The Honorable Esmond B. Moses  
Speaker  
Twenty-Third Congress  
Federated States of Micronesia  
Palikir, Pohnpei FM 96941

Dear Speaker Moses:

I am pleased to transmit the following Congressional Act, which I have signed to become Public Law No. 23-41:


Sincerely,

[Signature]
Wesley W. Simin  
President

Acting Chief Justice, FSM Supreme Court
September 23, 2023

His Excellency Wesley W. Simina  
President  
Federated States of Micronesia  
Palikir, Pohnpei FM 96941

Dear President Simina:

I have the honor to transmit herewith Congressional Act No. 23-36, "AN ACT TO FURTHER AMEND TITLE 55 OF THE CODE OF THE FEDERATED STATES OF MICRONESIA (ANNOTATED), AS AMENDED, BY AMENDING SECTIONS 301, 302, 304, 307, 308, 309, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321 AND 323 THEREOF, TO BRING THE FSM'S INTERNAL FISCAL PROCEDURES FOR COMPACT IMPLEMENTATION INTO COMPLIANCE WITH THE 2023 AMENDED COMPACT, AND FOR OTHER PURPOSES", which was passed by the Twenty-Third Congress of the Federated States of Micronesia, Second Regular Session, 2023, by a two-thirds vote of all the State delegations as required and as duly certified.

Sincerely yours,

[Signature]

Jessicalynn Reyes  
Chief Clerk, Congress of the Federated States of Micronesia

Enclosures
An Act


INTRODUCED BY SENATOR: ISAAC V. FIGIR
DATE: AUGUST 3, 2023

REFERRED TO: WAYS AND MEANS COMMITTEE
S.C.R. NO. 23-31 – SEPTEMBER 21, 2023
FIRST READING: SEPTEMBER 22, 2023
SECOND READING: SEPTEMBER 26, 2023

Jessicaalynn Reyes
Chief Clerk, FSM Congress
ACT NO. 23-36

(CONGRESSIONAL BILL NO. 23-36, C.D.1)

We hereby certify that on September 26 the foregoing act passed Second and Final Reading of the Twenty-Third Congress of the Federated States of Micronesia, Second Regular Session, 2023, by a two-thirds vote of all the State delegations as required under article IX, section 20, of the Constitution of the Federated States of Micronesia.

Esmond B. Moses
Speaker
Congress of the Federated States of Micronesia

Jessica Lynn Reyes
Chief Clerk
Congress of the Federated States of Micronesia
TWENTY-THIRD CONGRESS OF THE FEDERATED STATES OF MICRONESIA
SECOND REGULAR SESSION, 2023 CONGRESSIONAL BILL NO. 23-36, C.D.1

AN ACT

To further amend title 55 of the Code of the Federated States of Micronesia (Annotated), as amended, by amending sections 301, 302, 304, 307, 308, 309, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321 and 323 thereof, 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
2  Micronesia (Annotated), as amended, is hereby further amended by
3  amending chapter 3 entitled: "Internal Fiscal Procedures for 2023
4  Amended Compact Implementation".
5  Section 2. Section 301 of Title 55 of the Code of the
6  Federated States of Micronesia (Annotated), is hereby amended
7  to read as follows:
8  "Section 301. Purpose. The purpose of this chapter is
9  to establish fiscal procedures for the Compact period
10  beginning in Fiscal Year 2024. The provisions set forth
11  hereinafter recognize the right of the State Governments
12  and the National Government of the Federated States of
13  Micronesia to authorize the use of Compact funds in
14  accordance with their own respective laws, plans,
15  policies and prerogatives consistent with the terms and
16  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 (Annotated), 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

2 of 33
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.

(4) '2023 Fiscal Procedures Agreement' means
Agreement Concerning Procedures for the Implementation
of United States Economic Assistance Provided in the
2023 Amended Compact Between the Government of the
Federated States of Micronesia and the Government of the
United States of America, done at Palikir on May 23, 2023.

(5) '2023 Trust Fund Agreement' means the
Agreement Between the government of the Federated States
of Micronesia and the Government of the United States of
America Regarding the Compact Trust Fund, 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.


(8) 'Annual Financial Report' means the report required under Article VI(1)(b)(i) of the 2023 Fiscal Procedures Agreement.

(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 amended, 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.

(19) '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, 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.

(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 Sector Grants
other than the Sector Grants for infrastructure.

(26) '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,

(27) '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.

(28) '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.

(29) 'Sector' means one of the seven grant sectors described in 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.

(30) '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.

(31) 'State' means any of the states of the Federated States of Micronesia.

(32) 'Strategic Development Plan' means the development plan required under Section 261c of the 2023 Amended Compact.

(33) '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 304 of Title 55 of the Code of the Federated States of Micronesia (Annotated), 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 section 303 of this chapter; and

(b) reflect the estimated available Compact funds after removal of the funds for the College of Micronesia, but including any unobligated Grant funds that have been allowed to carry-over, under the provisions of Section 317 of this chapter.

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

Section 5. Section 307 of Title 55 of the Code of the Federated States of Micronesia (Annotated), 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 6. Section 308 of Title 55 of the Code of the Federated States of Micronesia (Annotated), is hereby 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.

Section 7. Section 309 of Title 55 of the Code of the Federated States of Micronesia (Annotated), is hereby 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) of this chapter, and shall transmit a copy thereof to Congress and each State Government although, pursuant to Article V(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 8. Section 311 of Title 55 of the Code of the Federated States of Micronesia (Annotated), 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 IV(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 9. Section 312 of Title 55 of the Code of the Federated States of Micronesia (Annotated), 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
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) 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 shall be treated as other
Compact Funds as specified at Section 317 of this
chapter.

Section 10. Section 313 of Title 55 of the Code of the
Federated States of Micronesia (Annotated), 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
(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 (9) of the 2023 Fiscal Procedures Agreement.

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

(4) The Secretary shall deposit each Government's proportional share of the annual contributions received from the Government of the United States into each Government's account in the Infrastructure Maintenance Fund based upon the distribution formula for division of compact funds among National and State Governments, as
specified in Section 305 of this chapter.

(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.

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

(7) 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 11. Section 314 of Title 55 of the Code of the Federated States of Micronesia (Annotated), 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, 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.

(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. The request shall detail by month the Government's anticipated cash disbursement requirements from Compact Sector Operational Grants, and shall include supporting documentation.

(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 Accrued 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 12. Section 315 of Title 55 of the Code of the Federated States of Micronesia (Annotated), 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 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.

(3) For reprogramming of the amounts that are less than the lesser of: fifteen percent (15%) of a Government's share of a Sector Grant for the Fiscal Year or the Government’s proportional share of $1,000,000 —
the President's approval is required, however that approval shall not unreasonably be withheld, PROVIDED that the 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 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 13. Section 316 of Title 55 of the Code of the Federated States of Micronesia (Annotated), 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 Infrastructure Maintenance Fund contribution, the information required to complete a US Federal Form SF-425 (or any successor to that
form).

(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 14. Section 317 of Title 55 of the Code of the Federated States of Micronesia (Annotated), is hereby amended to read as follows:

"Section 317. Availability of Grant Funds.

(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
un obrigated 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 4(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 4(b) of the 2023 Fiscal Procedures
Agreement.

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

Section 15. Section 318 of Title 55 of the Code of the
Federated States of Micronesia (Annotated), is hereby amended
to read as follows:

"Section 318. Internal Annual Final Cash Transactions
Report. Not later than eighty (80) days after the end
of each Fiscal Year, each State Government and the
Secretary shall submit to the President a final cash
transactions report for each Sector Grant. For Operational Grants, through Fiscal Year 2023 only, the reports shall include the amount of any unobligated Operational Grant funding that will carry over to subsequent Fiscal Years."

Section 16. Section 319 of Title 55 of the Code of the Federated States of Micronesia (Annotated), is hereby amended to read as follows:

"Section 319. Compact Annual Final Cash Transactions Report. Not later than ninety (90) days after the end of each Fiscal Year, the President shall submit to the Government of the United States a final cash transactions report for each Sector Grant. For Operational Grants, through Fiscal Year 2023 only, the reports shall include the amount of any unobligated Grant funding that will carry over to subsequent Fiscal Years."

Section 17. Section 320 of Title 55 of the Code of the Federated States of Micronesia (Annotated), is hereby amended to read as follows:

"Section 320. 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"
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 of the fiscal
year after the fiscal year in which the 2023
Fiscal Procedures Agreement enters into force,
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 of the
fiscal year after the fiscal year in which the
2023 Fiscal Procedures Agreement enters into
force, 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, not later than 180 days after the end of each Fiscal Year, unless such due date is extended by JEMCO after receiving a justified request, the President shall submit the Annual Financial Report to the Government of the United States and JEMCO in accordance with Article VI, Section 1(b) of the 2023 Fiscal Procedures Agreement, 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 18. Section 321 of Title 55 of the Code of the
Federated States of Micronesia (Annotated), is hereby amended
18 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
chapter.

(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 19. Section 323 of Title 55 of the Code of the
Federated States of Micronesia (Annotated), is hereby amended
to read as follows:

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

October 21, 2023

Wesley W. Simina
President
Federated States of Micronesia