

PALAU

NINTH OLBIL ERA KELULAU

**Third Regular Session, July 2013 RPPL No. 9-15
Passed as House Bill No. 9-49-3, HD6, SD4, CD1**

AN ACT

To enact a budget law for Fiscal Year 2014 through the authorization of the sum of \$69,382,100 and the appropriation of the sum of \$68,432,100 from the National Treasury for the annual general operations, special revenue, and debt service budget of the Republic of Palau for the fiscal year ending September 30, 2014; amend RPPL No. 9-5 to authorize and appropriate the sum of \$50,000 to the Inauguration and Independence Day Committee; and for other related purposes.

THE PEOPLE OF PALAU REPRESENTED IN THE OLBIL ERA KELULAU DO ENACT AS FOLLOWS:

Section 1. Short Title.

This Act shall be known as and may be cited as, “The Fiscal Year 2014 Budget Act.”

Section 2. Executive Branch Operations. The sum of \$36,060,500 is authorized for appropriation and \$35,960,500 is hereby appropriated for expenditure and obligation for Fiscal Year 2014 for the purpose of covering the operational and contingent expenses of the Executive Branch. The total amount authorized to be appropriated shall be made up of the following available revenues: The amount of \$18,710,500 shall come from local revenues; the amount of \$12,250,000 shall come from anticipated USDOJ-OIA fiscal year 2014 grant assistance provided to Palau; and the amount of \$5,000,000 shall come from Compact Section 211(f) Trust Fund Investment Account. The total amount authorized for appropriation and that is hereby appropriated in this section shall be allocated according to the following schedule, respectively:

(1) Office of the President

- (a) President’s Office \$853,000
- (b) Official Expenses 30,000
- (c) Grants Coordinator 76,000
- (d) Council of Chiefs 150,000
- (e) Presidential Stipend 45,000
- Sub-Total \$1,154,000

(2) Office of the Vice-President

- (a) Vice President’s Office \$254,000
- (b) National Emergency Management Office 124,000
- Sub-Total \$378,000

(3) Ministry of Finance

- (a) Office of the Minister \$58,000
 - (b) Information Systems Support Services 239,000
 - (c) Bureau of National Treasury 760,000
 - (d) Bureau of Budget and Planning 242,000
 - (e) Bureau of Public Service System 133,500
 - (f) Workmen’s Compensation 37,000
 - (g) Bureau of Revenue, Customs & Taxation 1,490,000
- Of these funds, \$250,000 is hereby earmarked for x-ray machines, scales, and other equipment, software, and trained dogs for the purpose of border protection and enforcement of import and excise taxes. The total sum of

\$250,000 is authorized for this earmark, however, only \$150,000 of this \$250,000 is hereby appropriated.
Sub-Total \$2,959,500

(4) Ministry of State

- (a) Office of the Minister \$58,000
 - (b) ROP Consulate Office in Guam 87,000
 - (c) ROP Consulate Office in Saipan 50,000
 - (d) ROP Embassy in Washington, D.C. 270,000
 - (e) ROP Embassy in Tokyo, Japan 350,000
 - (f) ROP Embassy in Taipei, Taiwan 79,000
 - (g) ROP Embassy in Manila, Philippines 100,000
 - (h) United Nations Representation Office 197,000
 - (i) Office of the Public Defender 240,000
 - (j) Bureau of Foreign Affairs & Trade 400,000
 - (k) Bureau of Domestic Affairs 277,000
 - (l) Passport Office 52,000
 - (m) International Organizations Obligations 250,000
- Sub-Total \$2,410,000

(5) Ministry of Community & Cultural Affairs

- (a) Office of the Minister \$58,000
 - (b) Bureau of National Archive 77,500
 - (c) Bureau of Youth, Sports & Recreation 176,000
 - (d) Sports Facilities Maintenance & Utilities 90,000
 - (e) Bureau of Aging & Gender 275,000
 - (1) Of these funds, \$5,000 is hereby earmarked for the purpose of repairing the roof of the Old Age Center and \$20,000 is earmarked for the purpose of enforcing the Family Protection Act.
 - (2) Of these funds, \$30,000 is hereby earmarked for homecare for the elderly with no income.
 - (f) Bureau of Arts & Culture 139,000
 - (g) Guam Micronesia Island Fair 10,000
 - (h) Olchotel Belau Fair 20,000
 - (i) Palau Severely Disabled Assistance Fund 225,000
- Sub-Total \$1,070,500

(6) Ministry of Education

- (a) Office of the Minister \$58,000
 - (b) School Books, Supplies & Inst. Equip. 300,000
 - (c) Bureau of Curriculum & Instruction 395,000
 - (d) Bureau of School Administration 5,845,000
 - (e) Food Service Program 721,000
- Sub-Total \$7,319,000

(7) Ministry of Public Infrastructure, Industries and Commerce

- (a) Office of the Minister \$58,000
- (b) OMIP, UNDP & Other Match 415,000
- (c) PALARIS 124,000
- (d) Bureau of Commercial Development 248,000
- (e) Palau Small Business Development (UOG) 45,000
- (f) Bureau of Aviation 1,555,000
- (g) Bureau of Lands and Survey 839,000

These funds are hereby earmarked as follows:

(1) Land Surveyors 652,000
(2) Land Registration Officers 187,000
(h) Bureau of Public Works 1,266,000
(i) Landfill Operations 90,000
(j) National Capitol Electricity/Maintenance 1,277,000
(k) CIP Office Operations 115,000
Sub-Total \$6,032,000

(8) Ministry of Justice

(a) Office of the Minister \$0
(b) Office of the Attorney General 487,000
Of these funds, \$37,000 is appropriated to fund the employment of an investigator and an attorney to assist the Foreign Investment Board with implementation of the Foreign Investment Act.

(c) Bureau of Immigration 347,000
(d) Bureau of Public Safety 2,903,000

(1) Of this sum, \$175,000 is hereby earmarked to be expended or obligated for the sole purpose of hiring ten (10) additional police officers, and to obtain necessary uniforms and equipment; and \$125,000 is earmarked for jail improvement.

(2) Of this sum, \$300,000 is hereby earmarked for the Division of Fire & Rescue.

(e) Bureau of Marine Law Enforcement 646,000
(f) Patrol Boat Dry Dock and Refitting 200,000
Sub-Total \$4,583,000

(9) Ministry of Health

(a) Office of the Minister \$58,000
(b) Bureau of Public Health 1,078,000
(c) Health Admin & Support Service 2,997,500
Health Administration (2,662,500)

(1) Of these funds, \$10,000 is hereby earmarked for hospital supplies to include sheets, pillow cases, and pillows.

(2) Of these funds, \$25,000 is hereby earmarked for equipment maintenance, including, but not limited to, CT Scan Machines, x-ray machines, and dialysis machines.

Manila Medical Referral (110,000)

Hawaii Medical Referral (125,000)

Taipei Medical Referral (100,000)

(d) Medical Supplies & Drugs 600,000

(e) Hemodialysis 515,000

(f) Hyperbaric Chamber 36,000

(g) Bureau of Clinical Services 3,370,000

\$10,000 of these funds is hereby earmarked for Electroencephalography (EEG) Machine training, including the hiring of a consultant, in order to put the EEG Machine to use.

Sub-Total \$8,654,500

(10) Ministry of Natural Resources, Environment & Tourism

(a) Office of the Minister \$58,000
(b) Bureau of Marine Resource 550,000
(c) Bureau of Agriculture 433,000
(d) Bureau of Labor & Human Resources 259,000

(e) Bureau of Tourism 100,000
Sub-Total \$1,400,000
Section 2 Total \$35,960,500

Section 3. Judicial Branch. The sum of \$2,500,000 is hereby authorized to be appropriated and is hereby appropriated for expenditure or obligation for Fiscal Year 2014 for the purpose of covering the operational and contingent expenses of the Judicial Branch. The entire amount of the funds authorized and appropriated in this section shall come from local revenues.

Section 4. Legislative Branch. The sum of \$4,766,500 is hereby authorized to be appropriated and is hereby appropriated for expenditure or obligation for Fiscal Year 2014 for the purpose of covering the operational and contingent expenses of the Legislative Branch. The entire amount of funds authorized and appropriated in this section shall come from local revenues. The total authorization and appropriation shall be allocated according to the following schedule:

- (1) Senate \$1,808,000
- (2) Senate Legal Counsel Office 209,500
- (3) House of Delegates 2,205,500
 - a) State Visits 9,000
- (4) House Legal Counsel Office 209,500
- (5) Joint Staff 230,000
- (6) Association of Pacific Island Legislatures (APIL) 15,000
- (7) Inter-Parliamentary Union (IPU)/
Asia Pacific Parliamentarians Union 15,000
- (8) Palau Japan Parliamentary Friendship League 35,000
- (9) Electricity for the Koror Olbiil Era Kelulau building 30,000
- Section 4 Total \$4,766,500

Section 5. Boards, Commissions, and Authorities. The sum of \$670,000 is authorized for appropriation and is hereby appropriated for expenditure and obligation for Fiscal Year 2014 for the purpose of funding the operational and contingent expenses of Boards, Commissions and Authorities. The entire amount of funds authorized and appropriated in this section shall come from local revenues. The total authorization and the total appropriation shall be allocated according to the following schedule, respectively:

- (1) Foreign Investment Board \$63,000
- (2) Palau Election Commission 170,000
- (3) Palau Code Commission 40,000
- Of these funds, \$6,000 is hereby earmarked for the purchase of a vehicle.
- (4) Palau Public Lands Authority 100,000
- (5) Parole Board 30,000
- (6) Palau Housing Authority 70,000
- (7) Ethics Commission 50,000
- (8) Financial Institutions Commission 85,000
- Of the funds for the Financial Institutions Commission, the amount of \$50,000 or so much thereof as may be necessary shall be earmarked for the operations of the Financial Investigations Unit (FIU).
- (9) Language Commission 37,000
- (10) Ngardmau Free Trade Zone 25,000
- Section 5 Total \$670,000

Section 6. State Block Grants. The sum of \$5,703,600 is hereby authorized to be appropriated and is hereby appropriated for expenditure or obligation for Fiscal Year 2014 for the purpose of State Governments' operational and capital improvement projects expenses. The total amount authorized to be appropriated shall be made up of the following available revenues: The amount of \$4,003,600 shall come from local revenues; the amount of \$1,000,000 shall come from Green Fee revenue collected in accordance with 24 PNC §3413(b)(2), as amended by this Act; and the amount of \$700,000 shall come

from revenue from the sale of vessel days pursuant to the Nauru Agreement. The amount authorized for appropriation shall be available for expenditure for operations and CIP projects in accordance with 40 PNC Chapter 22. Any unexpended or unobligated balance of the appropriation of this section shall not lapse at the end of the fiscal year. The total authorization and total appropriation shall be allocated according to the following schedule, respectively:

- (1) Aimeliik State \$325,000
- (2) Airai State 486,750
- (3) Angaur State 288,200
- (4) Hatothobei State 222,000
- (5) Kayangel State 262,600
- (6) Koror State 925,150
- (7) Melekeok State 313,900
- (8) Ngaraard State 359,550
- (9) Ngarchelong State 359,550
- (10) Ngardmau State 308,250
- (11) Ngeremlengui State 317,200
- (12) Ngatpang State 302,750
- (13) Ngchesar State 325,000
- (14) Ngiwal State 308,250
- (15) Peleliu State 377,450
- (16) Sonsorol State 222,000
- Section 6 Total \$5,703,600

Section 7. Independent Agencies. The sum of \$2,197,000 is authorized for appropriation and is hereby appropriated for expenditure or obligation for Fiscal Year 2014 as operating grants or subsidies for independent agencies of the National Government. The entire amount of the funds authorized and appropriated in this section shall come from local revenues. The total authorization and appropriation shall be allocated according to the following schedule, respectively:

- (1) Office of the Public Auditor \$423,000
- (2) Office of the Special Prosecutor 223,000
- (3) Palau Env. Quality Protection Brd (EQPB) 400,000
- (4) National Postal Service 346,000
- (5) Palau Visitors Authority 645,000
- (6) National Aviation Administration 160,000
- Section 7 Total \$2,197,000

Section 8. Other Agencies and Activities. The sum of \$1,612,000 is authorized for appropriation and is hereby appropriated for expenditure or obligation for Fiscal Year 2014 as grants or subsidies for recurring programs and activities. The entire amount of funds authorized and appropriated in this section shall come from local revenues. The total authorization and appropriation shall be allocated according to the following schedule, respectively:

- (1) Palau National Museum \$170,000
- (2) Micronesian Legal Services 125,000
- (3) Palau Community Action Agency 175,000
- (4) Head Start Program 167,000
- (5) Palau Red Cross 10,000
- (6) WIA Grant Contribution 93,000
- (7) Civic Action Team Share 250,000
- (8) Junior Statesmen of America 10,000
- (9) PNOC & Sports Organizations 177,000
- (10) Palau Int'l Coral Reef Center 400,000
- (11) Youth Congress 5,000
- (12) Palau Little League/T-Ball 5,000
- (13) Ngarachamayong Cultural Center 25,000
- These funds for the Ngarachamayong Cultural Center shall be earmarked for the

Mechesil Belau Conference.
Section 8 Total \$1,612,000

Section 9. Education Assistance. The sum of \$4,529,000 is hereby authorized to be appropriated. Of the total sum of \$4,529,000, the sum of \$4,479,000 is hereby appropriated for expenditure or obligation for Fiscal Year 2014 to subsidize the educational institutions and scholarship program set forth below. Of this total sum of \$4,529,000, the sum of \$50,000 shall be for the purpose of Palau Community College's endowment fund and is to be appropriated by the Olbiil Era Kelulau contingent on Palau Community College obtaining matching funds. The total amount authorized to be appropriated and that is hereby appropriated in this section shall come from local revenue. The total authorization and appropriation shall be allocated according to the following schedule, respectively:

- (1) Palau Community College \$2,436,000
 - (a) PCC Operations (prov, FY04) (2,338,000)
 - (b) PCC Board of Trustees (38,000)
 - (c) PCC CRE (35,000)
 - (d) COM Board of Regents (25,000)
- (2) Aid to Non-Public Schools \$768,000
 - (a) Emmaus High School (65,000)
 - (b) Bethania High School (80,000)
 - (c) Palau Mission Academy (101,000)
 - (d) Mindszenty High School (180,000)
 - (e) Ibobang High School (101,000)
 - (f) Maris Stella School (100,000)
 - (g) Koror SDA Elementary School (95,000)
 - (h) Emmaus Kindergarten (24,000)
 - (i) SDA Kindergarten (11,000)
 - (j) Catholic Kindergarten (11,000)
- (3) National Scholarship Fund \$1,275,000
 - (a) Spring Semester scholarships & grants (600,000)
 - (b) Fall Semester scholarships & grants (600,000)
 - (c) Administrative Expenses (75,000)

Section 9 Total \$4,479,000

Section 10. Hospital Trust Fund. The amount of \$2,624,000, or the actual amount collected, is hereby authorized to be appropriated and is hereby appropriated for Fiscal Year 2014 for purposes of the Hospital Trust Fund. The amount authorized to be appropriated and that is hereby appropriated shall come from the revenues derived from clinical and public health medical and dental services fees and charges during the fiscal year, so long as the actual expenditures or obligations does not exceed actual revenue receipts. Any unexpended or unobligated balance of the appropriation of this section shall not lapse at the end of the fiscal year.

Section 11. PAN Fund. The sum of \$3,870,000 or the actual amount collected is hereby authorized to be appropriated and is hereby appropriated for Fiscal Year 2014 for the purposes of the Protected Areas Network Fund, except that 50% of said sum shall be allocated pursuant to 24 PNC § 3413 as amended and as further amended by section 22 of the Fiscal Year 2014 Budget Act. The amount authorized to be appropriated in this section shall come from local revenues derived from the collection of the environmental protection fee ("Green Fee") during the fiscal year. Any unexpended or unobligated balance of the appropriation of this section shall not lapse at the end of the fiscal year.

Section 12. Infrastructure Maintenance Fund. The amount of \$600,000 is hereby authorized to be appropriated for Fiscal Year 2014 for purposes of the Infrastructure Maintenance Fund to be used for the routine and periodic maintenance of major capital improvement projects financed by funds provided by the United States pursuant to the Compact of Free Association Section 432 Review. The amount authorized to be

appropriated shall come from funds in the Road Maintenance Fund established by RPPL No. 9-10.

Section 13. All Other General Fund Revolving Accounts. The amount of \$614,000, or the actual amount collected, is hereby authorized to be appropriated and is hereby appropriated for Fiscal Year 2014 for all other special revolving accounts under the General Fund established pursuant to law. The amount authorized to be appropriated and that is hereby appropriated shall come from fees, fines and other charges derived from various activities and programs during the fiscal year, so long as the actual expenditures or obligations does not exceed actual revenue receipts. Any unexpended or unobligated balance of the appropriation of this section shall not lapse at the end of the fiscal year.

Section 14. Debt Service. The sum of \$2,745,000 is authorized for appropriation and that is hereby appropriated for Fiscal Year 2014 for the purpose of payment of periodic interest and principal payments pursuant to the promissory notes under the \$20 million International Commercial Bank of China (“ICBC”) (Taiwan) loan agreement for the purpose of completion of Phase II of the national capitol construction project in Melekeok State; the \$8,000,000 million Mega International loan agreement for the purpose of undertaking various improvements to the Palau International Airport; and the Asian Development Bank (“ADB”) Water Sector Improvement Program (“WSIP”) loan for various infrastructure and institutional capacity improvement initiatives. The amount of \$2,343,000 authorized to be appropriated and that is hereby appropriated in this section shall come from local revenues; and the amount of \$402,000 shall come from the 50 percent allocation of the Green Fee for water and sewer improvements. Any unexpended or unobligated balance of the appropriation of this section shall not lapse at the end of the fiscal year. The total authorization and appropriation amount shall be allocated to the following schedule:

- (1) ICBC Capitol Relocation Project \$1,393,000
- (2) ICBC PIA Debt Service 950,000
- (3) ADB Program Loan (PWSC) 402,000
- Section 12 Total \$2,745,000

Section 15. Compact Review Office. The sum of \$200,000 is hereby authorized to be appropriated and is hereby appropriated for expenditure or obligation for Fiscal Year 2014 for the purpose of undertaking Compact of Free Association review and its associated activities. The entire amount authorized to be appropriated and that is hereby appropriated in this section shall come from local revenues. Any unexpended or unobligated balance of the appropriation of this section shall not lapse at the end of the fiscal year. The services purchased with funds authorized and appropriated for the purposes of the Compact Review and lobbying services in Washington D.C. in connection with the passage of the Compact II shall be exempt from the competitive procurement requirements of Chapter 6 of Title 40 of the Palau National Code because the services related to the Compact Review Office are particularly specialized to securing the ratification of the Compact II in the United States Congress.

Section 16. Health Care Fund Contribution. The sum of \$304,000 is authorized for appropriation and is hereby appropriated for expenditure in Fiscal Year 2014 for the purpose of paying subscription costs for citizens who are age sixty (60) years old and older and not working, or are disabled and not working pursuant to 41 PNC §952(a), as amended by RPPL No. 8-14. The entire amount authorized to be appropriated and appropriated in this section shall come from local revenues.

Section 17. PPUC Water & Sewer Operations. The sum of \$1,300,000 is authorized for appropriation and is hereby appropriated for expenditure in Fiscal Year 2014 for water and sewer operations to the Palau Public Utilities Corporation (PPUC). The entire amount authorized to be appropriated and appropriated in this section shall come from Tranche 2 of the ADB WSIP Program Loan.

Section 18. 2014 Micronesian Games. The sum of \$200,000 is authorized for

appropriation for expenditure or obligation in Fiscal Year 2014 for the purpose of funding the participation of Team Palau in the Micronesian Games to be held in Pohnpei, Federated States of Micronesia FSM in 2014. The amount authorized to be appropriated by the Olbiil Era Kelulau is contingent on the Palau National Olympic Committee obtaining matching funds.

Section 19. Outside Grants and Development Assistance. All external funds received from development partners and donors, including, but not limited to, the U.S. Federal Program Grants, Japan Grant Aid, Republic of China (Taiwan) grants, other countries, organizations, or individual donors, are hereby authorized to be appropriated and are appropriated for Fiscal Year 2014 in the amounts received for those specific programs or projects for which they are granted, donated, or otherwise contributed. U.S. Federal Program Grants cost recoveries associated with such program grants may be retained for use by the President for such purposes as are needed to implement such programs or projects for which they were granted. The Minister of Finance shall report monthly to the Olbiil Era Kelulau (OEK) the receipt of any outside grant or development assistance in the proceeding month. In addition to all other reporting requirements established by law or regulation, the Minister of Finance shall submit quarterly reports to the President and the Olbiil Era Kelulau (OEK) setting forth expenditures and obligations of all funds received from outside sources and expended or obligated pursuant to this section.

Section 20. Reprogramming. The President shall have the authority to reprogram funds in Sections 2 and 5 in the Fiscal Year 2014 Budget Act in accordance with 40 PNC § 351.

Section 21. Amendment. Section 330 of Title 40 of the Palau National Code is hereby amended to restore the General Reserve Fund as follows:

“§ 330. General Fund Reserve.

(a) A permanent “General Fund Reserve” is hereby established, into which all unspent appropriated funds shall be deposited. The following revenues shall be managed and invested by the COFA Board of Trustees:

(1) The general fund cumulative surplus balance;

(2) beginning in Fiscal Year 2015, and every Fiscal Year thereafter, an amount not less than 2 percent of actual unrestricted local revenue collections from the preceding fiscal year; and

(3) any additional funding sources identified annually and specified in the annual budget.

(b) The General Fund Reserve may be used only for the following purposes:

(1) Prior to the expiration of the Compact funding period, the General Fund Reserve may be utilized for emergency expenditures under a declared state of national emergency, in accordance with Article VIII, Section 14 of the Constitution, so long as no other funds are available.

(2) Subject to subsection (2)(A), if at the end of the third quarter of a fiscal year, the collected local revenue is at least 5% less than the originally projected local revenue, then the General Fund Reserve may be utilized to offset the shortfall in local revenue in that Fiscal Year, subject to authorization and appropriation.

(3) After expiration of the Compact funding period, the General Fund Reserve may be utilized to fund any lawful purpose.

Section 22. Amendment. Section 3413 of the Title 24 of the Palau National Code, as amended by RPPL No. 8-40, is hereby amended as follows:

“§ 3413. Environmental Protection Fee (“Green Fee”)

(a) Every non-Palauan passport holder departing from the Republic shall be assessed, and shall pay, an environmental protection departure fee (the “Green Fee”) of thirty dollars (\$30.00) upon departure; provided that persons traveling on a passport issued by the Republic of Palau, diplomats, transiting passengers, and masters, pilots, and other crew members of any vessel or aircraft lawfully operating as a common carrier, are exempt from assessment and payment under this section. The money generated from collection of the green fee shall be deposited into two separate accounts within the National Treasury that shall be separate and distinct from all other accounts as set forth in subsection (c) below. Nothing in this Act shall preclude the states from collecting tourist and visitor fees for visiting or using state resources and sites, including Protected Areas Network (“PAN”) sites.

(b) Allocation of Green Fee. In each year’s national government fiscal budget Act the Green Fee Shall be allocated as follows:

(1) Subject to subsection (2), fifty percent (50%) of the funds generated from the collection of the Green Fee shall be authorized and appropriated for the sole purpose of the operation of PAN, to be transferred to the Protected Areas Network Fund as set forth in subsection (C) below. No more than ten percent (10%) of such funds may be used for administrative costs of the operation of the Protected Areas Network; and

(2) The funds collected pursuant to subsection (1) that are earmarked to be transferred to the Protected Areas Network shall be capped at two million dollars (\$2,000,000). Any amount of funds collected pursuant to subsection (1) that is in excess of two million dollars (\$2,000,000) shall be divided equally between the states with established PAN sites.

(3) fifty percent (50%) of the funds generated from collection of the Green Fee shall only be authorized and appropriated for improving the water and sewer system of the Republic or to pay back the loan from the Asian Development Bank that is designed to reform the water and sewer sector (ADB Project No. 44031) or the proposed loan from the Asian Development Bank to fund infrastructure improvements (ADB Project No. 42439) or as source of funding for State Block Grants or as budget reserve funds pursuant to 40 PNC § 330.

(c) Once the funds generated from the collection of the Green Fee have been authorized and appropriated as set forth—

(1) In subsection (b)(1), the Minister of Finance shall transfer fifty percent (50%) or the first two million dollars (\$2,000,000), whichever is less, collected in a Fiscal Year to the Protected Areas Network Fund and any amount collected above two million dollars (\$2,000,000) shall be divided equally and transferred to the states with established PAN sites.

(2) In subsection (b)(3), the Minister of Finance shall transfer the funds collected into a separate and distinct account within the national treasury for use in accordance with subsection (b)(3).

...”

Section 23. Budget Reserve Fund. The sum of \$821,500 is hereby authorized to be appropriated and is hereby appropriated for Fiscal Year 2014 for the purposes of the General Fund Reserve as set forth in 40 PNC §330, as amended by this Act. The amount authorized to be appropriated and that is hereby appropriated shall come from the following available sources: \$288,500 shall come from local revenue; 533,000 shall come from revenue collected in accordance with 24 PNC §3413(b)(3), as amended by this Act.

Section 24. Amendment. RPPL No. 9-5, as amended by RPPL No. 9-7, is hereby amended as follows:

“Section 2. Executive Branch Operations. The sum of \$39,472,500 is authorized for appropriation and is hereby appropriated for expenditure and obligation for fiscal year 2013 for the purpose of covering the operational and contingent expenses of the Executive Branch. The total amount authorized to be appropriated shall be made up of the following available revenues: The amount of \$16,788,500 shall come from local revenues; the amount of \$13,147,000 shall come from the USDOIOIA Fiscal Year 2013 grant assistance provided to Palau; the amount of \$1,300,000 from the 50% allocation of the “Green Fee” for water and sewer system improvements, which shall be applied to subsections 7(k) and 7(l); the amount of \$1,000,000 shall come from Tranche 1 of the ADB Program Loan for Water Sector Improvement Project which shall be applied to subsections 7(k); the amount of up to \$2,237,000 from Tranche 2 of the ADB Program Loan for Water Sector Improvement Project, which shall be applied to subsection 7(k); and the amount of \$5,000,000 shall come from Compact Section 211(f) Trust Fund investment account. The total amount authorized for appropriation and that it is hereby appropriated in this section shall be allocated according to the following schedule, respectively:

...
(5) Ministry of Community & Cultural Affairs
...
(g) Olchotel Belau Fair 0
...
Sub-Total \$956,500
...
Section 2 Total \$39,472,500
...

Section 6. State Block Grants. The sum of \$5,163,600 is hereby authorized to be appropriated and is hereby appropriated for expenditure or obligation for Fiscal Year 2013 for the purpose of State Governments’ operational and capital improvement projects expenses. The entire amount of funds authorized to be appropriated and that is hereby appropriated in this section shall come from local revenues. The amount authorized for appropriation shall be available for expenditure for operations and CIP projects in accordance with 40 PNC Chapter 22. Any unexpended or unobligated balance of the appropriation of this section shall not lapse at the end of the fiscal year. The total authorization and total appropriation shall be allocated according to the following schedule, respectively:

...
Section 26. Inauguration and Independence Day Committee. The sum of fifty thousand dollars (\$50,000) is hereby authorized to be appropriated and is hereby appropriated for expenditure and obligation for Fiscal Year 2013 for the purpose of funding the costs of the Inauguration and Independence Day Celebrations. The entire amount authorized to be appropriated and appropriated in this section shall come from local revenue. Any unexpended or unobligated balance of the appropriation in this section shall not lapse at the end of the fiscal year.

Section 27. Effective date. . . .”

Section 25. Repealer. 40 PNC § 1301(a)(1) and (a)(2) are hereby repealed as follows:

“§ 1301. Imposition of import tax.
(a) Every person who imports into the Republic any of the products set forth as follows in items (1), (2), (4), (5), (6), (7), (8), (9), and (10) below, regardless of purpose, and every person who imports any of the other products set forth below into the Republic for commercial purposes, shall be assessed and levied and shall pay taxes thereon at the following rates:

(1) [REPEALED]
(2) [REPEALED]
...”

Section 26. Tobacco excise tax.

(a) There shall be an excise tax levied on all tobacco products as follows:

(1) Cigarettes shall be taxed at the rate of \$3.50 per 0.017 kilograms. Any pack of cigarettes weighing less than 0.017 kilograms shall be taxed at the rate of \$3.50 per pack. As of January 1, 2015, cigarettes shall be taxed at the rate of \$5.00 per 0.017 kilograms, and packs of cigarettes weighing less than 0.017 kilograms shall be taxed at the rate of \$5.00 per pack.

(2) All other tobacco products shall be taxed at the rate of \$3.50 per 0.017 kilograms. As of January 1, 2015, all other tobacco products shall be taxed at the rate of \$5.00 per 0.017 kilograms. Tobacco products includes any products consisting of or containing the processed leaves of plants from the genus *Nicotiana* or species *tabacum* used for smoking, chewing or as snuff, and including all products which contain tobacco in any form in a amount that is more than an incidental ingredient or component and that is intended for human consumption and may include all parts and materials, such as filters, rods and similar matter.

By March 1, 2017, the Bureau of Revenue, Customs and Taxation, in conjunction with the Minister of Finance, shall submit to the President and both Houses of the Olbiil Era Kelulau a report on the revenue generated by the tobacco excise tax including information on the volume of imported and other tobacco, and future projections of the amount of revenue expected to be generated by the tobacco excise tax for the purpose of providing data for assessing the effect of future excise rates on revenue and tobacco consumption.

(b) any person who imports cigarettes or tobacco products into the Republic of Palau shall pay the applicable excise tax under subsection (a) at the point that the products enter the Republic.

(c) all cigarettes and tobacco products not taxed under subsection (b) shall be subject to the applicable excise tax under subsection (a) at the point when any licensed wholesaler or any other acquirer takes into possession, purchases, or acquires any cigarettes or other tobacco products.

(d) A person arriving in the Republic by common carrier may import into Palau free of taxation under subsection (a) one of the following: one opened pack of cigarettes; one cigar not exceeding 15 grams; or up to fifteen grams of loose smoking tobacco, chewing tobacco, or pipe tobacco, in an opened package.

Section 27. No excise tax exemptions.

No person or entity is exempt from the tobacco excise tax. Any tax exemption enacted prior to the effective date of this section shall not be construed to create an exemption to the tobacco excise tax.

Section 28. Penalties.

(a) Any tobacco products on which the applicable excise taxes have not been paid shall be confiscated by the Bureau of Revenue, Customs and Taxation until such time as the applicable tax and any fines, in addition to storage fees, are paid. If the applicable tax, fines, and storage fees are not paid within fourteen days, the Bureau shall dispose of the confiscated items in a manner to be determined by regulation. The Bureau shall not be liable for any damage to confiscated items.

(b) A person who fails to pay the applicable tobacco excise tax on an amount of tobacco equal or less than 0.2 kilograms shall be penalized as follows:

(1) for a first violation, the person shall be liable for the applicable amount of tax.

(2) for a second violation, the person shall be subject to a civil fine of not more

than \$100 and shall be liable for the applicable amount of tax.

(3) for a third violation, the person shall be subject to a civil fine of not more than \$500 and shall be liable for the applicable amount of tax.

(4) for a fourth or subsequent violation, the person shall be subject to a civil fine of not more than \$1000 and shall be liable for the applicable amount of tax.

(c) A person who fails to pay the applicable tobacco excise tax on more than 0.2 kilograms of cigarettes or other tobacco products shall be penalized as follows:

(1) for a first violation, the person shall be subject to a civil fine of not less than \$500 and not more than \$10,000 and shall be liable for twice the applicable amount of tax.

(2) for a second violation, the person shall be subject to a civil fine of not less than \$1000 and not more than \$20,000 and shall be liable for twice the applicable amount of tax.

(3) for a third or subsequent violation, the person shall be subject to a civil fine of not less than \$1500 and not more than \$50,000 and shall be liable for twice the applicable amount of tax.

(d) A person who knowingly sells or offers for sale tobacco products on which the applicable excise tax has not been paid shall be subject to a civil fine of not less than \$100. For a second or subsequent violation, the person shall be subject to a civil fine of not less than \$500.

(e) Any government employee who aids, abets, or assists an individual to evade paying the tobacco excise tax commits a violation and shall be subject to a fine of up to \$5,000 and imprisonment for a period of up to two years. Any government employee who accepts consideration in exchange for aiding, abetting, or assisting an individual evade paying the tobacco excise tax commits a felony and shall be subject to a fine of up to \$10,000 and imprisonment for a period of up to five years.

(f) The penalties in this Section are provided in addition to any other penalties in the Code and shall not be interpreted to supersede those other penalties.

Section 29. Excise tax refund for exported products.

A manufacturer of locally produced tobacco products shall be entitled to a refund of excise taxes actually paid for locally produced tobacco exported out of Palau. For the purposes of this section, locally produced products shall be deemed exported if delivered to the buyer at a point or points within the Republic in a manner whereby such products may not reenter the Republic without customs examination and control.

Section 30. Restriction on duty-free tobacco. Cigarettes and other tobacco products purchased at duty-free retail concession within or outside the Republic shall not be exempt from the applicable tobacco excise tax. Any person importing into the Republic cigarettes or other tobacco products purchased at a duty-free retail concession shall declare those products upon arrival in the Republic and shall be liable for the applicable amount of tax. Any person who fails to comply with this Section commits a violation and shall be liable pursuant to the penalties provided under 28 PNC § 610.

Section 31. Regulations. The Bureau of Revenue, Customs and Taxation shall promulgate regulations implementing the tobacco excise tax, including by:

(a) Prescribing the form of evidence, such as issuance of revenue stamps, or the use of a bonded warehouse, to ensure that the applicable excise tax is paid on all tobacco products including both imported and locally produced tobacco products.

(b) Prescribing procedures for the payment of the tobacco excise tax.

(c) Prescribing procedures for the licensing of domestic producers of all tobacco products.

(d) Prescribing procedures for the administration of fines, including by informing an individual of the right to appeal a fine to the Supreme Court.

Section 32. Effective Date.

(a) Sections 25 through 31 of this Act shall take effect on January 1, 2014.

(b) All other provisions of this Act shall take effect upon the Act’s approval by the President of the Republic of Palau, or upon its becoming law without such approval.

PASSED: August 29, 2013

Approved this 10th day of September, 2013

_____/s/_____
Tommy E. Remengesau, Jr.
President of the Republic of Palau