
AN ACT

To enact a new Chuuk State Budget Procedure, Act to repeal Chuuk State Law No. 5-45, as amended in its entirety, and for other purposes.

Be it enacted by the Chuuk State Legislature:

1 Section 1. Enactment. A new Chuuk State Budget Procedure Act is hereby
2 enacted which shall be known and may be cited as the State Budget Act of 2005.

3 Section 2. Purpose. The purpose of this Act is to implement the provisions of
4 Article VIII, of the Constitution of the State of Chuuk particularly Section 4, and to
5 accommodate the requirements of the Amended Compact and the Agreement Concerning
6 Procedures for the Implementation of United States Economic Assistance provided in the
7 Compact of Free Association, as amended, between the Government of the United States
8 and the Government of the Federated States of Micronesia, entered into in connection
9 with the Compact, commonly known as the Fiscal Procedures Agreement.

10 Section 3. Definitions. When used in this Act:

11 (1) "Agency" means any agency, commission, authority, board, bureau,
12 or other organization of the State Government established by law, and
13 not specifically part of one of the three branches of the State
14 Government.

15 (2) "Annual budget" refers to the annual request for new obligation and
16 expenditure authority during the ensuing fiscal year by all branches of
17 the Chuuk State Government, all municipal governments in the State
18 of Chuuk, and all agencies of the State Government for all purposes,
19 including, but not limited to, Government operations, development
20 programs and projects, special programs, contributions, grants, and
21 subsidies.

22 (3) "Appropriation" refers to a law enacted by Legislature which
23 authorizes the State Government to incur obligations and to make
24 payments out of the State Treasury in accordance with law.

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1 (4) "Compact" refers to the Compact of Free Association, as amended,
2 and its related agreements entered into by and between the
3 Government of the United States and enacted as United States Public
4 Law No. 108-188, unless otherwise specified herein.

5 (5) "Legislature" refers to the Legislature of the State of Chuuk.

6 (6) "Development Plan" refers to the Development Plan of the Federated
7 States of Micronesia prepared pursuant to title two, section 211 of the
8 Compact, and the infrastructure development plan of the Federated
9 States of Micronesia prepared pursuant to Article V, section 1(e) of
10 the Fiscal Procedures Agreement.

11 (7) "Executive Branch" refers to the executive branch of the Chuuk State
12 Government.

13 (8) "Fiscal Procedures Agreement" means the Agreement Concerning
14 Procedures for the Implementation of United States Economic
15 Assistance provided in the Compact of Free Association, as amended,
16 between the Government of the United States and the Government of
17 the Federated States of Micronesia, entered into in connection with the
18 Compact.

19 (9) "Fiscal Year" refers to each one-year period beginning October 1 and
20 ending on the next following September 30. Each Fiscal Year shall be
21 designated by the number of the calendar year in which such Fiscal
22 Year ends.

23 (10) "JEMCO" refers to the Joint Economic Management Committee
24 established pursuant to the Compact.

25 (11) "Chuuk State Government" refers to the Chuuk State Government and
26 includes all branches and agencies of the Government.

27 (12) "Chuuk State Government Compact Budget Request" means the State
28 Government's annual Compact funding request for the ensuing Fiscal
29 Year and estimated funding levels for the two subsequent Fiscal Years

1 to be consolidated with the National and other States' Compact
2 Budget Requests and submitted to the United States under Article V
3 of the Financial Procedures Agreement.

4 (13) "Chuuk State Government Proposed Budget" shall have the meaning
5 ascribed to it in subsection (2) of section 4 of this Act.

6 (14) "Chuuk State Government Recommended Budget" shall have the
7 meaning ascribed to it in subsection (3) of section 4 of this Act.

8 (15) "Chuuk State Government Recommended Compact Budget Request"
9 means the Governor's recommended annual Compact funding request
10 for the State Government for the ensuing Fiscal Year and estimated
11 funding levels for the two subsequent Fiscal Years."

12 (16) "Municipal Government" means each of the forty (40) municipal
13 government established, or to be established, in the State of Chuuk.

14 Section 4. Annual Budget.

15 (1) Before December 1 of the current fiscal year in progress, the Governor
16 shall issue a Budget Preparation Call for the ensuing or upcoming
17 Fiscal Year. The Legislature, the judicial branch, each of the
18 departments, offices and agencies of the Executive Branch of the State
19 Government, each municipal government, and every proposed
20 recipient of grants, subsidies or contributions from the State
21 Government shall transmit to the Governor on or before January 1 of
22 each year planned operational and development expenditures for the
23 ensuing fiscal year, budget projections for each of the two subsequent
24 fiscal years, and such other information as the Governor may
25 determine or as may be required by law. Planned operational
26 expenses shall be presented in line-item form, including detailed
27 information on planned expenditures for personnel, travel, contract
28 services, fixed assets and other anticipated expenses. The Legislature,
29 the Judicial Branch and each department, office and

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1 agency of the Executive Branch, each municipality, shall transmit to
2 the Governor, along with its proposed operational expenses for the
3 ensuing fiscal year, a plan for the fiscal year, including in
4 identification of its strategic goals, and a description of its planned
5 accomplishments, for the fiscal year, related to each goal. The
6 planned accomplishment shall, if possible, be expressed in numerical
7 form so that actual performance can be measured against the plan.
8 The Legislature, the Judicial Branch and all departments, offices, and
9 agencies of the State Government, and municipal governments shall
10 not be required to transmit performance-based budgets or other reports
11 tying planned operational expenses to specific tasks or objectives.

12 (2) The Governor shall compile, without revision, the planned
13 expenditures and budget projections received from each branch,
14 department, municipal government, office and agency of the State
15 Government and from proposed recipients of grants, subsidies and
16 contributions from the State Government into a proposed budget for
17 the State Government (the "Proposed Budget").

18 (3) No later than March 1 of each year, the Governor shall submit to the
19 Legislature the Proposed Budget for the State Government for the
20 ensuing fiscal year. The Proposed Budget shall contain an operation
21 budget and a development budget, and include planned expenditures
22 for all sources of funds. Planned operational expenses shall be
23 presented on a line-item basis. The Governor shall concurrently
24 submit his recommendations to the Legislature regarding the Proposed
25 Budget (the Governor's budget recommendations are herein referred
26 to as the "Recommended Budget"). The total Recommended Budget
27 for the year shall not exceed the total of funds estimated to be
28 available for that year. The Proposed Budget and Recommended
29 Budget shall each set forth the following information in such form and

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1 detail as the Governor may determine or as the Legislature may
2 require by law:

3 (a) Planned operational expenditures, including planned sources of
4 funds, for each department and office of the Executive branch,
5 Legislature, the judicial branch, each municipal government,
6 and agencies of the State Government other than agencies or
7 entities which receive State Government appropriations on a
8 subsidy, contribution, or grant basis, and operational budget
9 projections for each of the two subsequent fiscal year;

10 (b) Planned development expenditures, including planned sources
11 of funds, for the ensuing fiscal year and development budget
12 projections for each of the two subsequent fiscal years, with
13 details of all development programs or projects to be funded or
14 undertaken by the State Government in the ensuing fiscal year,
15 relating such programs and projects to specific development
16 goals and objectives set forth in Chuuk State's portion of the
17 Development Plan of the Federated States of Micronesia, as
18 prepared in accordance with the Compact and approved by the
19 Legislature, and identifying any amendments to the program
20 and project listings contained in such plan; and

21 (c) Planned subsidies, contributions, or grants for the ensuing
22 fiscal year and projected subsidies, contributions, or grants for
23 each of the two subsequent fiscal years, and such other public
24 and private entities as authorized by law.

25 (4) The Governor shall submit along with the Proposed Budget and the
26 Recommended Budget the following:

27 (a) a budget message which shall include such supporting
28 economic financial, statistical, program performance, and other
29

1 information, data and recommendations as the Governor may
2 determine are in the public interest;

3 (b) proposed legislation to appropriate funds for the State
4 Government, and the municipal governments, during the
5 ensuing fiscal year reflecting the amounts contained in the
6 Recommended Budget and including all activities and outputs
7 to be funded by Compact Sector Grants;

8 (c) anticipated revenues and other money to be made available to
9 the State Government from all sources in the ensuing fiscal
10 year and each of the two subsequent fiscal years including, but
11 not limited to, taxes, fees, fines, interest income, revenue from
12 fishing agreements, Compact financial assistance, United
13 States Federal program assistance, foreign financial and
14 technical assistance, reimbursements, and loans;

15 (d) the Chuuk State Government Recommended Compact Budget
16 Request for the ensuing fiscal year;

17 (e) statements of the balance of the General Fund and any special
18 funds of the State Treasury for the fiscal year last concluded,
19 including the actual revenue by source, all appropriations, and
20 the obligations and expenditures pursuant to each
21 appropriation;

22 (f) statements of the projected balance of the General Fund and
23 any special funds of the State Treasury for the fiscal year in
24 progress including all appropriations, estimated revenues by
25 source, and anticipated obligations. If the projected balance
26 for any fund indicates a deficit, recommendations as to how the
27 deficiency is to be met;

28 (g) actual revenues received to date, by source, in the fiscal year in
29 progress, and for the same period in the preceding year;

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- 1 (h) an analysis of major trends over the three years budgeted
- 2 regarding funding sources, spending emphasis, staffing levels,
- 3 and program expansions and contractions; and
- 4 (i) for the Judiciary Branch, the Legislature, and each department,
- 5 office and agency of the Executive Branch, and each municipal
- 6 government, a plan for the ensuing fiscal year, such planned
- 7 accomplishments to be expressed, if possible, in numerical
- 8 form so that actual performance can be measured against the
- 9 plan;
- 10 (j) such other financial information and data as may be necessary
- 11 or desirable in order to make known in reasonable and
- 12 practicable detail the financial condition of the State
- 13 Government.
- 14 (5) The Legislature may, prior to May 15 of each year, either:
- 15 (a) by resolution, authorize the Governor to submit to the
- 16 President of the Federated States of Micronesia the Chuuk
- 17 State Government Recommended Compact Budget Request for
- 18 submission to the United States under Article V of the
- 19 Financial Procedures Agreement; or
- 20 (b) by bill, alter the Chuuk State Government Recommended
- 21 Compact Budget Request in any respect consistent with the
- 22 Compact.
- 23 (6) Chuuk State Government Recommended Compact Budget Request,
- 24 shall be the Chuuk State Government Compact Budget Request for the
- 25 ensuing fiscal year for purposes of submittal to the FSM President for
- 26 submission to the United States under Article V of the Fiscal
- 27 Procedures Agreement if:
- 28 (a) the Legislature fails to take action with respect to the Chuuk
- 29 State Government Recommended Compact Budget Request
- 30 prior to May 15;

- 1 (b) the Legislature, by resolution, authorizes the Governor to
2 submit the Chuuk State Government Recommended Compact
3 Budget Request to the FSM President and the United States; or
4 (c) the Governor vetoes a bill passed by the Legislature to alter the
5 Chuuk State Government Recommended Compact Budget
6 Request and Legislature fails to override that veto prior to June
7 1;

8 (7) If, prior to June 1, a bill to alter the Chuuk State Government
9 Recommended Compact Budget Request has become law or the
10 Legislature has overridden a Governor's veto of such a bill, the Chuuk
11 State Government Compact Budget Request for submittal under
12 Article V of the Fiscal Procedures Agreement shall be in conformance
13 with the terms of that law."

14 Section 5. Balanced Budget.

- 15 (1) Based on all available information, the Legislature, prior to adopting
16 the annual budget bill under section 7 of this Act, shall adopt a
17 resolution setting forth the total funds estimated to be available for
18 appropriation from the General Fund and any special funds of the
19 State Treasury during the ensuing fiscal year. The Legislature may
20 from time to time adopt resolutions revising the amount estimated to
21 be available for appropriation based on the most recent information.
22 (2) Except as may occur due to a downward revision of revenue
23 projections, total appropriations for a fiscal year shall not exceed the
24 amount embodied in the resolution referred to in subsection (1) of this
25 section."

26 Section 6. Supplemental Appropriations and Rescissions.

- 27 (1) The Governor shall transmit to Legislature such proposed
28 supplemental appropriations as may be necessary on account
29 of laws enacted after the transmission of the annual budget or
30 which are otherwise in the public interest. The Governor shall

1 accompany such proposals with a statement of the reasons
2 therefore, including the reasons for their omission from the
3 annual budget. Whenever such proposed supplemental
4 appropriation would create a deficit for the General Fund or
5 any specific fund of the State Treasury, the Governor shall so
6 notify the Legislature and make recommendations as to how
7 such deficit is to be met.

8 (2) The Governor from time to time may transmit to Legislature
9 proposed rescissions to cancel budgetary authority previously
10 provided by the Legislature. These proposals may be accepted
11 in whole or in part by passage of rescission bill by the
12 Legislature.

13 (3) If at any time the amount appropriated for a given fiscal year
14 exceeds the amount of total funds estimated to be available for
15 such year due to a downward adjustment in revenue
16 projections, the Governor shall transmit to Legislature a
17 proposed rescission bill.

18 Section 7. Appropriations by the Legislature.

19 (1) The Legislature, after receipt of the proposed budget from the
20 Governor and no later than September 30 of each year, shall,
21 by act, adopt the annual budget of the State Government of the
22 ensuing fiscal year. Legislature may elect to initially or
23 permanently exclude, from the annual budget act, that portion
24 of the budget proposed to be funded by Compact sector. In no
25 event shall the budget adopted or any amendments thereto
26 provide funding for the personnel, contractual services, or
27 travel expenses of any branch or agency of the State
28 Government in an amount greater than 110 percent of the
29 aggregate funding appropriated for such branch or agency for

1 such categories in the initial budget act of the immediately
2 preceding fiscal year, except where funding in excess of such
3 limit shall be deemed essential by the Legislature on the face
4 of the appropriating legislation.

5 (2) That portion of the budget submission that is to be funded by
6 local revenues may be altered by Legislature in any respect.

7 (3) Compact Funds to be received and expended pursuant to the
8 JEMCO-approved Compact sector grant allocation for the
9 State Government shall be appropriated by act of the
10 Legislature within forty-five (45) days of the return of the
11 Compact sector grant allocation from JEMCO or by September
12 30. The appropriation legislation covering Compact funds
13 shall comply with the terms of the Compact and the Fiscal
14 Procedures Agreement with respect to the receipt of Compact
15 sector funds, shall allow for reprogramming of funds to the
16 extent permitted under the Compact and may require, as a
17 condition to such reprogramming, prior notice to Legislature.

18 (4) The budget alteration authority of the Legislature shall be
19 executed by means of appropriations legislation.
20 Appropriations or authorizations for the expenditure of funds
21 shall be made by law, except as provided in section 9 of this
22 Act.

23 (5) The Legislature may restrict by law the expenditure of funds
24 for a specific purpose.”

25 Section 8. Requests to the FSM Government and the United States Government.

26 The Governor shall consult with the Legislature in the formulation and submission of all
27 requests made to the FSM National Government and the United States Government for
28 additional assistance, services, and programs pursuant to the Compact.

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1 Section 9. Continuing Resolution. In the event a budget has not become law
2 prior to the beginning of a fiscal year, the head of each branch of Government and the
3 head of each agency established by law may continue to expend funds from projected
4 local revenues for State Government operations expenses after the beginning of the fiscal
5 year upon the adoption by Legislature of a continuing resolution. Such expenditures shall
6 be in accordance with appropriations laws appropriating funds for the immediately
7 preceding fiscal year. A continuing resolution of the Legislature which would authorize
8 the expenditure of Compact financial assistance is hereby made conditional on such funds
9 being available to the State Government as of the beginning of the relevant fiscal year,
10 either pursuant to a continuing resolution adopted by the United States Congress or
11 pursuant to appropriation acts of the United States Congress.

12 Section 10. Emergency Account. In the event of a major natural disaster or other
13 emergency threatening the lives or safety of resident citizens of the State of Chuuk
14 requiring immediate Governmental action, an emergency account shall be established in
15 the Department of Administrative Services. All Governmental expenses related to such
16 emergency shall be charged to such account. The Governor is hereby authorized to
17 reprogram up to \$200,000 of the funds appropriated from local revenues or other funds
18 not dedicated to specific purposes under the Compact or other agreements with foreign
19 governments to such account. The Governor shall present funding requests to the
20 Legislature to cover emergency expenditures.

21 Section 11. Accountability. Within 30 days of the completion of each quarter of
22 each fiscal year, the Judiciary, each department of the Executive Branch and each agency
23 of the State Government, each municipal government, shall transmit to the Legislature
24 and to the Governor a report on its activities during the quarter just completed, including:

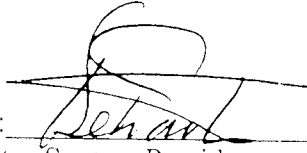
25 (a) a comparison of its actual accomplishments for the quarter, and the
26 year to date, with the planned accomplishments set forth in the plan
27 described in section 4(1) of this Act; and

28 (b) a description of any factors that may have caused actual performance
29 to vary from the plan.”

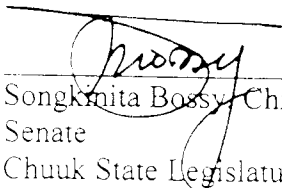
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Section 12. Repeal. Chuuk State Law No. 5-45, as amended, is hereby repealed in its entirety.

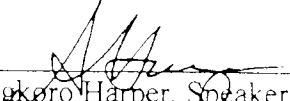
Section 13. Effective Date. This act shall become law upon approval by the Governor of the State of Chuuk, or upon its becoming law without such approval.

Signed by: 
Detor Santos, President
Senate
Chuuk State Legislature

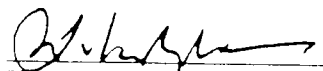
Attested:


Songknita Bossy, Chief Clerk
Senate
Chuuk State Legislature

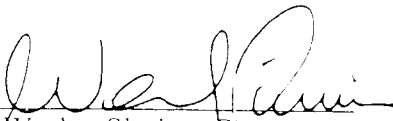
Date: Jan. 3, 2006

Signed by: 
Singkoro Harper, Speaker
House of Representatives
Chuuk State Legislature

Attested:


Herter Sorim, Chief Clerk
House of Representatives
Chuuk State Legislature

Date: Jan. 3, 2006

Approved by: 
Wesley Simina, Governor
Chuuk State

Date: Feb. 03, 2006

History : S.B.No: 8-22;SD1
: S.C.R.No: 8-1R-29
: H.C.R.No: None