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A BILL FOR AN ACT

To amend section 1213 of title 55 of the Code of the Federated States of Micronesia (Annotated), as authorized by Public Law No. 18-96, by adding a new subsection (3), to require the deposit of funds appropriated to the FSM Trust Fund within 30 days from appropriation, and to require the Secretary of Finance and Administration submit proof of deposit within one business day from date of deposit, and for other purposes.

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

1           Section 1. Section 1213 of title 55 of the Code of the  
2 Federated States of Micronesia (Annotated), as authorized by  
3 Public Law No. 18-96, is hereby amended by adding a new subsection  
4 (3), to read as follows:

5                   "Section 1213. Accounts.

6                   (1) The Fund shall be divided into an A Account, a B  
7 Account and an S Account.

8                   (2) All contributions to the Fund shall be deposited  
9 to the A Account, except for the contributions which  
10 qualify to be deposited to the S Account, as provided  
11 for in section 1211(2) of this chapter. Thereafter, the  
12 Board shall ensure that a portion of the Fund returns in  
13 each financial year is reinvested at the end of that  
14 financial year as capital of the A Account, such portion  
15 being the amount necessary to maintain the opening  
16 balance of the A Account's capital for the following  
17 financial year at the real value of all contributions to

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1 the Fund minus all principal repayments made on loans to  
2 the Fund.

3 (3) All contributions to the Fund shall be deposited  
4 within 30 days from the date of appropriation. The  
5 Secretary of Finance and Administration shall submit  
6 proof of deposit and a balance statement to the Congress  
7 of the Federated States of Micronesia within the next  
8 business day from the deposit.

9 [~~3~~] (4) Repayment of loans to the Fund and payment of  
10 the expenses of the Fund shall be made from the A  
11 Account. The amount, if any, of Fund returns in each  
12 financial year which remains after such repayment of  
13 loans and payment of expenses, and after reinvestment in  
14 accordance with subsection (2) of this section, shall be  
15 transferred to the B Account. Except as provided in  
16 this subsection or upon termination of the Fund, no  
17 funds may ever be removed from the A Account.

18 [~~4~~] (5) The B Account shall consist of funds  
19 transferred from the A Account and the returns therefrom  
20 while in the B Account. Funds in the B Account may be  
21 distributed to the National Government in accordance  
22 with section 1214 of this chapter or transferred to the  
23 A Account in accordance with section 1215 of this  
24 chapter. Except as provided in this subsection or upon  
25 termination of the Fund, no funds may ever be removed

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1 from the B Account.

2 [~~(5)~~] (6) It is anticipated that funds in the A  
3 Account will be placed in longer term, higher yielding  
4 investments than are funds in the B Account.

5 [~~(6)~~] (7) Funds in the S Account may be used by the  
6 contributing governments to offset the negative impact  
7 of reductions, if any, under the Renewed Compact as  
8 follows:

9 (a) no withdrawals shall be made from the S  
10 Account by any contributing government that receives a  
11 funding level during the first year of the Renewed  
12 Compact that is greater than, the same as, or within  
13 four percent (4%) of, its Baseline Funding level. Any  
14 contributing government that is prohibited from making a  
15 withdrawal from the S Account by this subsection, may  
16 make a transfer pursuant to section 1215(2) of this  
17 chapter;

18 (b) in the event that any contributing  
19 government's funding level during the first year of the  
20 Renewed Compact is reduced by more than four percent  
21 (4%) but less than twenty percent (20%) of its Baseline  
22 Funding level, that contributing government shall be  
23 entitled to draw, upon request, an amount from the S  
24 Account each year as follows, PROVIDED THAT each  
25 contributing government shall be limited to withdrawing

1 no more than the total of its contributions and the  
2 earnings on its contributions:

3 (i) first year: up to the amount of  
4 reduction minus four percent (4%) of the Baseline  
5 Funding level;

6 (ii) second year: up to the amount of  
7 reduction minus eight percent (8%) of the Baseline  
8 Funding level;

9 (iii) third year: up to the amount of the  
10 reduction minus 12 percent (12%) of the Baseline Funding  
11 level;

12 (iv) fourth year: up to the amount of  
13 the reduction minus 16 percent (16%) of the Baseline  
14 Funding level;

15 (v) fifth year: up to the amount of the  
16 reduction minus 20 percent (20%) of the Baseline Funding  
17 level;

18 (c) in the event that any contributing  
19 government's funding level during the first year of the  
20 Renewed Compact is reduced by more than 20 percent (20%)  
21 of the Baseline Funding level, that contributing  
22 government shall be entitled to draw down, upon request,  
23 an amount in each year, in a manner to be determined by  
24 an Act of the Congress of the Federated States of  
25 Micronesia following consultations with the affected

