

W+M

A BILL FOR AN ACT

To further amend title 54 of the Code of the Federated States of Micronesia, as amended, by further amending section 805, as amended by Public Laws Nos. 7-41, 9-139, and 10-68, to modify the restrictions on certain funds paid into State treasuries, and for other purposes.

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

1 Section 1. Section 805 of title 54 of the Code of the
2 Federated States of Micronesia, as amended by Public Laws
3 Nos. 7-41, 9-139 and 10-68, is hereby further amended to read
4 as follows:

5 "Section 805. Distribution of revenues.

6 (1) The treasurer of the Federated States of
7 Micronesia shall pay eighty percent of the net
8 taxes collected pursuant to section 221(9) of this
9 title and the following shares of all other net
10 taxes collected pursuant to sections 121, 141, and
11 221 of this title into the treasury of the State
12 government to which the taxes are attributable for
13 appropriation by the State legislature;

14 (a) fifty percent without restriction;
15 and

16 (b) twenty percent, which shall be
17 dedicated by the recipient State, ~~to capital~~
18 ~~account uses related~~ sixty percent to education
19 and forty percent to health, including sanitation.

20 (2) 'Net taxes' as used in subsection (1) of
21 this section means gross collections of taxes,
22 penalties, interest, or other related charges less
23 refunds.

24 (3) '~~capital account use~~' shall be as
25 ~~defined in article IV, section B(7) of the~~

1 FISCAL PROCEDURES AGREEMENT, REFERRED TO IN
2 SECTION 339 OF TITLE 55,

3 (A) Prior to payment of any funds to a State
4 pursuant to paragraph (b) of subsection (1) of
5 this section, the State and the Secretary of
6 Finance shall have entered into a memorandum of
7 understanding (MOU) that provides that the State
8 shall account for the funds separately and
9 according to generally accepted accounting
10 principles and that the State shall periodically
11 report on the use of the funds to the Secretary of
12 Finance and to the Congress of the Federated
13 States of Micronesia.

14 (B) Periodically, or at the request of the
15 Secretary of Finance, the Public Auditor shall
16 inspect and audit transactions, accounts, books,
17 and other financial records relating to the use of
18 funds paid to a State pursuant to paragraph (b) of
19 subsection (1) of this section for compliance with
20 the restrictions contained therein. In the event
21 that an audit discloses a violation of a
22 restriction or the MOU, the Secretary may direct
23 withholding from future payments to the State the
24 amount for which the State was found in violation
25 of a restriction, or that amount which is not

