b) services performed by employees, contractors, sub-grantees, subcontractors, and other third party non-contractors; and (c) other amounts becoming owed under programs for which no current services or performance is required, such as annuities, insurance claims, and other benefit payments, all as
evidenced by a pending disbursements report.


(9) ‘Annual Implementation Plan’ means the plan required under Article V(3) of the 2023 Fiscal Procedures Agreement.

(10) ‘Annual Performance Report’ means the report required under Article VI(2)(a) of the 2023 Fiscal Procedures Agreement.

(11) ‘Audit Grant’ means a grant to the Government of the Federated States of Micronesia to conduct the annual Audits required under Article VIII of the 2023 Fiscal Procedures Agreement.

(12) ‘Audits’ mean financial, program and management audits, including the determination as to whether the Government of the Federated States of
Micronesia has met the requirements set forth in the 2023 Amended Compact, or its related agreements, regarding the purpose for which Sector Grants or other assistance are to be used; determinations as to the propriety of the financial transactions of the Government of the Federated States of Micronesia with respect to such Sector Grants or assistance; and the substantiation of appropriate follow-up actions by the Signatory Governments.

(13) 'Closeout' means the normal process by which the awarding agency determines that all applicable administrative actions and all required work on the Grant have been completed.

(14) 'Compact' means the Compact of Free Association, as [A]mended, and its related agreements entered into by 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.

(15) 'Compact Budget Request' means the annual Compact funding request for the upcoming Fiscal Year and estimated funding levels for the two subsequent Fiscal Years.

(16) 'Congress' means the Congress of the Federated States of Micronesia, unless otherwise
specified herein.

(17) ‘Contract’ means a Contract funded under a Sector Grant or Sub-Grant. It also means a sub-contract under a Contract.


(18) ‘Fiscal Year’ means 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.

(9) ‘Government’ means a State Government or the National Government of the Federated States of Micronesia, unless otherwise specified.

(20) ‘Grant Award’ means a formal award of a Sector Grant, Audit Grant, Infrastructure Maintenance Fund contribution or Disaster Assistance Emergency Fund contribution, in the form of money, or property in lieu of money, [offer of funds] by the Government of the United States of America to the Government of the
Federated States of Micronesia under the 2023 Amended Compact. The term does not include technical assistance instead of money, or other assistance in the form of revenue sharing, loans, loan guarantees, interest subsidies, insurance, or direct appropriations.

[pursuant to the terms of the Compact for the purpose of funding programs and activities within a specific Sector].

(21) ‘Infrastructure Development Plan’ means the plan required under Article V(2) of 2023 Fiscal Procedures Agreement.

(22) ‘Infrastructure Maintenance Fund’ means the maintenance assistance account established by the Government of the Federated States of Micronesia pursuant to Section 211 of the Amended Compact and Article VII of the 2004 Fiscal Procedures Agreement.

(23) 'JEMCO' means the Joint Economic Management Committee established pursuant to the Compact and the 2004 Fiscal Procedures Agreement.

(24) 'Obligation' shall have the same meaning as defined in the respective Financial Management Acts of the Governments.

(25) 'Operational Grants' means [a grant associated with a] Sector Grants other than the Sector Grants for infrastructure. [program that continues from]
a given period to a subsequent period as defined in Article I, Section 1 of the Fiscal Procedures Agreement.]

(13) 'Original Compact' means the Compact of Free Association between the Government of the Federated States of Micronesia and the Government of the United States in the form that was effective as of November 3, 1986 through September, 2003.

(14)(26) 'Plan for the Division of Annual Economic Assistance' means the comprehensive plan for the division of economic assistance for a Fiscal Year, including Annual Grant budgets by Sector, as described in Article V, Section 1(b) of the 2004 Fiscal Procedures Agreement, and may include such additional reports, narratives, summaries, documentation and other information as the President deems appropriate.

(15)(27) 'Secretary' means the Secretary of the Department of Finance and Administration for the Federated States of Micronesia, or his successor in the executive structure of the National Government of the Federated States of Micronesia.

(16)(28) 'Sector' means one of the six grant sectors described in [Section 211(a) of the Compact and Article II, Section 1, of the Fiscal Procedures Agreement] Article I, Section 211 of the 2023 Amended
Compact and Article II(1) of the 2023 Fiscal Procedures Agreement, as such sectors may be adjusted during the term of the Compact.

"Sector Grant' means a Grant described in Article II(1) of the 2023 Fiscal Procedures Agreement for education, health care, public infrastructure, the environment, public sector capacity building, private sector development, enhanced reporting and accountability, or other sectors as mutually decided by the Signatory Governments. [the funds that are to be provided pursuant to a given Sector.]

'State' means any of the states of the Federated States of Micronesia.

'Strategic Development Plan’ means the development plan required under Section 261© of the 2023 Amended Compact.

'Sub-Grant' means a sub-award of a Grant, made by the Government of the Federated States of Micronesia to an eligible recipient, including but not limited to local governments."

Section 4. Section 303 of Title 55 of the Code of the Federated States of Micronesia, as enacted by Public Law No. 13-72, and as amended by Public Laws Nos. 13-85, 13-93, 18-12, 18-25 and 18-57 is hereby further amended to read as follows:

"Section 303. Division of Compact Funds [a]Among
National and State Governments.

(1) The Compact Budget Requests for Fiscal Years 2005 and 2006 of the National Government and of each State Government under section 305 of this chapter shall be based upon a division of Compact funds in the following proportions:

<table>
<thead>
<tr>
<th>Government</th>
<th>Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chuuk</td>
<td>38.57%</td>
</tr>
<tr>
<td>Kosrae</td>
<td>11.06%</td>
</tr>
<tr>
<td>Pohnpei</td>
<td>25.69%</td>
</tr>
<tr>
<td>Yap</td>
<td>16.03%</td>
</tr>
<tr>
<td>National Government</td>
<td>8.65%</td>
</tr>
</tbody>
</table>

(2) For Fiscal Years 2007 to 2013, the chief executives of the National Government and each of the State Governments shall have the authority to enter, from time to time, into one or more agreements setting forth the proportionate amounts of Compact funds that shall be the basis of each Government's Compact Budget Request under sections 305 and 306 of this chapter, provided that the National Government's proportionate amount of Compact funds for each Fiscal Year shall be ten percent (10%) of the estimated level of Compact funding for that year. An agreement regarding the division of Compact funds, other than the National Government's ten percent (10%) share, may be limited to a specified period of time and shall only be effective
when signed by the chief executive of each and every
Government.

(3) The Compact Budget Requests for Fiscal
Year[s] 2014 of the National Government and of each
State Government under section 305 of this chapter shall
be based upon a division of Compact funds in the
following proportions, except for Supplemental Education
Grants under section 105 of the Amended Compact:

<table>
<thead>
<tr>
<th>Island</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chuuk</td>
<td>40.11%</td>
</tr>
<tr>
<td>Kosrae</td>
<td>11.50%</td>
</tr>
<tr>
<td>Pohnpeoi</td>
<td>26.72%</td>
</tr>
<tr>
<td>Yap</td>
<td>16.67%</td>
</tr>
<tr>
<td>National Government</td>
<td>5.00%</td>
</tr>
</tbody>
</table>

(4) The Compact Budget Requests for Fiscal
Year[s] 2015 [and thereafter] of the National Government
and of each State Government under section 305 of this
chapter shall be based on a division of Compact funds in
the following proportions, except Supplemental Education
Grants under section 105 of the Amended Compact:

<table>
<thead>
<tr>
<th>Island</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chuuk</td>
<td>42.22%</td>
</tr>
<tr>
<td>Kosrae</td>
<td>12.10%</td>
</tr>
<tr>
<td>Pohnpeoi</td>
<td>28.13%</td>
</tr>
<tr>
<td>Yap</td>
<td>17.55%</td>
</tr>
<tr>
<td>National Government</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

The above formula applies after JEMCO funds the College
(5) For Fiscal Years 2016 and thereafter, the chief executives of the National Government and each of the State Governments shall have the authority to enter, from time to time, into one or more agreements setting forth the proportionate amounts of Compact funds that shall be the basis of each Government’s Compact Budget Request under sections 305 and 306 of this chapter, provided that the National Government’s proportionate amount of Compact funds for each Fiscal Year, after funding the College of Micronesia, shall be zero percent (0%) of the estimated level of Compact funding for that year, excepting Supplemental Education Grants under Section 105 of the Amended Compact. An agreement regarding the division of Compact funds, other than the National Government’s zero percent (0%) share, may be limited to a specified period of time and shall only be effective when signed by the chief executive of each and every Government."

Section 5. Section 304 of Title 55 of the Code of the Federated States of Micronesia, as enacted by Public Law No. 13-72, is hereby amended to read as follows:

"Section 304. Compact Planning Estimates. No later than November 15 of the Fiscal Year preceding a given Fiscal Year, the President shall transmit the following
Compact planning estimates to each State Government:

(1) Estimated levels of Compact funding available to each respective State for the upcoming Fiscal Year. Such estimates shall:

(a) be in accordance with [any agreement for division of Compact funds entered into pursuant to] section 303 of this chapter[—that is effective for the relevant Fiscal Year]; and

(b) reflect the estimated available Compact funds after removal of the COM funds, but including any unobligated Grant funds that have been allowed to carry-over, under the provisions of Section 317 of this chapter.[decrement; and]

(2) Estimated levels of Compact funding available for the two Fiscal Years subsequent to the upcoming Fiscal Year."

Section 6. Section 306 of Title 55 of the Code of the Federated States of Micronesia, as enacted by Public Law No. 13-72, and as amended by Public Laws Nos. 13-93, 18-12, 18-25 and 18-57 is hereby further amended to read as follows:

"Section 306. Plan For the Division of Annual Economic Assistance.

(1) The President shall consolidate the Compact Budget Requests of all of the States and the National Government [Compact Budget Requests], conforming with
the requirements of section 103 of this title, into the
Plan for the Division of Annual Economic Assistance.

[The National Government Compact Budget Request included
in the Plan for the Division of Annual Economic
Assistance shall constitute, for Fiscal Year 2007 and
each fiscal year thereafter, ten percent (10%) of the
estimated level of Compact funding for that year. For
Fiscal Year 2014, the National Government Compact Budget
Request included in the Plan for the Division of Annual
Economic Assistance shall constitute five percent (5%)
of the estimated level of Compact funding for that year,
except Supplemental Education Grants under Section 105
of the Amended Compact. For Fiscal Year 2015 and each
fiscal year thereafter, after funding the College of
Micronesia, the National Government Compact Budget
Request included in the Plan for the Division of the
Annual Economic Assistance shall constitute zero percent
(0%) of the estimated level of Compact funding for that
year, except Supplemental Education Grants under Section
105 of the Amended Compact.] No modification to a
State's Compact Budget Request shall be made in the
consolidation process without the prior consent of the
relevant State Government, except to the extent that
such Compact Budget Request exceeds the estimated levels
of Compact funding provided to that State Government
pursuant to section 304 of this chapter.

(2) No later than July 3 of the year preceding a given Fiscal Year, the President shall submit the Plan for the Division of Annual Economic Assistance to [the Government of the United States] JEMCO and shall transmit a copy to Congress and to each State Government."

Section 7. Section 307 of Title 55 of the Code of the Federated States of Micronesia, as enacted by Public Law No. 13-72, is hereby amended to read as follows:

"Section 307. Grant Allocations – Approval, Notification, Rejection.

(1) Upon receipt of notice of approval by JEMCO of Sector Grant allocations, the President shall transmit such notice to Congress and to each State Government.

(2) The National Government or any State Government may reject all or any portion of its proportional share of an approved Sector Grant allocation for the upcoming Fiscal Year. Written notice of such rejection detailing those portions rejected by amount and by Sector shall be provided to the President not later than September 20 of the current Fiscal Year.

(3) The President shall immediately transmit written notification of any rejection of an approved Sector Grant allocation to the Government of the United States.

(4) Except with respect to Compact funds rejected
pursuant to subsection (2) of this section or disputed pursuant to section 308 of this chapter, each recipient Government agrees to abide by all terms and conditions enumerated in each Sector Grant Award, the provisions of this chapter and the terms of the 2023 Amended Compact, including the 2023 Fiscal Procedures Agreement."

Section 8. Section 308 of Title 55 of the Code of the Federated States of Micronesia, as enacted by Public Law No. 13-72, and amended by Public Law No. 13-85, is hereby further amended to read as follows:

"Section 308. Appeal of Special Conditions. If, at any time, JEMCO or the Government of the United States imposes, or notifies the Federated States of Micronesia of its intent to impose, any special conditions or restrictions on any Compact Grant Awards, the President shall immediately notify any and all affected State Governments thereof and provide such Government(s) with copies of all relevant documentation, including the explanation that is received from the Government of the United States or JEMCO of the conditions and restrictions and the reasons therefor. The President shall involve the Governments of any State to which the conditions or restrictions might apply in the consultation with the Government of the United States or JEMCO concerning the condition or restriction."
Any affected Government may, subject to the terms of this subsection, dispute the decision to impose special conditions or restrictions by submitting a written appeal for reconsideration within twenty (20) days of the Federated States of Micronesia's receipt of the Grant Award to which such conditions or restrictions were attached or the date notification of the intent to impose special conditions was received by the Federated States of Micronesia from the Government of the United States, in accordance with the terms of the Fiscal Procedures Agreement. Any and all such appeals shall be addressed to the Government of the United States and routed through the Office of the President. The President shall submit any such appeal(s) to the Government of the United States within ten (10) days of his receipt thereof unless the President determines that the submitting of the appeal is not in the best interests of the nation."

Section 9. Section 309 of Title 55 of the Code of the Federated States of Micronesia, as enacted by Public Law No. 13-72, and amended by Public Law No. 13-85, is hereby further amended to read as follows:

"Section 309. Grant Acceptance.
The President shall sign and return to the Government of the United States each Grant Award, unless rejected
pursuant to section 307(3) [hereof] of this chapter, and
shall transmit a copy thereof to Congress and each State
Government although, pursuant to Article 5(5)(a) of the
2023 Fiscal Procedure Agreement, the Government of the
Federated States of Micronesia can signify its
acceptance of Grants by accepting payments of the
Grants."

Section 10. Section 311 of Title 55 of the Code of the
Federated States of Micronesia, as enacted by Public Law No.
13-72, is hereby amended to read as follows:


(1) There is hereby created a "Compact Financial
Assistance Fund" to be administered by and under the
authority of the Secretary.

(2) The Compact Financial Assistance Fund shall be
established at a bank or commercial financial
institution organized in accordance with the laws of the
United States or a state of the United States; or,
subject to the approval of the Government of the United
States, a bank or commercial financial institution
organized in accordance with the laws of the Federated
States of Micronesia, in either case for the purpose of
receiving payments of Grant funds pursuant to the
Compact pursuant to Article 4, Section 5(a) of the 2023
Fiscal Procedures Agreement."
(3) The purpose of the Compact Financial Assistance Fund is to account for Compact funds received from the Government of the United States by the Government of the Federated States of Micronesia on behalf of itself and each of the States from the time of receipt of such Compact funding and until such funding is disbursed to the respective Government to which such funding accrues.

(4) Funds will be received into the Compact Financial Assistance Fund quarterly for Operational Grants and on the basis of Accrued Expenditure for Infrastructure Sector Grants.

(5) The accounting records and accounts maintained for the fund shall be in sufficient detail to provide a full and complete accounting of Compact funds received by the Federated States of Micronesia."

Section 11. Section 312 of Title 55 of the Code of the Federated States of Micronesia, as enacted by Public Law No. 13-72, is hereby amended to read as follows:

"Section 312. Operational Reserve Fund.

(1) There is hereby created an "Operational Reserve Fund" to be administered by and under the authority of the Secretary, pursuant to Article IV, Section 5(b)(2) of the 2004 Fiscal Procedures Agreement.

(2) The Operational Reserve Fund shall be an interest-bearing account established at a bank or
commercial financial institution organized in accordance with the laws of the United States or a state of the United States; or, subject to the approval of the Government of the United States, a bank or commercial financial institution organized in accordance with the laws of the Federated States of Micronesia, in either case for the purpose of receiving payments of Grant funds pursuant to Article IV, Section 5(b)(2) of the 2004 Fiscal Procedures Agreement.

(3) Funds on deposit in the Operational Reserve Fund [may] were to be used to cover unanticipated delays of payments from the Government of the United States of funds in respect of Grant Awards, provided that the Government of the United States has approved any such use of funds.

(4) In the event of an unanticipated delay of payments, the Secretary shall promptly notify the President and the Government of each affected State.

(5) [If requested by the Government of a State affected by an unanticipated delay of payments, the President shall make reasonable efforts to obtain approval from the Government of the United States for the use of Operational Reserve Funds.]

{ } As the 2023 Amended Compact and the 2023 Fiscal Procedures Agreement no longer provide for the existence
of the Operational Reserve Account, any unobligated funds remaining in the Operational Reserve Fund as of the end of Fiscal Year 2024 [date of the final payment in respect of Operational Grants during any Fiscal Year] shall be treated as other Compact Funds as specified at Section 317 of this chapter [disbursed pursuant to section 317(5) of this chapter].

[(7) The Secretary shall pay all interest and other earnings on the Operational Reserve Account to the Government of the United States pursuant to Article IV, Section 5(b)(2) of the Fiscal Procedures Agreement.

(8) If the President and the Government of every State agree that the Operational Reserve Account is no longer necessary, the President shall use reasonable efforts to obtain the consent of the Government of the United States to discontinue its use."

Section 12. Section 313 of Title 55 of the Code of the Federated States of Micronesia, as enacted by Public Law No. 13-72, is hereby amended to read as follows:

"Section 313. Infrastructure Maintenance Fund.

(1) There is hereby created an "Infrastructure Maintenance Fund" to be administered by and under the authority of the Secretary.

(2) The Infrastructure Maintenance Fund shall be comprised of five interest-bearing accounts, one for
each Government, established at a bank or commercial financial institution organized in accordance with the laws of the United States or a State of the United States; or, subject to the approval of the Government of the United States, a bank or commercial financial institution organized in accordance with the laws of the Federated States of Micronesia, in either case for the purpose of receiving infrastructure maintenance contributions from the Government of the United States and any voluntary contribution from the Government of the Federated States of Micronesia pursuant to Article VII, Section [7](9) of the 2023 Fiscal Procedures Agreement.

(3) [Not later than February 15 of each Fiscal Year, each Government shall contribute from non-Compact sources not less than five percent of its proportional share of annual public infrastructure grants for that Fiscal Year to the Infrastructure Maintenance Fund, provided that a Government may delay such contribution, or any portion thereof, until August 1 of that Fiscal Year by written notification thereof to the President.]

(4) The Secretary shall deposit the voluntary contributions of each Government into that Government's account in the Infrastructure Maintenance Fund.

(5) The President shall certify to the Government of
the United States, pursuant to Article VII, Section 7(b)9(c) of the Fiscal Procedures Agreement, the consolidated total amount of contributions to the Infrastructure Maintenance Fund for each Fiscal Year:

(a) Not later than March 1 with respect to contributions received on or before February 15; and

(b) Not later than August 15 with respect to contributions received after February 15.

(6)(4) The Secretary shall deposit each Governments proportional share of the annual matching contributions received from the Government of the United States into each Government's account in the Infrastructure Maintenance Fund proportionally based upon the distribution formula for division of Compact funds among National and State Governments, as specified in Section 305 of this chapter. [amount contributed by each Government in that Fiscal Year.

(7) Not later than ninety (90) days after the end of each Fiscal year, the President shall transmit an annual statement [financial report for] the previous Fiscal Year, pursuant to Article VII, Section 7(b)9(c) of the 2023 Fiscal Procedures Agreement, showing all deposits into the Infrastructure Maintenance Fund by the Government of the United States and the Governments of the Federated States of Micronesia during the Fiscal
Year, the amount of income generated by the [f]Fund during the Fiscal Year and the [f]Fund balance.

(8) (5) Each Government shall submit to the President an annual infrastructure maintenance plan not later than May 15 detailing the planned uses of funds available to that Government from the Infrastructure Maintenance Fund.

(9) The President shall submit to the Government of the United States an annual infrastructure maintenance plan not later than July 3.

(10) Funds on deposit in the Infrastructure Maintenance Fund shall be utilized by each Government in accordance with its infrastructure maintenance plan.

(11) The Secretary shall disburse available funds from the Infrastructure Maintenance Fund account of a requesting Government after the President has submitted the required Annual Infrastructure Maintenance Plan to the Government of the United States and:

(a) the requesting Government has submitted Accrued Expenditure reports evidencing an authorized expenditure or obligation of such funds; and

(b) the Secretary has determined that the requesting Government has complied with each relevant requirement under this section."

Section 13. Section 314 of Title 55 of the Code of the
Federated States of Micronesia, as enacted by Public Law No. 13-72, is hereby amended to read as follows:

"Section 314. Drawdown Procedures – Cash Disbursement to National and State Treasuries.

(1) Pursuant to Article IV, Section 5 of the 2023 Fiscal Procedures Agreement, the Government of the Federated States of Micronesia will receive an advance payment for Compact Sector Operational Grants equivalent to one-quarter (1/4) of the Fiscal Year Operational Grants, [two-twelfths (2/12) of the annual total] at the beginning of each quarter of the Fiscal Year and will receive advance payments for Accrued Expenditures related to the Sector Grants for infrastructure projects. [equivalent to one-twelfth (1/12) of the annual total at the beginning of each subsequent month of the Fiscal Year, except November.]

(2) Any State Government or the Secretary may request an accelerated disbursement of Operational Grant funds by submitting to the President an outlay analysis for the Fiscal Year. [an Annual Cash Drawdown Schedule for Compact Operational Grants for the upcoming Fiscal Year based upon appropriated budgets.] The request shall detail by month the Government's anticipated cash disbursement requirements from Compact Sector Operational Grants, and shall include supporting
(3) The President shall use reasonable efforts to obtain the approval of the Government of the United States for any accelerated disbursement of Operational Grant funds and shall promptly notify the affected State Government or Secretary of a decision by the Government of the United States.

(4) The Secretary shall request Cash Disbursement for non-Operational Grants (Sector Grants for infrastructure) from the Government of the United States on behalf of each Government on the basis of [a]Accrued [e]Expenditures pursuant to Article IV, section 5(b)(ii) of the 2023 Fiscal Procedures Agreement.

(5) Upon receipt of Compact funds, the Secretary shall determine whether the amount and allocation of such funds is consistent with the Sector Grant Awards. The Secretary shall immediately notify the President and the Government of any affected State of any discrepancy and determine the cause.

(6) If the Secretary determines that Compact funds have been withheld or suspended pursuant to Article IV, Section 5(c) of the 2023 Fiscal Procedures Agreement, the Secretary shall immediately notify the President and, if the withholding or suspension affects a State, the Government of that State. The Secretary shall
withhold from disbursement to the affected Government that portion of the Compact funds not received as a result of such withholding or suspension.

(7) Any Government whose Compact funding is withheld or suspended pursuant to Article IV, Section 5(c) of the 2023 Fiscal Procedures Agreement may dispute such withholding or suspension through the Office of the President and in the manner set forth in the 2023 Fiscal Procedures Act.

(8) Unless otherwise provided in this section, the Secretary shall disburse funds from the Compact Financial Assistance Fund to the National Treasury and each State Treasury not later than the close of the business day following the day upon which the Secretary receives notice of the receipt of such funds."

Section 14. Section 315 of Title 55 of the Code of the Federated States of Micronesia, as enacted by Public Law No. 13-72, is hereby amended to read as follows:

"Section 315. Reprogramming/Re-Allocation of Compact Funds.

(1) No Government shall re-allocate Compact funds from one Sector to another Sector during the course of the Fiscal Year.

(2) A Government [shall] may reprogram funds, consistent with the Annual Implementation Plan, upon
obtaining the required approval (as set out in (3) or (4) below), only between October 1 and June 30 of any Fiscal Year PROVIDED THAT the such reprogramming is permissible outside of the period October 1 to June 30 only if it is necessary in an emergency to protect public health and safety. [and only within an approved Sector Grant upon receipt of the prior written approval of the President].

(3) [The President shall not unreasonably withhold approval of requests] [f]For reprogramming of the amounts that are less than the lesser of: [up to] fifteen percent (15%) of a Government's [proportional] share of a [total] Sector Grant for the Fiscal Year [budget] or [its] the Government’s proportional share of $1,000,000,[, whichever is less] – the President’s approval is required, however that approval shall not unreasonably be withheld, PROVIDED that the [, within an approved Sector Grant during the Fiscal Year; provided that such] reprogramming request does not include, and would not require, any of the following:

(a) any revision of the scope or performance objectives of a Sector Grant or infrastructure project;

(b) an extension of the period of funding availability;

(c) changes in key persons specifically named in
a Sector Grant award;

(d) the contracting out or otherwise obtaining
the services of a third party to perform non-
construction related activities (except general support
services) that are central to the purposes of the Sector
Grant; or

(e) any revision that would result in the need
for additional funding over and above the original
award.

(4) For proposed [changes in Sector Grant
budgets and projects] reprogramming that would include or
require any of the revisions described at (3)(a)-(e) or
exceed the financial limits provided in subsection (3)
of this section, the approval of the President and the
Government of the United States is required. [†] The
President shall use his best efforts to obtain the prior
approval of the Government of the United States.

(5) As part of the Annual Financial Reports, the
Governments shall provide a summary document of all
reprogramming by sector."

Section 15. Section 316 of Title 55 of the Code of the
Federated States of Micronesia, as enacted by Public Law No.
13-72, is hereby amended to read as follows:

"Section 316. Internal Reporting Requirements.

(1) For each fiscal quarter, not later than
twenty (20) days after the end of such fiscal quarter,
each State Government and the Secretary shall submit to
the President the following reports:

(a) for all Governmental fund types:
   (i) a statement of revenues and
       expenditures;
   (ii) a comparison of budget and actual
       expenditures by function;

(b) with respect to Operational Grants, a budget
    execution report for each function, including major
    offices, cost centers, budget activities and performance
    reports; and

(c) with respect to all Sector Grants for public
    infrastructure, including the [matching share of the] 
    Infrastructure Maintenance Fund contribution, the
    information required to complete a US Federal Form` SF-
    425 (or any successor to that form).

[(i) a Standard Form SF 269, or reasonable
   facsimile thereof approved by the Government
   of the United States; and

(ii) a Federal Cash Transactions Report, or
    a Standard Form SF 272, or reasonable
    facsimile thereof approved by the Government
    of the United States.]

(2) The Members of JEMCO appointed by the
Federated States of Micronesia shall at least twice annually submit written reports to the President, Congress and the States including the following information:

(a) a summary of actions taken by JEMCO since the date of the last report to Congress;

(b) a description of any significant unresolved issues before JEMCO or relating to the Compact;

(c) the schedule for future JEMCO meetings.

Such reports shall be submitted to Congress no later than April 1 and September 15 of each year, and at such other times as there may be significant developments relating to the interpretation or implementation of the Compact.

(3) At least twice annually the members appointed by the Federated States of Micronesia to the Joint Trust Fund Committee, formed pursuant to the Agreement Between the Government of the United States of America and the Government of the Federated States of Micronesia Implementing Section 215 and Section 216 of the Compact, As Amended, Regarding a Trust Fund, shall submit reports to the President, Congress and the States including the following information:

(a) the current balance of the funds in the
Compact Trust Fund and a comparison with the balances as of: (i) the same date of the previous year; and (ii) the date of the last previous report to Congress;

(b) an analysis of the performance of investments made with funds in the Compact Trust Fund, including a comparison with generally-accepted measures of investment performance for the same period; and

(c) a description of significant investment strategy decisions relating to funds in the Compact Trust Fund.

Such reports shall be submitted to Congress no later than April 1 and September 15 of each year, and at such other times as there may be significant developments relating to the Compact Trust Fund."

Section 16. Section 317 of Title 55 of the Code of the Federated States of Micronesia, as enacted by Public Law No. 13-72, is hereby further amended to read as follows:

"Section 317. Availability of Grant Funds. [Compact Quarterly Financial Reporting Requirements.]

For each fiscal quarter, not later than thirty (30) days after the end of such fiscal quarter, the President shall submit to the Government of the United States a consolidated report reflecting information provided in
each of the reports provided pursuant Section 315 of this chapter.)

(1) For Fiscal Year 2025 and thereafter, pursuant to Section 218 of the 2023 Amended Compact, and Article VI, Section 1(c) and Article IX of the 2023 Fiscal Procedures Agreement, Sector Grant funds that are unobligated by each respective Government by the end of the Fiscal Year shall:

(a) for Operational Grants – shall be deposited into the Trust Fund, as required by Article IX, Section 3(a) of the 2023 Fiscal Procedures Agreement; and

(b) for Sector Grants for public infrastructure – shall remain available for obligation in a subsequent Fiscal Year as described in the terms and conditions of the Sector Grant, as required by Article IX, Section 3(b) of the 2023 Fiscal Procedures Agreement.

(2) For Fiscal Year 2024 only, the amount of Sector funds that were unobligated by each respective Government in the previous Fiscal Years, shall remain available in the same sector for Fiscal Year 2024."

Section 17. Section 318 of Title 55 of the Code of the Federated States of Micronesia, as enacted by Public Law No.
1 13-72, is hereby amended to read as follows:
2    "Section 318. Internal Annual Final Cash Transactions
3    Report. Not later than eighty (80) days after the end
4    of each Fiscal Year, each State Government and the
5    Secretary shall submit to the President a final cash
6    transactions report for each Sector Grant. For
7    Operational Grants, through Fiscal Year 2023 only, the
8    reports shall include the amount of any unobligated
9    Operational Grant funding that will carry over to
10    subsequent Fiscal Years."

11 Section 18. Section 319 of Title 55 of the Code of the
12 Federated States of Micronesia, as enacted by Public Law No.
13 13-72, is hereby amended to read as follows:
14    "Section 319. Compact Annual Final Cash Transactions
15    Report. Not later than ninety (90) days after the end
16    of each Fiscal Year, the President shall submit to the
17    Government of the United States a final cash
18    transactions report for each Sector Grant. For
19    Operational Grants, through Fiscal Year 2023 only, the
20    reports shall include the amount of any unobligated
21    Grant funding that will carry over to subsequent Fiscal
22    Years."

23 Section 19. Section 320 of Title 55 of the Code of the
24 Federated States of Micronesia, as enacted by Public Law No.
25 13-72, is hereby amended to read as follows:
"Section 320. [Annual] Plans and Reports of the President to the Government of the United States.

   (1) There are three plans that the President is required to provide to JEMCO and the Government of the United States prior to receiving Grant Awards (pre-award requirements). For these reports, JEMCO is required to review and concur with (or reject portions of the plan that relate to the use of Sector Grants) within sixty (60) days of their submission. Pursuant to Article V Section 4 of the 2023 Fiscal Procedure Agreement, JEMCO may extend the due date of these plans upon receiving a justified request to do so. The plans are:

   (a) The Strategic Development Plan – this plan is due no later than March 31, 2024, and thereafter at appropriate intervals. This plan must satisfy the requirements of Section 261(c) of the 2023 Amended Compact and Article V, Section 1 of the 2023 Fiscal Procedures Agreement.

   (b) The Infrastructure Development Plan – this plan is due no later than March 31, 2024, and thereafter at appropriate intervals. This plan must satisfy the requirements of Article V, Section 2 of the 2023 Fiscal Procedure Agreement.
and must include:

(i) a single, integrated list of State and National projects for new and reconstructed capital infrastructure to be funded with the Sector Grant for public infrastructure;

(ii) for each project, a preliminary cost estimate, scope of work, and implementation schedule; and

(iii) an explanation of how each proposed project reasonably furthers one or more of the goals and broad strategies in the Strategic Development Plan.

(c) The Annual Implementation Plan - this plan is due no later than July 15 of each year. This plan should be developed in conjunction with the budget process and must satisfy the requirements of Article V, Section 3 of the 2023 Fiscal Procedures Agreement, including that it details the proposed uses and expenditure of Sector Grants. Additionally, for infrastructure projects that will be funded by a Sector Grant, there are specific requirements that must be included in the Annual Implementation Plan.
(2) A consolidated Annual Infrastructure Maintenance Plan must be submitted by the President to the Government of the United States, pursuant to Article VII, Section 9(e) of the 2023 Fiscal Procedure Agreement. This Plan must be submitted before the funds in the Infrastructure Maintenance Fund are available for use each year.

(3) The Section 264 Report must be provided by the President to JEMCO and the Government of the United States, in Fiscal Year 2024 and every two years thereafter. This report must satisfy the requirements of Section 264 of the 2023 Amended Compact, which requires the report to state the use of Sector Grant assistance and other assistance provided by the Government of the United States during the previous two Fiscal Years, and report on the progress of the Governments in meeting program and economic goals. JEMCO shall review the Section 264 Report within 30 days of its submission.

(4) There are two post-award reports that the President must provide to the Government of the United States and to JEMCO. Pursuant to Article VI, Section 2(b), the Government of the Federated States of Micronesia is required to consult with the Government of the United States in choosing a qualified third-
party, and in retaining that third-party to assist with the preparation and submission of the two post-award reports. These two reports are:

(a) The Annual Financial Report –

   (i) For Fiscal Year 2023, the Government of the Federated States of Micronesia is required to provide the Annual Financial Report to the President of the United States and to JEMCO. JEMCO shall review and comment on the Report and make appropriate recommendations. These are requirements under Section 214 of the 2023 Amended Compact.

   (ii) For Fiscal Years 2024 and thereafter, [N]ot later than [the last day in February of each] 180 days after the end of each Fiscal [Y]ear, unless such due date is extended by JEMCO after receiving a justified request, the President shall submit the Annual Financial Report to the [President] Government of the United States and JEMCO in accordance with [Article V, Section 1(d)] Article VI, Section 1(b) of the 2023 Fiscal Procedures Agreement [and Section 214 of the Compact], and shall
transmit copies of the Annual Financial Report to the Congress and the Government of each State; and

(b) The Annual Performance Report - this report must be provided to the Government of the United States and to JEMCO each year, no later than 180 days after the end of the Fiscal Year, unless JEMCO has extended the due date upon receiving a justified request. The content of this report must satisfy Article VI, Section 2(a) of the 2023 Fiscal Procedures Agreement.

(5) The United States Federal Form SF-425, or any successors thereto, must also be prepared annually with regard to the Infrastructure Maintenance Fund contribution, and submitted by the President to the Government of the United States within 180 days of the end of the Fiscal Year. This report shall include accounting information and a status of progress for each project funded from Grant."

Section 20. Section 321 of Title 55 of the Code of the Federated States of Micronesia, as enacted by Public Law No. 13-72, is hereby amended to read as follows:

"Section 321. Accounting and Record Keeping.

(1) All obligation and expenditure of Compact Funds shall be in accordance with the Compact and this
(2) The financial reporting systems of each Government shall provide full disclosure of the financial position and results of operations of each accounting fund in accordance with a uniform and standardized format. The financial information generated from these systems shall include, but not be limited to, all pertinent information needed to prepare the comprehensive Annual Financial Report, the Annual Performance Report, the Strategic Development Plan, the Infrastructure Development Plan, the Infrastructure Maintenance Plan, the Form SF-425 Report on uses of the Infrastructure Maintenance Fund, the Annual Implementation Plan, as well as the biennial Section 264 Report as required by the 2023 Fiscal Procedures Agreement and the 2023 Amended Compact."

Section 323. Enforcement.

(1) Each State Government and the Secretary shall immediately report to the President any violation of this chapter.

(2) If the President of the Federated States of Micronesia determines that any Government is not in
compliance with one or more provisions of the 2023 Amended Compact, the 2023 Fiscal Procedures Agreement, any provision of this chapter, or rules and regulations promulgated pursuant to this chapter, he shall confer with the appropriate Government in an effort to remedy the effects of such noncompliance and to ensure future compliance with such provisions.

(3) Notwithstanding any provision to the contrary in this chapter, the President may withhold Compact financial assistance until such time as the non-compliant Government has complied with all of the provisions of the 2023 Amended Compact, the 2023 Fiscal Procedures Agreement, any provision of this chapter, and any rules and regulations promulgated pursuant to this chapter."

Section 22. 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: 8/3/23

Introduced by: /s/ Isaac V. Figir

Isaac V. Figir