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:

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

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

Section 3. Definitions. When used in this Act:

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

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

(3) “Appropriation” refers to a law enacted by Legislature which authorizes the State Government to incur obligations and to make payments out of the State Treasury in accordance with law.
(4) "Compact" refers to the Compact of Free Association, as amended, and its related agreements entered into by and between the Government of the United States and enacted as United States Public Law No. 108-181, unless otherwise specified herein.

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

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

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


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

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

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

(12) "Chuuk State Government Compact Budget Request" means the State Government's annual Compact funding request for the ensuing Fiscal Year and estimated funding levels for the two subsequent Fiscal Years.
to be consolidated with the National and other States' Compact Budget Requests and submitted to the United States under Article V of the Financial Procedures Agreement.

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

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

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

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

Section 4. Annual Budget.

(1) Before December 1 of the current fiscal year in progress, the Governor shall issue a Budget Preparation Call for the ensuing or upcoming Fiscal Year. The Legislature, the judicial branch, each of the departments, offices and agencies of the Executive Branch of the State Government, each municipal government, and every proposed recipient of grants, subsidies or contributions from the State Government shall transmit to the Governor on or before January 1 of each year planned operational and development expenditures for the ensuing fiscal year, budget projections for each of the two subsequent fiscal years, and such other information as the Governor may determine or as may be required by law. Planned operational expenses shall be presented in line-item form, including detailed information on planned expenditures for personnel, travel, contract services, fixed assets and other anticipated expenses. The Legislature, the Judicial Branch and each department, office and
agency of the Executive Branch, each municipality, shall transmit to
the Governor, along with its proposed operational expenses for the
ensuing fiscal year, a plan for the fiscal year, including in
identification of its strategic goals, and a description of its planned
accomplishments, for the fiscal year, related to each goal. The
planned accomplishment shall, if possible, be expressed in numerical
from so that actual performance can be measured against the plan.
The Legislature, the Judicial Branch and all departments, offices, and
agencies of the State Government, and municipal governments shall
not be required to transmit performance-based budgets or other reports
tyng planned operational expenses to specific tasks or objectives.

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

(3) No later than March 1 of each year, the Governor shall submit to the
Legislature the Proposed Budget for the State Government for the
ensuing fiscal year. The Proposed Budget shall contain an operation:
budget and a development budget, and include planned expenditures
for all sources of funds. Planned operational expenses shall be
presented on a line-item basis. The Governor shall concurrently
submit his recommendations to the Legislature regarding the Proposed
Budget (the Governor's budget recommendations are hereinafter referred
to as the "Recommended Budget"). The total Recommended Budget
for the year shall not exceed the total of funds estimated to be
available for that year. The Proposed Budget and Recommended
Budget shall each set forth the following information in such form and
detail as the Governor may determine or as the Legislature may require by law:

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

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

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

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

(a) a budget message which shall include such supporting economic financial, statistical, program performance, and other
information, data and recommendations as the Governor may
determine are in the public interest;
(b) proposed legislation to appropriate funds for the State
Government, and the municipal governments, during the
ensuing fiscal year reflecting the amounts contained in the
Recommended Budget and including all activities and outputs
to be funded by Compact Sector Grants;
(c) anticipated revenues and other money to be made available to
the State Government from all sources in the ensuing fiscal
year and each of the two subsequent fiscal years including, but
not limited to, taxes, fees, fines, interest income, revenue from
fishing agreements, Compact financial assistance, United
States Federal program assistance, foreign financial and
technical assistance, reimbursements, and loans;
(d) the Chuuk State Government Recommended Compact Budget
Request for the ensuing fiscal year;
(e) statements of the balance of the General Fund and any special
funds of the State Treasury for the fiscal year last concluded,
including the actual revenue by source, all appropriations, and
the obligations and expenditures pursuant to each
appropriation;
(f) statements of the projected balance of the General Fund and
any special funds of the State Treasury for the fiscal year in
progress including all appropriations, estimated revenues by
source, and anticipated obligations. If the projected balance
for any fund indicates a deficit, recommendations as to how the
deficiency is to be met;
(g) actual revenues received to date, by source, in the fiscal year in
progress, and for the same period in the preceding year;
(h) an analysis of major trends over the three years budgeted regarding funding sources, spending emphasis, staffing levels, and program expansions and contractions; and

(i) for the Judiciary Branch, the Legislature, and each department, office and agency of the Executive Branch, and each municipal government, a plan for the ensuing fiscal year, such planned accomplishments to be expressed, if possible, in numerical form so that actual performance can be measured against the plan;

(j) such other financial information and data as may be necessary or desirable in order to make known in reasonable and practicable detail the financial condition of the State Government

(5) The Legislature may, prior to May 15 of each year, either:

(a) by resolution, authorize the Governor to submit to the President of the Federated States of Micronesia the Chuuk State Government Recommended Compact Budget Request for submission to the United States under Article V of the Financial Procedures Agreement; or

(b) by bill, alter the Chuuk State Government Recommended Compact Budget Request in any respect consistent with the Compact.

(6) Chuuk State Government Recommended Compact Budget Request shall be the Chuuk State Government Compact Budget Request for the ensuing fiscal year for purposes of submittal to the FSM President for submission to the United States under Article V of the Fiscal Procedures Agreement if:

(a) the Legislature fails to take action with respect to the Chuuk State Government Recommended Compact Budget Request prior to May 15;
(b) the Legislature, by resolution, authorizes the Governor to submit the Chuuk State Government Recommended Compact Budget Request to the FSM President and the United States; or
(c) the Governor vetoes a bill passed by the Legislature to alter the Chuuk State Government Recommended Compact Budget Request and Legislature fails to override that veto prior to June 1;

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

Section 5. Balanced Budget.

(1) Based on all available information, the Legislature, prior to adopting the annual budget bill under section 7 of this Act, shall adopt a resolution setting forth the total funds estimated to be available for appropriation from the General Fund and any special funds of the State Treasury during the ensuing fiscal year. The Legislature may from time to time adopt resolutions revising the amount estimated to be available for appropriation based on the most recent information.

(2) Except as may occur due to a downward revision of revenue projections, total appropriations for a fiscal year shall not exceed the amount embodied in the resolution referred to in subsection (1) of this section.

Section 6. Supplemental Appropriations and Rescissions.

(1) The Governor shall transmit to Legislature such proposed supplemental appropriations as may be necessary on account of laws enacted after the transmission of the annual budget or which are otherwise in the public interest. The Governor shall
accompany such proposals with a statement of the reasons therefore, including the reasons for their omission from the annual budget. Whenever such proposed supplemental appropriation would create a deficit for the General Fund or any specific fund of the State Treasury, the Governor shall so notify the Legislature and make recommendations as to how such deficit is to be met.

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

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

Section 7. Appropriations by the Legislature.

(1) The Legislature, after receipt of the proposed budget from the Governor and no later than September 30 of each year, shall, by act, adopt the annual budget of the State Government of the ensuing fiscal year. Legislature may elect to initially or permanently exclude, from the annual budget act, that portion of the budget proposed to be funded by Compact sector. In no event shall the budget adopted or any amendments thereto provide funding for the personnel, contractual services, or travel expenses of any branch or agency of the State Government in an amount greater than 110 percent of the aggregate funding appropriated for such branch or agency for
such categories in the initial budget act of the immediately preceding fiscal year, except where funding in excess of such limit shall be deemed essential by the Legislature on the face of the appropriating legislation.

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

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

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

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

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

The Governor shall consult with the Legislature in the formulation and submission of all requests made to the FSM National Government and the United States Government for additional assistance, services, and programs pursuant to the Compact.
Section 9. Continuing Resolution. In the event a budget has not become law prior to the beginning of a fiscal year, the head of each branch of Government and the head of each agency established by law may continue to expend funds from projected local revenues for State Government operations expenses after the beginning of the fiscal year upon the adoption by Legislature of a continuing resolution. Such expenditures shall be in accordance with appropriations laws appropriating funds for the immediately preceding fiscal year. A continuing resolution of the Legislature which would authorize the expenditure of Compact financial assistance is hereby made conditional on such funds being available to the State Government as of the beginning of the relevant fiscal year, either pursuant to a continuing resolution adopted by the United States Congress or pursuant to appropriation acts of the United States Congress.

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

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

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

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

Date: Jan. 3, 2006

Attested: 
Songkhita Bore, Chief Clerk  
Senate  
Chuuk State Legislature  

Attested: 
Heret Sorn, Chief Clerk  
House of Representatives  
Chuuk State Legislature  

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

Date: Jan. 3, 2006

Approved by:  
Wesley Simina, Governor  
Chuuk State  

Date: Feb. 03, 2006